



AMAZONMINING

AMAZON MINING HOLDING PLC

Management's Discussion & Analysis

Financial Information

for the period ended 31 December 2010

AMAZON MINING HOLDING PLC

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

The following management's discussion and analysis ("MD&A") of the operating results and financial condition of Amazon Mining Holding PLC ("Amazon" or the "Group") and its subsidiaries is for the year ended December 31, 2010. The following discussion provides information that management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union and with IFRSs and their interpretations issued by the IASB. All amounts herein are expressed in Canadian Dollars unless otherwise stated, and the information is current to March 3, 2011. Previous results were reported in GB Pounds and the comparative information has been translated at a rate of 1.67 Canadian Dollars to 1 GB Pound for assets, liabilities and equity items; and 1.78 Canadian dollars to 1 GB pound for income and expenses.

Additional information relating to the Group is available under the Group's profile on SEDAR at www.sedar.com and the Group's website at www.amazonplc.com.

FORWARD LOOKING STATEMENTS

This discussion may contain forward-looking statements. Although the Group believes that its expectations reflected in forward-looking information are reasonable, such information involves known or unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group or the Group's projects in Brazil to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such risk factors include, but are not limited to: general business, economic, competitive, political and social uncertainties; the actual results from current exploration activities; conclusions of economic evaluations; unexpected increases in capital or operating costs; changes in equity markets, inflation and changes in foreign currency exchange rates; changes in project parameters as plans continue to be refined; changes in labour costs; future prices of gold and commodities; possible variations of mineral grade or recovery rates; accidents, labour disputes and other risks of the mineral exploration industry; political risks arising from operating in Brazil; delays in obtaining governmental consents, permits, licences and registrations; approvals or financing; as well as those factors discussed in the section entitled "Risk Factors" in this MD&A.

Although the Group has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein, unless stated otherwise, is made at the date of this MD&A and the Group makes no responsibility to update them or to revise them to reflect new events or circumstances, except as required by law.

GROUP OVERVIEW

The principal activity of the Group is that of a mineral exploration and development Group engaged in the acquisition and exploration of mineral properties in Brazil. The Group's priority is the development of Cerrado Verde project. Cerrado Verde is the source of a potash rich rock from which Amazon plans to produce a slow-release, non-chloride, multi-nutrient, fertilizer product.

Amazon's ordinary shares trade on the Canadian Toronto Venture Exchange (TSX-V) under the symbol "AMZ".

HIGHLIGHTS OF THE FOURTH QUARTER

- The Company received positive Preliminary Economic Assessment ("PEA" or the "Scoping Study") results in October by SRK Consulting and ECM S/A Projetos Industriais. The Scoping Study evaluated the technical and financial aspects of the mine operation and beneficiation facilities. The Scoping Study results support Amazon's positive outlook on Cerrado Verde's value.
- The Company also received independent market study (the "Marketing Study") conducted by Agroconsult Consultoria & Marketing for the Cerrado Verde Project. The Marketing Study determined potential sales price of ThermoPotash in the Brazilian potash market.
- Amazon is working with University of Cambridge to study a process to produce muriate of potash and sulphate of potash from Verdete Slate. In December 2010, the Company filed a patent application for the process.
- Secretary of Finance of Minas Gerais State Government assents special tax treatment for the Cerrado Verde project.
- The Company is continuing its study of the agronomic benefits of ThermoPotash.
- Amazon successfully raised \$14.5 million via private placement financing in December 2010 and January 2011.

PROJECT OVERVIEW

A summary of the Group's current projects are as follows:

Cerrado Verde

During Q3 2008 the Group staked a large mineral occurrence of a potash bearing rock, known as Verdete slate ("Verdete") that is believed to be uniquely suited to Brazil's domestic fertilizer needs.

Cerrado Verde is source of a potash rich rock from which Amazon plans to produce a slow-release non-chloride multi-nutrient fertilizer product. The main potash-bearing minerals of Verdete are glauconite (a hydrated potassium-iron silicate) and sericite (a monoclinic, basic potassium aluminosilicate of the mica group), with K_2O contents ranging from 5% to 14%. Amazon has proposed manufacture of ThermoPotash, a new fertilizer, produced using pyrometallurgical processes with desirable characteristics: it is slow release, non-chloride and multi-nutrient. In addition, the Group is developing new routes to manufacture conventional potash salts from Verdete slate.

In January 2010, the Group announced the completion of resource confirmation drill holes in the Funchal Norte target at the Cerrado Verde project. In total 1,000 metres in 19 vertical holes were drilled to evaluate potash grades. Drilling delineated two distinct zones of mineralization, a Massive Glauconite Zone, grading 10% to 13% K_2O dark green in colour, with rare argillite intercalations which is projected to be the focus of resource calculation and economic analysis and a lower grade mineralization zone which was classified as a Transition Zone, grading 5% to 9% K_2O light green in colour, with more abundant argillite intercalations.

On March 8, 2010 the Group received an initial National Instrument (NI) 43-101 compliant inferred mineral resource estimation of 105 million tonnes at 10.3% K_2O Inferred Resource for its Cerrado Verde potash project completed by Coffey Mining.

Beginning in March 2010, the Group produced trial versions of its proposed ThermoPotash product.

As of August 2010, the Group received excellent results from solubility tests and nutrient availability tests for ThermoPotash with the University of Uberlandia in Minas Gerais, Brazil.

The University of Cambridge in the United Kingdom, led by Professor Dr Derek Fray continues to evaluate new routes capable of producing Muriate of Potash (KCl) and Sulphate of Potash (SOP) from Cerrado Verde's potash rock. The Group will provide a comprehensive update when further progress is achieved and considered to be material.

In October 2010 the Group announced the results of a Scoping Study which support Amazon's positive outlook on Cerrado Verde's value and represent a significant milestone towards full development of the Project.

In December 2010 the Secretary of Finance of Minas Gerais State assented special tax treatment for the Project.

In February 2011 the Company announced a drilling program to expand its potash resource at the Project.

Apatita

The Group has staked a large claim in the western part of Minas Gerais adjacent to the Cerrado Verde project, prospective for phosphate. Further the Group holds 100% of the mineral rights.

In May 2010, during the course of detailed geological work on the Cerrado Verde property, Amazon geologists discovered a geological feature with phosphate mineralization. Follow up work in the area led management to expand claims in the area to explore the extent of the feature for economic grades of phosphate. Amazon is currently pursuing an exploration program for phosphate including surface sampling and diamond drilling.

The base of the geologic unit where the phosphate occurs is represented by sandstones of the Areado Group. This is overlain by a sequence of sandstone, conglomerates and greywackes. The phosphate occurs primarily in the cement of the rocks as well as fragments in the greywacke and conglomerates. The primary phosphate mineral identified by petrographical studies undertaken by Amazon is apatite, but secondary phosphate minerals such as crandallite and wavellite have also been identified in the weathered zone.

In October 2010 the Group concluded a drilling campaign, encouraged by the preliminary results on two of three phosphate prospects tested at Apatita. The programme consisted of 12 holes for a total of 1,022 m of HQ sized diamond core. The Group plans to continue drilling, with a view to completing a NI 43-101 compliant resource estimate. In addition, Amazon will continue its exploration on five other prospects that have been identified along the strike length.

In February 2011 the Company announced a drilling program to explore Apatita.

Madeira

The Madeira gold project is located in Amazonas State of Western Brazil. There are no staged payments to underlying owners.

The Group has completed a reconnaissance drill program. Gold mineralization was also encountered in the coarse-grained sandy stratigraphic layers occurring above and below the targeted Mocururu structure. Historically, buried conglomerate structures exposed by the Madeira River provided for reported gold production of over 1.6 million ounces. The interpretation of the geological setting is that the Mocururu mineralization is a result of the transport and deposition of gold and heavy minerals that were eroded during the uplift of the Bolivian Andes. Given the abundance of identified gold deposits in the Andean cachement feeding this basin, the Group believes it controls a highly prospective area. The initial results are the first clear indication that gold mineralization extends beyond the immediate vicinity of the Madeira River.

Tucano

During Q2 2009 as part of the Uaua Pesquisa transaction, the Group acquired the Tucano project. The project is located in Bahia State approximately 277km southwest of Salvador City. Vanadium and uranium mineralization occur in the Mesozoic Sergi Formation of the Tucano Basin, associated with organic-rich and green colored clay alluvial sandstones. The exploration target is vanadium bearing oxides. Current Brazilian legislation establishes uranium as a federal monopoly.

In May 2010, Amazon completed a 300m drill program at the Tucano Project in Bahia, Brazil, to maintain its claims. The drill holes were assayed for vanadium only. Historical work suggests that Tucano is host to potentially economic grades of vanadium and uranium, uranium was not assayed for as it remains a controlled mineral in Brazil. Amazon has temporarily suspended drilling on a further 6 holes in order to concentrate on the Cerrado Verde project.

SUMMARY OF EXPLORATION CLAIM AREAS

Amazon holds mineral claim titles in two categories of the Brazilian land tenure process. Pedido de Pesquisa applications for exploration licences and Alvará de Pesquisa granted exploration licences. For applications the National Department of Mineral Production (“DNPM”) will normally grant the permit on a priority of application basis. Applications are sequentially numbered and dated upon filing with the DNPM. A granted licence allows the holder to prospect a mineral property. An exploration licence from the DNPM specifies the properties included within the area of prospecting and defines the latter by locality, boundaries and surface area. An exploration licence is valid for one to three years, and can be renewed for a further period under special conditions and may be transferred. Licence areas are in hectares.

Project	State	Permit Applications	Granted Permits	Request for extension	Total
Madeira	Amazonas	15,012	29,687	-	44,699
Cerrado Verde	Minas Gerais	-	112,351	-	112,351
	Goias	-	6,734	-	6,734
Calcario	Minas Gerais	7,329	-	-	7,329
Tucano	Bahia	1,000	3,852	34,431	39,283
Apatita	Minas Gerais	1,860	161,518	-	163,378

SUMMARY OF DEFERRED EXPLORATION EXPENSES

During the year ended December 31, 2010, the Group incurred and capitalized project acquisition and exploration costs. The following table summarizes the deferred exploration costs of active projects capitalized to Intangible Assets to December 31, 2010 by the Group:

Project	20 months to December 31, 2007	12 months to December 31, 2008	12 months to December 31, 2009	12 months to December 31, 2010	Expenditure written off	Total
	\$	\$	\$	\$	\$	\$
Madeira	196,747	335,392	336,157	14,301	-	882,598
Caximbo	-	118,122	101,177	1,066	(220,365)	-
Cerrado Verde	-	143,106	460,863	1,363,345	-	1,967,313
Apatita	-	-	-	867,237	-	867,237
Mimoso	-	-	193,616	10,110	(203,726)	-
Tucano	-	-	140,691	248,761	-	389,452
	<u>196,747</u>	<u>596,620</u>	<u>1,232,504</u>	<u>2,504,820</u>	<u>(424,091)</u>	<u>4,106,600</u>

Movement for the period is expenditure incurred net of exchange differences.

OUTLOOK

Amazon continues to develop its Cerrado Verde Potash project. The target is to be in production by the end of 2013. The Group will continue engineering studies, drilling, construction, finance and environmental licensing efforts to achieve this target.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table provides information on selected operating results for the past eight fiscal quarters:

All amounts in \$	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010
Revenue	-	-	-	-
Administrative Expenses	652,496	612,444	726,691	250,440
Deferred exploration costs written off	-	-	424,091	-
Exploration costs	-	-	-	-
Foreign exchange gains/(losses)	2,350	(12,301)	(2,950)	(8,335)
Net (loss)/ profit	(638,371)	(539,180)	(1,094,372)	(248,932)
(Loss)/profit per share (basic and diluted)	(0.023)	(0.019)	(0.039)	(0.008)
All amounts in \$	31 Dec 2009	30 Sep 2009	30 Jun 2009	31 Mar 2009
Revenue	-	-	-	-
Administrative Expenses	317,739	439,587	292,644	320,639
Deferred exploration costs written off	15,517	-	-	-
Exploration costs	228,846	-	-	-
Foreign exchange gains/(losses)	270,058	777,464	(604,567)	(27,917)
Net (loss)/ profit	(285,047)	352,375	(1,103,734)	(330,748)
(Loss)/profit per share in (basic and diluted)	(0.013)	0.013	(0.038)	(0.011)

In Q3 2009 administrative expenses increased compared to Q2 2009 mainly as a result of an increased share based payment charge. In Q2 2010 administrative expenses increased compared to Q1 2010 as a result of increased promotional activity and an increased share based payment charge.

HISTORICAL CORPORATE OVERVIEW

Amazon has corporately evolved and strengthened over the period May 2006 to December 2010. During the year ended April 30, 2007, the Group restructured via a group reorganization with Amazon Mining Ltd. ("AML") which included the wholly-owned Brazilian subsidiary Pesquisa Mineral e Mineracao Ltda. Net proceeds of \$1,701,098 were raised during the year and initial acquisition and exploration activity commenced with an aggregate of \$407,194 expended in respect of the Tocantins, Madeira and Terra Branca projects in Brazil.

During the eight-month period ended December 31, 2007, the Group continued its restructuring by consolidating common shares on a 5 to 1 basis and completing its Initial Public Offering and listing on the TSX Venture Exchange. As much of the effort during the period was focused on conducting the IPO process, most of the \$962,209 in deferred exploration costs concerned property maintenance costs on the Tocantins, Madeira and Terra Branca projects and preliminary exploration work on the Lavras project. Following the close of the IPO in November 2007, which raised net proceeds of \$12,422,836, efforts were quickly directed to setting up the Brazilian corporate infrastructure in anticipation of commencement of full exploration activity in January 2008.

The year ended December 31, 2008 comprised two distinct levels of corporate operations. The first half of the year involved a steady period of headcount ramp-up and significant exploration on the Tocantins and Lavras projects. Combined with maintenance and acquisitions costs associated with the Terra Branca, Caximbo and Cerrado Verde projects, annual deferred exploration costs incurred aggregated to \$2,732,066. The second half of the year saw a dramatic reversal of headcount and exploration activity for two reasons:

1. the lack of positive drill results that would indicate the presence of a viable gold resource prompted the decision to discontinue exploration on the Tocantins and Lavras projects and write-down all associated deferred exploration costs; and
2. with the growing global economic turmoil, the Group considered it prudent to scale back all facets of corporate activity and preserve cash reserves.

During the year ended December 31, 2009 the Group concentrated its exploration activity on the Cerrado Verde Project initiating a drilling program to delineate an initial resource. The Group maintained its licences on the Madeira and Caximbo projects and acquired mining rights to copper, zinc or vanadium on two properties in Brazil known as the "Tucano" and "Mimoso" projects as a result of the acquisition of Uaua.

During the six months ended June 30, 2010 the Group made the decision to discontinue the Caximbo and Mimoso projects in order to focus the Group's fiscal and human resources in developing a fertilizer business at the Cerrado Verde property.

RESULTS OF OPERATIONS

Three and twelve months ended December 31, 2010 as compared to the three and twelve months ended December 31, 2009

All amounts in \$	3 months ended Dec 31, 2010	3 months ended Dec 31, 2009	12 months ended Dec 31, 2010	12 months ended Dec 31, 2009
Revenue	-	-	-	-
Administrative salary costs	112,261	55,582	301,066	166,016
Consultancy	145,109	119,888	590,003	415,429
Legal and professional	75,638	56,885	255,365	333,849
Travel and investor relations	167,191	36,588	482,738	120,176
General administrative expenses	42,789	32,832	200,518	112,309
Share based payments	<u>109,508</u>	<u>15,964</u>	<u>412,381</u>	<u>222,830</u>
Administrative expenses	652,496	317,739	2,242,071	1,370,609
Exploration expenditure written off	-	(15,517)	(424,091)	(15,517)
Exploration costs	-	(228,846)	-	(228,846)
Exceptional share issue cost	-	-	-	(226,113)
Exchange (losses)/gains	<u>2,350</u>	<u>270,058</u>	<u>(21,236)</u>	<u>415,038</u>
Operating profit/(loss)	(650,145)	(292,044)	(2,687,398)	(1,426,047)
Interest income	69,531	16,524	224,300	68,420
Corporation tax	<u>(57,757)</u>	<u>(9,527)</u>	<u>(57,757)</u>	<u>(9,527)</u>
Net loss	(638,371)	(285,047)	(2,520,855)	(1,367,154)

Three months ended December 31, 2010

Compared to the three months ended December 31, 2009, the net loss for the three months ended December 31, 2010 increased by \$353,324 to \$638,371 and the loss per share increased from \$0.013 to \$0.023.

Administrative salary costs

The administrative salary costs include the remuneration of the directors and the administrative staff employed in Brazil. The increase of \$56,679 relates to increased administrative staff in Brazil.

Consultancy

Consultancy expenses include fees paid to key management and external consultants. The increase of \$25,221 reflecting increased consultancy costs in Brazil of \$7,004 and Canada of \$28,623 and reduced consultancy fees paid to executive directors of \$10,406.

Legal and professional

Legal and professional fees include legal, accountancy, audit related and regulatory costs. The increase of \$18,753 reflects increased legal and accountancy costs related to the fundraising carried out during the quarter.

Travel and investor relations expenses

Travel and investor relations expenses include international flights, national travel within Brazil, public relations and attendance at trade shows. The increase of \$130,603 reflects increased travel costs of \$54,536 and an increase in investor relation expenses of \$76,067 reflecting the increased investor relation activity during the quarter.

General administrative expenses

These costs include general office expenses, rent and occupancy fees, insurance and equipment depreciation. The increase of \$9,957 mainly relates to increased rental costs.

Share based payments

These costs represent the expense associated with stock options granted to employees, directors and consultants. The amount recorded in a particular period is directly related to the number of options that have vested with recipients during that period. Stock-based compensation expense recognized during the three months ended December 31, 2010 was \$109,508, an increase of \$93,544 over the three months ended December 31, 2009.

Exchange gains/losses

Exchange gains reduced by \$267,708 to \$2,350 compared to the three months ended December 31, 2009. This decrease reflects the Group's decision to change the presentational currency to Canadian Dollars on 1 January 2010.

LIQUIDITY AND CASH FLOWS

For additional detail see the consolidated statements of cash flows for the year ended December 31, 2010 and the year ended December 31, 2009 in the annual financial statements.

Cash received used for:	3 months ended December 31, 2010	3 months ended December 31, 2009	12 months ended December 31, 2010	12 months ended December 31, 2009
Operating activities	(541,138)	(254,282)	(2,174,669)	(1,159,154)
Investing activities	(739,495)	(192,334)	(2,053,967)	(653,357)
Financing activities	4,233,384	54,000	4,235,034	54,000

At December 31, 2010, the Group held cash of \$7,525,013, a decrease of \$43,525 from the cash balance at December 31, 2009.

Operating activities

For the three months ended December 31, 2010 net cash utilised in operating activities was \$541,138, an increase of \$286,856 from Q4 2009. The increase mainly reflects the increase in cash operating losses as compared to Q4 2009.

Investing activities

For the three months ended December 31, 2010 net cash utilised in investing activities was \$739,495, an increase of \$547,161 from Q4 2009. This increase is mainly due to increased expenditure on the Cerrado Verde project of \$443,980, an amount of \$197,486 spent on the Apatita project and a reduction of \$22,675 on the Rio Madeira and Caximbo projects offset by an increase in bank deposit interest received of \$71,630.

Financial condition

At December 31, 2010 the Group had current assets of \$7,577,851 and current liabilities of \$705,377 providing a working capital surplus of \$6,872,474 which represents an increase of \$131,581 since December 31, 2009. The Group raised additional finance of approximately \$9.4 million in a private placement in January 2011.

In order to maintain the Group's exploration programmes at the current levels the directors and management are considering an equity financing within the next 12 months. However, should market conditions not be suitable for an equity financing within this timescale, the exploration works will be reduced in order to ensure that the Group has adequate working capital to remain in operational existence until market conditions improve. The directors therefore consider it appropriate to prepare these financial statements on the going concern basis.

However, the existing funds will not be sufficient to bring the projects into development and production, should it be warranted, and in due course further funding would be required. In the event that the Group is unable to secure further finance it may not be able to fully develop its projects which may have a consequential impact on the recoverability of the carrying value of the related intangible assets.

COMMITMENTS

The Group does not have any contractually material exploration and development capital expenditure commitments.

OFF-BALANCE SHEET FINANCING

The Group has not entered into any off-balance sheet financing arrangements.

FINANCIAL INSTRUMENTS

The board of directors determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, interest rate risk and liquidity risk each of which is discussed below. There is no perceived credit risk as the Group has no trade receivables and minimal other receivables and bank deposits are made with financial institutions considered to be safe by the board of directors. The maximum credit risk to which the Group was exposed at December 31, 2010 was \$7,577,851 (December 31, 2009: \$7,893,247). There were no derivative instruments outstanding at December 31, 2010.

Foreign currency risk

The Group's cash resources are held in GB Pounds, Canadian Dollars and Brazilian Reais. Exchange rate fluctuations may adversely affect the Group's financial position and results. The Group's financial results are reported in Canadian Dollars and its costs are primarily incurred in GB Pounds, Canadian Dollars and Brazilian Reais. The appreciation of GB Pounds or Brazilian Reais against the Canadian Dollar could increase the actual capital and operating costs of the Group's mineral exploration projects and materially adversely affect the results presented in the Group's financial statements. Currency exchange fluctuations may also materially adversely affect the Group's future cash flow from operations, its results of operations, financial condition and prospects. The group has a general policy of not hedging against foreign currency risks. The group manages foreign currency risk by regularly reviewing the balances held in currencies other than the functional currency.

The Group had the following cash and cash equivalents in currencies other than its presentational currency. The amounts are stated in Canadian Dollar equivalents.

	31.12.10	31.12.09
	\$	\$
GB Pounds	224,755	57,281
Canadian Dollars	5,052,295	7,463,197
Brazilian Reais	2,247,963	48,060
	<u>7,525,013</u>	<u>7,568,538</u>

Following the receipt of cash from the financing in January 2011, \$10 million was converted to Brazilian Reais at 1.686 Reais to 1 Canadian Dollar and placed on deposit at an interest rate of 11.25%.

The balance of cash and cash equivalents held on deposit are as follows:

	31.12.10	31.12.09
	\$	\$
Canadian Dollars	435,892	6,792,694
Brazilian Reais	2,169,367	-
	<u>2,605,259</u>	<u>6,792,694</u>

At December 31, 2010 the Canadian Dollar deposits were held as money market deposits, maturing between 52 and 74 days at interest rates between 0.50% and 1.07%. The Brazilian Reais deposits are held as interbank deposit certificates, maturing in March 2013 at a current interest rate of 10.75%. Withdrawals may be made without notice or penalty.

Foreign currency risk sensitivity analysis showing a 10% weakening/strengthening of the GB Pound and Brazilian Reais against Canadian Dollars with all other variables held constant:

	Equity	
	31.12.10	31.12.09
	\$	\$
10% weakening of GB Pound	(14,965)	(466,126)
10% strengthening of GB Pound	16,628	569,711
10% weakening of Brazilian Real	(473,290)	(387,312)
10% strengthening of Brazilian Real	578,462	473,382

Liquidity risk

To date the Group has relied on shareholder funding to finance its operations. As the Group has finite cash resources and no material income, the liquidity risk is significant and is managed by controls over expenditure and cash resources.

Interest rate risk

The Group's policy is to retain its surplus funds on the most advantageous term of deposit available up to twelve month's maximum duration. Given that the directors do not consider that interest income is significant in respect of the Group's operations no sensitivity analysis has been provided in respect of any potential fluctuations in interest rates.

Financial assets

The floating rate financial assets comprise interest earning bank deposits at rates set by reference to the prevailing LIBOR or equivalent to the relevant country. The Group has no fixed rate deposits.

Fair values

In the directors' opinion there is no material difference between the book value and fair value of any of the Group's financial instruments.

The classes of financial instruments are the same as the line items included on the face of the balance sheet and have been analysed in more detail in the notes to the accounts. All the Group's financial assets are categorised as loans and receivables and all financial liabilities are measured at amortised cost.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the Group select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date, and reported costs and expenditures during the reporting period. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly. A summary of critical accounting estimates are described below:

Deferred exploration and evaluation expenditure

All costs incurred prior to the application for the legal right to undertake exploration and evaluation activities on a project are expensed as incurred.

Exploration and evaluation costs arising following the application for the legal right are capitalised on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical and administrative overheads and includes:

- researching and analysing historical exploration data
- gathering exploration data through topographical, geochemical and geophysical studies
- exploratory drilling, trenching and sampling
- determining and examining the volume and grade of the resource
- surveying transportation and infrastructure requirements
- conducting market and finance studies

Impairment reviews for deferred exploration and evaluation costs are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise such as:

- (i) unexpected geological occurrences that render the resource uneconomic
- (ii) title to the asset is compromised
- (iii) variations in metal prices that render the project uneconomic

The Group may periodically revise its valuation based on additional exploration results and determine that the carrying value of the property on the balance sheet is impaired. When such a change in estimate is made, there may be a material effect on the balance sheet and income statement.

Share-based payments

The Group charges the Income Statement with the fair value of share options issued. This charge is not based on historical cost, but is derived based on assumptions input into an option pricing model. The model requires management to make several assumptions as to future events, including: an estimate of the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Group's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value which the holder of the option could receive in an arm's length transaction, given there is no market for the options and they are not transferable. The value derived from the option pricing model is highly subjective and dependent entirely upon the input assumptions made.

RELATED PARTY TRANSACTIONS

The Group incurred consultancy and travel expenses of \$285,359 for the year ended December 31, 2010 (year ended December 31, 2009: \$209,397) under service agreements with directors.

MI 52-109 COMPLIANCE

Internal controls over financial reporting

As at December 31, 2010, the Chief Executive Officer, C Veloso and the Chief Financial Officer, T Slater, evaluated the design of the Group's internal controls over financial reporting. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design of internal control over financial reporting was effective as at December 31, 2010 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

FINANCIAL REPORTING STANDARDS

During the period the Group has adopted the following International Financial Reporting Standards which have had no material effect in the financial statements for the period ended December 31, 2010:

IFRS /Amendment	Title	Application date of standard	Application date for Group
IFRS3/IAS27 amendment	Business combinations/consolidated and separate financial statements	1 July 2009	1 January 2010

International Financial Reporting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the reporting period ended December 31, 2010:

IFRS /Amendment	Title	Application date of standard	Application date for Group
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2013	1 January 2013
IAS 24	Related Party Disclosures	1 January 2011	1 January 2011

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments has also been issued and applies to accounting periods commencing on or after July 1, 2010.

Management have reviewed the impact of the above standards and have determined that they do not result in any changes on the profit or loss or financial position of the Group.

OUTSTANDING SHARE DATA

As at the date of this MD&A the following securities are outstanding:

Ordinary Shares	31,991,636
Brokers' warrants	208,686
Stock Options	2,890,469
Total	<u>35,090,791</u>

RISKS

The exploration for and exploitation of natural resources are speculative activities that involve a high degree of risk. The following risk factors should be considered in assessing the Group's activities. Should any one or more of these risks occur, it could have a material adverse effect on the business, prospects, assets, financial position or operating results of the Group. The risks noted below do not necessarily comprise all those faced by the Group. Additional risks not currently known to the Group or that the Group currently deems would not likely influence an investor's decision to purchase securities of the Group may also impact the Group's business, prospects, assets, financial position or operating results.

Early Stage Projects and Dependence on Mineral Exploration Projects

Each of the Group's projects is at the exploration stage. There is no certainty that the expenditures made by the Group towards the search and evaluation of mineral deposits on these or any other properties will result in discoveries of commercially exploitable reserves. Furthermore, unless the Group acquires additional properties or projects, any adverse developments affecting these projects or the Group's rights to develop mining concessions that are held on these properties, could materially adversely affect the Group's business, financial condition and results of operations.

Mineral Resources

The resource estimates for the Cerrado Verde Project are estimates only and no assurances can be given that the estimated levels of potash will actually be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling and exploration results and industry practices. Estimates made at any given time may significantly change when new information becomes available or when parameters that were used for such estimates change. While the Group believes that the resource estimates included are well established, by their nature resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time. Currently, the Group does not have any measured and indicated mineral resources or proven and probable reserves (as such terms are defined in NI 43-101) on any of its properties. No assurance can be given that mineralization will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade, geological formation and proximity to infrastructure; commodity prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. If the Group is unable to upgrade the current estimated inferred mineral resources on the Cerrado Verde Project to measured and indicated mineral resources or proven and probable mineral reserves in sufficient quantities to justify commercial operations, it would be unable to develop a mine on the Cerrado Verde Project and its business, financial condition and results of operations could be adversely affected.

Exploration and Operating Risks

The exploration for mineral deposits is a speculative venture involving a high degree of risk. Even a combination of careful evaluation, experience and knowledge may not eliminate such risk. Unusual or unexpected rock formations, unanticipated changes in metallurgical characteristics and mineral recovery, environmental hazards, fires, power outages, labour disruptions, flooding, cave-ins, landslides, unfavourable operating conditions and the inability of the Group to obtain suitable machinery, equipment or labour are all risks involved with the conduct of exploration programs and the operation of mines. Should any of these risks and hazards adversely affect the Group's mining operations or activities, it may cause an increase in the cost of operations to the point where it is no longer economically feasible to continue such operations or activities. It may also require the Group to write down the carrying value of one or more mines or a property, cause delays or a stoppage in mineral exploration, development or production, result in damage to or destruction of mineral properties or processing facilities, and may result in personal injury or death or legal liability, all of which may have a material adverse effect on the Group's financial condition, results of operation, and future cash flows. Substantial expenditures may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing may be required. There is no assurance that commercial quantities of potash or other commercially desirable minerals will be discovered on the Group's current properties or other future properties, nor is there any assurance that the Group's exploration program on such properties will yield positive results.

Economic Extraction of Minerals from Identified Deposits May Not be Viable

The development of any of the Group's projects into commercially viable mines cannot be assured. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of a deposit, such as its size, grade and geological structure (including the fact that there can be no assurance that Verdete deposits will prove suitable for the commercial mining and production of potash); prevailing commodity prices, which are highly cyclical; costs and efficiency of recovery and production methods that can be employed; proximity to infrastructure; availability and costs of additional funding; and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of commodities and environmental protection. Estimates of mineral resources and mineral reserves are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and technical report studies. This information is used to calculate estimates of the capital cost and operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the mineral resource, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that the actual capital cost, operating costs and economic returns of any proposed mine may differ from those estimated and such differences could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The effect of these factors cannot be accurately predicted but any combination of these factors may result in the Group not receiving an adequate return on its invested capital, if any, and/or may result in the Group being unable to develop a mineral deposit into an operating mine. There can be no assurance that the Group will be able to complete development of any development project at all or on time or on budget due to, among other things, and in addition to those factors described above, changes in the economics of the mining project, delays in receiving required consents, permits and licenses (including mineral subsurface rights), the delivery and installation of plant and equipment and cost overruns, or that the Group's personnel, systems, procedures and controls will be adequate to support operations. Should any of these events occur, it would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Product Development

Substantial expenditures may be required to develop a commercially viable method for producing ThermoPotash or for manufacturing conventional potash salts from Verdete, and substantial additional financing may be required. There is no assurance that such commercially viable methods will be discovered or developed to the point of commercial production. There can be no

assurance that ThermoPotash will prove suitable for its intended use or be able to compete against other fertilizer products, whether based on potash or other minerals.

Unproven market

Currently, ThermoPotash is not commercially produced or sold in Brazil. As a consequence, there is no current market for this product. Should commercial demand for ThermoPotash fail to develop, the Group's business model may not be appropriate.

Uninsurable Risks

The exploration, development and production of mineral properties involves numerous risks including unexpected or unusual geological operating conditions such as rock bursts, cave-ins, fires, flooding and earthquakes. Insurance may not be available to cover all of these risks, may only be available at economically unacceptable premiums or may be inadequate to cover any resulting liability. Any uninsured liabilities that arise would have a material adverse effect on the Group's business and results of operations.

Operations in Foreign Countries and Regulatory Requirements

The Group's principal properties are located in Brazil and mineral exploration and mining activities may be affected in varying degrees by changes in political, social and financial stability, inflation and changes in government regulations relating to the mining industry. Any changes in regulations or shifts in political, social or financial conditions are beyond the control of the Group and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety. Brazil's status as a developing country may make it more difficult for the Group to obtain any financing required for the exploration and development of its properties due to real or perceived increased investment risk. Currently there are no restrictions on the repatriation from Brazil on the earnings of foreign entities. Capital investments registered with the central bank in Brazil may similarly be repatriated. There can be no assurance that restrictions on repatriation of earnings and capital investments from Brazil will not be imposed in the future.

Competition

The Group competes with other mining companies, many of which have greater financial and technical resources and experience, particularly with respect to the potash industry and the limited number of mineral opportunities available in South America. Competition in the mining industry is primarily for properties which can be developed and can produce economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. In addition, many competitors not only explore for and mine potash, but conduct refining and marketing operations on a world-wide basis. Such competition may result in the Group being unable to acquire desired properties on terms acceptable to the Group, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. The Group's inability to compete with other mining companies for these resources would have a material adverse effect on the Group's business and results of operations. In the future, if the Cerrado Verde Project is brought into production, the Group may also compete with other potash mining and/or marketing companies, many of which have greater marketing, financial and technical resources and experience, in exporting and marketing its potash or potash-based products. In addition, in such circumstances the Group will be vulnerable to increases in the supply of potash beyond market demand either from the opening of new potash mines or the expansion of existing potash mines by the Group's competitors, which could depress prices and have a material adverse effect on the Group's business, financial condition and results of operation.

Title Matters

While the Group has diligently investigated title to all mineral properties and, to the best of its knowledge, title to all properties is in good standing; this should not be construed as a guarantee of title. The properties may be affected by undetected defects in title, such as the reduction in size of the mineral claims and other third party claims affecting the Group's priority rights, at the

discretion of the DNPM. The Group's interests in mineral properties are comprised of exclusive rights under government licences and contracts to conduct operations in the nature of exploration and, in due course if warranted, development and mining, on the licence areas. Maintenance of such rights is subject to ongoing compliance with the terms of such licences and contracts.

Uncertainty of Acquiring Necessary Permits

The Group's current and future operations will require approvals and permits from various federal, state and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of such approvals and permits for the existing operations or additional approvals or permits for any possible future changes to operations. Prior to any development on any of its properties, the Group must receive permits from appropriate governmental authorities. There can be no assurance that the Group will continue to hold all permits necessary to develop or continue operating at any particular property or obtain all required permits on reasonable terms or on a timely basis.

No Production Revenues

The Group does not commercially mine, produce or sell any mineral products at this time. The Group does not expect to generate revenues from mining operations in the foreseeable future. The Group expects to continue to incur losses until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The exploration and development of the Group's properties will require the commitment of substantial resources to conduct time-consuming exploration and development programs. There can be no assurance that the Group will generate any revenues or achieve profitability. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate. There can be no assurance that significant additional losses will not occur in the near future or that the Group will be profitable in the future. The Group's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Group's acquisition of additional properties and other factors, many of which are beyond the Group's control.

Uncertainty of Additional Capital

In the past, the Group has relied on sales of equity securities to meet its capital requirements. The development of the Group's properties depends upon the Group's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There is no assurance that the Group will be successful in obtaining the required financing. The ability of the Group to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of the Group. The development and exploration of the Group's projects may require substantial additional financing. Failure to obtain such financing may result in delaying or indefinite postponement of exploration, development or production on any or all of the Group's projects or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Group. If additional financing is raised by the Group through the issuance of securities from treasury, control of the Group may change and security holders may suffer additional dilution. See "Risk Factors – Dilution".

Government Royalties

The Federal Government of Brazil collects royalties on mineral production, with up to half of such royalties being paid to surface rights owners. The current Brazilian federal royalty applicable to fertilizer production is a 2% net smelter return ("NSR"). This level, and the level of any other

royalties, payable to the Brazilian government in respect of the production of minerals may be varied at any time as a result of changing legislation, which could materially adversely affect the Group's results of operations.

Market Factors and Volatility of Commodity Prices

The Group's future profitability and long term viability will depend, in large part, on the global market price of minerals produced and their marketability. The marketability of mineralized material which may be acquired or discovered by the Group will be affected by numerous factors beyond the control of the Group. These factors include market fluctuations in the prices of minerals sought, which are highly volatile, inflation, consumption patterns, speculative activities, international political and economic trends, currency exchange fluctuations, interest rates, production costs and rates of production. The effect of these factors cannot be accurately predicted, but may result in the Group not receiving an adequate return on invested capital. Prices of certain minerals have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the control of the Group. Future mineral prices cannot be accurately predicted. A severe decline in the price of a mineral being produced or expected to be produced by the Group would have a material adverse effect on the Group, and could result in the suspension of mining operations by the Group.

Cyclical Industry

The market for potash tends to move in cycles. Periods of high demand, increasing profits and high capacity utilization lead to new plant investment and increased production. This growth increases supply until the market is over-saturated, leading to declining prices and declining capacity utilization until the cycle repeats. This cyclical nature in prices can result in supply/demand imbalances and pressures on potash prices and profit margins which may impact the Group's financial results and common share prices.

The potash industry is dependent on conditions in the economy generally and the agriculture sector. The agricultural sector can be affected by adverse weather conditions, cost of inputs, commodity prices, animal diseases, the availability of government support programs and other uncertainties that may affect sales of fertilizer products.

Exchange Rate Fluctuations

Exchange rate fluctuations may adversely affect the Group's financial position and results. The Group's financial results are reported in Canadian Dollars and its costs are incurred primarily in British Pounds, Canadian Dollars, and Brazilian Reals. The appreciation of the British Pound or Brazilian Real against the Canadian Dollar could increase the actual capital and operating costs of the Group's mineral exploration projects and materially adversely affect the results presented in the Group's financial statements. Currency exchange fluctuations may also materially adversely affect the Group's future cashflow from operations, its results of operations, financial condition and prospects. The Group does not currently have in place a policy for hedging against foreign currency risks. The Group manages foreign currency risk by regularly reviewing the balances held in currencies other than the functional currency.

Dependence on Key Executives and Technical Personnel

The Group is currently dependent on the services of Cristiano Veloso, the President and Chief Executive Officer of the Group. Locating mineral deposits in Brazil depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of the Group, the loss of Mr. Veloso or the Group's inability to attract and retain additional highly skilled employees may materially adversely affect its business and future operations. The Group does not currently carry any "key man" life insurance on any of its executives. The nonexecutive directors of the Group devote only part of their time to the affairs of the Group.

Lack of Hedging Policy

The Group does not have a resource hedging policy and has no present intention to establish one. Accordingly, the Group has no protection from declines in mineral resource prices. The

Group will keep under review the merits of hedging foreign currency reserves against foreign currency exchange rate fluctuations.

No History of Earnings

The Group has no history of earnings, and there is no assurance that any of the properties it now or may hereafter acquire or obtain an interest in will generate earnings, operate profitably, or provide a return on investment in the future. The Group has not generated operating revenue since incorporation. Management anticipates that the Group will experience net losses as a result of ongoing exploration and general corporate and administrative costs and expenses until such time as revenue generating activity is commenced.

Dilution

The Group currently has 2,890,469 share options and 208,686 brokers' warrants outstanding. To the extent the Group should, in future, issue any warrants, additional options, convertible securities or other similar rights, the holders of such securities will have the opportunity to profit from a rise in the market price of the Ordinary Shares with a resulting dilution in the equity interest of any persons who become holders of Ordinary Shares. The Group's ability to obtain additional financing during the period such rights are outstanding may be adversely affected and the existence of the rights may have an adverse effect on the price of the Ordinary Shares. The holders of warrants, options and other rights may exercise such securities at a time when the Group would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights. In some circumstances, the increase in the number of Ordinary Shares issued and outstanding and the possibility of sales of such shares may have a depressive effect on the price of the Ordinary Shares. In addition, as a result of such additional Ordinary Shares, the voting power of the Group's existing shareholders may be diluted.

Officers and Directors of the Group Own Significant Ordinary Shares and Can Exercise Significant Influence

The officers and directors of the Group, as a Group, beneficially own, on a non-diluted basis, approximately 12.6% of the outstanding Ordinary Shares. As such, as shareholders, the officers and directors will be able to exert significant influence on matters requiring approval by shareholders, including the election of directors and the approval of any significant corporate transactions. The concentration of ownership may also have the effect of delaying, deterring or preventing a change in control and may make some transactions more difficult or impossible to complete without the support of these shareholders.

Future Sales of Ordinary Shares by Existing Shareholders

Sales of a large number of Ordinary Shares in the public markets, or the potential for such sales, could decrease the trading price of the Ordinary Shares and could impair the Group's ability to raise capital through future sales of Ordinary Shares. Each investor should carefully consider the foregoing risk factors and review with their professional advisors the tax and other implications of making an investment in any securities of the Group.

Conflicts of Interest

Directors of the Group are or may become directors of other reporting companies or have significant shareholdings in other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Group may participate, the directors of the Group may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Group and its directors attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Group, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases the Group will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. The directors of the Group are required to act honestly, in good faith and in the best interests of the Group. In determining whether or not the Group will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the

Group, the degree of risk to which the Group may be exposed and its financial position at that time. Other than as indicated, the Group has no other procedures or mechanisms to deal with conflicts of interest.

Further information

Additional information relating to the Group can be found on SEDAR at www.sedar.com and on the Group's web site at www.amazonplc.com.