



ANNUAL INFORMATION FORM

For the year ended December 31, 2008

May 27, 2009

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PRELIMINARY NOTES

All information contained herein is as at May 27, 2009, unless otherwise stated.

Unless the context otherwise indicates, references to the term "**Company**" or "**MagIndustries**" includes MagIndustries Corp., its subsidiaries and joint ventures. References to "**Common Shares**" relate to the issued and outstanding common shares in the capital of MagIndustries.

Financial Statements

This Annual Information Form should be read in conjunction with the Company's audited consolidated financial statements and management's discussion and analysis for the 12 months ended December 31, 2008. The financial statements and management's discussion and analysis are available under the Company's profile on the SEDAR website at www.sedar.com.

Currency

All dollar amounts referred to herein are expressed in United States dollars unless otherwise specified.

Cautionary Statement Regarding Forward-Looking Statements

This Annual Information Form contains "forward-looking statements" which may include, but are not limited to, statements with respect to the future financial or operating performance of the Company and its projects, the future price of potash or other commodities, the estimation of mineral resources, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of regulatory matters.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; fluctuations in the value of the US dollar relative to the Canadian dollar, Euro, or Congolese franc; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; future prices for the Company's products; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the industries in which the Company operates, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavourable operating conditions and losses, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; and the factors discussed in the section entitled "Risk Factors" in this Annual Information Form. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Forward-looking statements contained herein are made as of the date of this Annual Information Form and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise except as otherwise required by applicable law. Forward-looking

information of this sort has been presented solely for the purpose of assisting investors in understanding management's current views regarding those future outcomes and may not be appropriate for other purposes.

GLOSSARY OF NON-TECHNICAL TERMS

"2008 Agency Agreement" means the agency agreement dated April 3, 2008 as amended, among the Company, Holdings, MagMinerals and a syndicate of agents including Cormark Securities Inc., Paradigm Capital Inc. Desjardins Securities Inc., Jennings Capital Inc. and Ambrian Partners Limited in respect of the issuance of common shares of Holdings and Exchange Rights of the Company.

"AIF" means this annual information form and any appendices, schedules or attachments hereto;

"April Private Placements" means the private placements completed by Holdings on April 3, 2008 and April 29, 2008 pursuant to which it sold an aggregate of 25.25 million Holdings Shares at a price of C\$4.00 per Holdings Share together with a related Exchange Right;

"August Technical Report" means the report completed by Ercosplan Ingenieurgesellschaft Geotechnik und Bergbau mbH entitled "Updated Reserve Estimate for MagMinerals Mengo Permit Area, Kouilou Region, Republic of Congo" dated August 21, 2008 pursuant to the provisions of NI 43-101 in respect of the Property and which updates the February Technical Report;

"Board" means the Board of Directors of MagIndustries;

"Business Day" means a day, other than Saturdays, Sundays and statutory holidays, when the banks conducting business in the City of Toronto are generally open for the transaction of banking business;

"CCC" means Consolidated Contractors Company;

"CBCA" means the Canada Business Corporations Act;

"Common Share" means a common share in the capital of MagIndustries;

"DRC" means the Democratic Republic of Congo;

"Drilling Agreement" means the agreement entered into in October 2008 between MagMinerals and Foraco International S.A., a global drilling services company based in France, for the drilling of the first 50 production wells required for the Project;

"Ercosplan" means Ercosplan Ingenieurgesellschaft Geotechnik und Bergbau mbH;

"EU" means the European Union;

"Exchange Right" means the exchange right of MagIndustries issued pursuant to the April Private Placements, the July Private Placement and the September Private Placement. Each Exchange Right provided that, in the event that (i) a Liquidity Event had not occurred and (ii) a call right had not been exercised, the Exchange Right automatically, at 5:00 p.m. (Toronto time) on December 31, 2008, entitled and obligated each holder of Holdings Shares to exchange such shares into MagIndustries Shares. Upon exercise of the Exchange Right, the number of MagIndustries Shares to which each holder was entitled was to be equal to the number obtained by dividing the issue price of the Holdings Shares (multiplied by 1.05) held by such holder by the lower of (x) 92.5% of the volume weighted average price of the MagIndustries Shares on the TSXV for the twenty trading day period ending on December 31, 2008, and (y) the closing price of the MagIndustries Shares on the Closing Date, subject to the restriction that the effective issue price of the MagIndustries Shares could not have been less than C\$1.79 in respect of the April Private Placements and C\$2.79 in respect of the July Private Placement and the September Private Placement;

"February Technical Report" means the report completed by Ercosplan Ingenieurgesellschaft Geotechnik und Bergbau mbH entitled "Reserve Estimate for MagMinerals Makola Permit Area, Kouilou Region, Republic of Congo" dated February 29, 2008 pursuant to the provisions of NI 43-101 in respect of the Property;

"Fertecon" means Fertecon Limited, a leading provider of market information and analysis on fertilizers and fertilizer raw materials;

"FSU" means the former Soviet Union;

"Gas Supply Agreement" means the gas supply agreement dated March 24, 2009 between Eni Congo S.A. and MagPotasses, for the supply of gas to the Project;

"Holdings" means MagMinerals Holdings Corp., a company organized pursuant to the CBCA;

"Holdings Share" means a common share in the capital of Holdings;

"Holle Mine Area" means the area of previous underground potash production located approximately 20 km northwest of Mengo, ROC;

"IFA" means the International Fertilizer Industry Association;

"July Private Placement" means the private placement completed by Holdings on July 14, 2008 pursuant to which it sold 14,000,000 Holdings Shares at a price of C\$5.00 per Holdings Share together with a related Exchange Right;

"July Subscription Agreement" means a subscription agreement among the Company, Holdings and Ameropa AG dated June 27, 2008 entered into in connection with the July Private Placement;

"Liquidity Event" means (i) the completion of the Restructuring, (ii) MagMinerals (or a successor company) becoming a reporting issuer in one or more provinces of Canada and (iii) the listing and posting for trading of the MagMinerals (or a successor company) shares on either the TSX or the TSXV;

"Liquidity Event Deadline" means October 3, 2008;

"MagBarbados" means MagMinerals Inc., a company which is governed by the federal laws of Barbados and which is a wholly-owned subsidiary of MagMinerals;

"MagForestry" means MagForestry Inc., a company organized pursuant to the CBCA;

"MagIndustries" means MagIndustries Corp., a company organized pursuant to the CBCA;

"MagMinerals" means MagMinerals Potash Corp., a company organized pursuant to the CBCA;

"MagPotasses" means MagMinerals Potasses Congo SA, a company governed by the laws of the ROC and which is owned 90% by MagBarbados and 10% by the government of the ROC;

"Makola Exploration Permit" means the exploration licence allowing for the exploration of the Makola Permit Area;

"Makola Permit Area" means the area of approximately 1,472 km² located approximately 500 km west of Brazzaville, ROC, and directly northeast of the port city of Pointe-Noire, ROC;

"Mengo Exploitation Permit" means the exploitation licence issued to MagIndustries allowing for the mining of the Mengo Permit Area;

"Mengo Permit Area" means the approximately 136 km² area within the Makola Permit Area to which the Mengo Exploitation Permit applies;

"Mengo Mine Area" means the approximately 25 km² area within the Mengo Permit Area where MagMinerals plans to situate the Project;

"N1 43-101" means National Instrument 43-101 – Standards of Disclosure for Mineral Projects;

"PCS" means the Potash Corporation of Saskatchewan;

"Phase I Marketing Agreement" means the twelve-year off-take agreement executed by MagPotasses in favour of Ameropa AG for the marketing and sale of 100% of the first phase potash production from the Project. Ameropa has executed an undertaking to execute the Phase I Marketing Agreement after such agreement has been adopted by MagPotasses' shareholders as a pre-incorporation contract (as required by ROC corporate law) and until such execution, a binding agreement does not exist;

"Phase II Marketing Agreement" means the twelve-year off-take agreement executed by MagPotasses in favour of Ameropa AG for the marketing and sale of 100% of the second phase potash production from the Project. Ameropa has executed an undertaking to execute the Phase II Marketing Agreement after such agreement has been adopted by MagPotasses' shareholders as a pre-incorporation contract (as required by ROC corporate law) and until such execution, a binding agreement does not exist;

"PIA" means the potash investment agreement titled Mining Exploitation Agreement dated December 22, 2008 entered into between MagPotasses, MagIndustries and the government of the ROC which sets forth the terms in

respect of a number of operational aspects of the Project, including but not limited to, certain necessary rights-of-way for construction of the natural gas and water supply pipelines and the spent brine pipeline, permits and licences, royalty amounts on productions, repatriation of profits as well as duty exemptions;

"Project" means the potash mine and processing plant to be constructed and operated by MagMinerals on the Property;

"Property" means the Makola Permit Area;

"Restructuring" means the restructuring by MagIndustries of its potash assets, pursuant to which MagMinerals became the sole shareholder of MagBarbados;

"Rights Plan" has the meaning ascribed thereto under the heading "Description of Capital Structure – Shareholder Rights Plan.";

"ROC" means the Republic of Congo;

"September Private Placement" means the private placement completed by Holdings on September 18, 2008 pursuant to which it sold an aggregate of 2,431,843 Holdings Shares at a price of C\$5.00 per Holdings Share together with a related Exchange Right;

"September Subscription Agreement" means the subscription agreement among the Company, Holdings and Interco Potash Inc. (formerly Portonovo Inc.) dated September 18, 2008 in respect of the September Private Placement;

"SNC" means SNC-Lavalin International Inc.;

"SNEL" means Société Nationale d'Electricité, the electric utility of the DRC;

"Socofran" means Socofran CDE;

"Stock Option Plan" means the stock option plan, adopted by MagIndustries, providing for the granting of incentive options to the directors, officers, employees and consultants of MagIndustries in accordance with the rules and policies of the TSXV;

"Subscription Receipts" means the subscription receipts of MagMinerals issued to Holdings, pursuant to the April Private Placements, the July Private Placement and the September Private Placement. Each Subscription Receipt was exercisable into one common shares of MagMinerals for no additional consideration (1.05 common shares of MagMinerals if the Liquidity Event did not occur by the Liquidity Event Deadline) following the issuance of a final decision document for a prospectus that was to be filed by MagMinerals and immediately prior to the completion of the Restructuring;

"Technical Report" means the report completed by Ercosplan Ingenieurgesellschaft Geotechnik und Bergbau mbH entitled "Updated Reserve Estimate for MagMinerals Mengo Permit Area, Kouilou Region, Republic of Congo" dated November 3, 2008 pursuant to the provisions of NI 43-101 in respect of the Property and which updates the August Technical Report;

"TSXV" means the TSX Venture Exchange;

"U.S." means the United States of America; and

"USGS" means United States Geological Survey.

GLOSSARY OF TECHNICAL TERMS

This glossary comprises a general list of common technical terms that are typically used by geologists. The list has been edited to conform in general to actual usage in the body of the AIF. Investors should refer to more comprehensive dictionaries of geology in printed form or available on the internet for a complete glossary.

"CaCl ₂ "	Calcium chloride
"C\$"	Canadian dollar
"Carnallite"	a hydrated potassium magnesium chloride
"carnallitite"	rock form of carnallite
"CIM"	Canadian Institute of Mining, Metallurgy and Petroleum
"Ercosplan"	Ercosplan Ingenieurgesellschaft Geotechnik und Bergbau mbH
"GDP"	Gross domestic product
"GMT"	Green Metric Tonnes
"ha"	hectare
"K"	Potassium
"K ₂ O"	The active ingredient in potash fertilizers
"KCl"	Potassium chloride, Potash
"km"	Kilometre
"km ² "	Square kilometre
"KMS"	Potassium Magnesium Sulphate
"K60 product"	Marketable potash product for the fertilizer industry
"m"	Metre
"m ² "	Square metre
"m ³ "	Cubic metre
"MgCl ₂ "	Magnesium chloride
"MOP"	Muriate of potash
"MW"	Megawatt
"N"	Nitrogen
"NOP"	Potassium Nitrate

"NaCl"	Sodium chloride, salt
"NPKs"	Complex fertilizers containing at least two nutrients
"odmt"	oven-dry metric tons
"P"	Phosphate
"Sylvite"	Potassium chloride (KCl) in natural mineral form
"SOP"	Potassium Sulphate
"t"	Tonne (Metric, 2,204.624 lbs)
"tpy"	tonnes per year
"2D"	Two Dimensional
"3D"	Three Dimensional

CORPORATE STRUCTURE

Name, Address and Incorporation

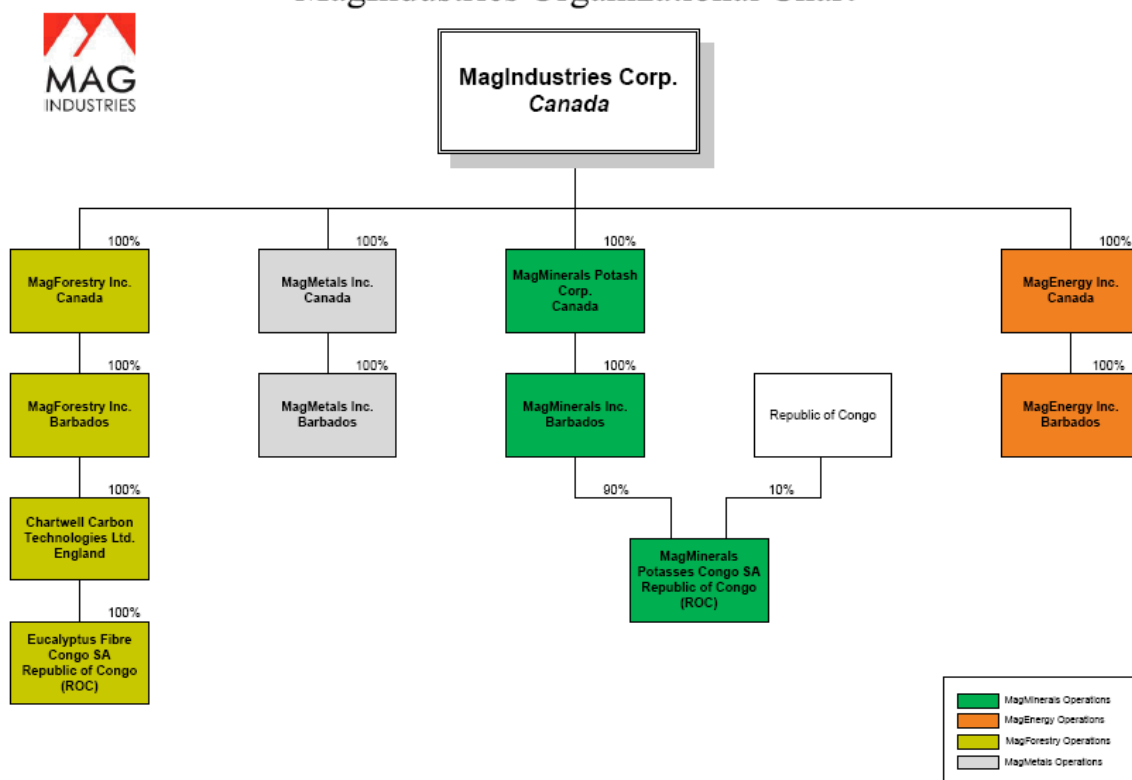
MagIndustries was formed by Articles of Amalgamation dated October 23, 1997, whereby Clavos Enterprises Inc. and Magnesium Alloy Corporation amalgamated and continued as "Magnesium Alloy Corporation". By Articles of Amendment dated January 27, 2005, the name of the Company was changed from Magnesium Alloy Corporation to MagIndustries Corp. On January 10, 2006 the Company continued under the *Canada Business Corporations Act* from the *Business Corporations Act* (Ontario).

The Company's corporate head office is located at 33 Yonge Street, Suite 300, Toronto, Ontario, Canada M5E 1G4 and its registered office is located at 95 Wellington Street West, Suite 1200, Toronto-Dominion Centre, Suite 1200, Toronto, Ontario, Canada M5J 2Z9.

Intercorporate Relationships

The Company's material subsidiaries are reflected below:

MagIndustries Organizational Chart



The Company has other directly owned subsidiaries which are either dormant or immaterial with nominal assets and liabilities.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Events of 2006

In February 2006, the Company announced that the European Investment Bank had approved a 13 million euro Senior Secured Participating Loan to assist the Company in the development of its projects in the ROC. The 13 million euro facility carried a 3% coupon rate for the first three years increasing to 9% over the balance of the term. The facility was renewable or could be incorporated into the project financing of one or more of the Company's projects. In addition EIB was issued 1,000,000 Common Share purchase warrants exercisable at any time until the third anniversary of their issuance. Each such warrant entitled the holder thereof to acquire one common share in the capital of MagIndustries at an exercise price of \$1.00 per share. This loan was repaid in full in June, 2008.

In March 2006, the Company announced that it had closed a non-brokered private placement of 12,500,000 Common Shares at a price of Cdn\$1.225 per Common Share for gross proceeds of Cdn\$15,312,500. The net proceeds of the offering were used for feasibility studies for MagForestry's wood processing plant and for general corporate purposes.

Also in March 2006, the Company announced that its MagMinerals division had received the results of Phase I of a feasibility report for the development of the Project. The report identified two potential scales of potash production. According to the report, at a production rate of 600,000 tonnes per year the Project would have a capital cost of \$412 million with an internal rate of return ("IRR") of 23% and an net present value of \$193 million. At a production rate

of 1,200,000 tonnes per year the Project would have a capital cost of \$665 million with an IRR of 28% and a net present value of \$493 million.

In May 2006, the Company announced that the physical work on Phase I of the rehabilitation and refurbishment program for the INGA II hydroelectric plant in the DRC commenced on April 27, 2006. Phase I of the program deals with the refurbishment of one turbine (named G23) that is to provide reliable energy supplies during the execution of Phase II of the program which will involve the rehabilitation of four turbines. MagEnergy's commitments under Phase I of the program were \$12 million along with an additional \$1 million in respect of rural electrification projects within the DRC. The program was validated by the Protocol D'Accord signing between Société Nationale d'Electricité ("SNEL") (the electric utility of the DRC) and MagEnergy in May 2005.

Also in May 2006, MagIndustries announced the execution of an agreement to develop the Busanga Hydroelectric site on the Lualaba River in the Katanga Province of the DRC. The agreement was concluded with the Ministry of Energy and followed the appointment of the MagEnergy division as an independent power producer in the DRC. The MagEnergy division announced that it would initially collect and review existing technical studies before proceeding with its own feasibility work on the site.

In June 2006, MagIndustries announced that holders of approximately 7.6 million Common Share purchase warrants had exercised such warrants for 7.6 million Common Shares resulting in the receipt by the Company of approximately \$7.6 million.

In July 2006, MagIndustries announced the execution of an addendum to the INGA II rehabilitation agreement signed in May 2005 between the Company and SNEL which settled the long term rights of MagEnergy at INGA II. Under the terms of the rehabilitation agreement, as previously executed, the MagEnergy division agreed to complete, within 12 months, the technical studies required for the rehabilitation of four turbines which are currently installed at the INGA II hydroelectric station on the Congo River. It was announced that these technical studies had now been completed on schedule and the Company had made available an initial \$13 million facility in order to begin the Phase I refurbishment work at INGA II. It was also announced that an additional \$10 million facility for emergency repairs to the four operating turbines at INGA II had been made available. It was anticipated that this facility would stabilize existing power production, increase power availability and as a result increase the power revenue which MagEnergy currently shares with SNEL.

In August 2006, MagIndustries announced that it completed the acquisition of the balance of the 45% of Chartwell Carbon Technologies Ltd. ("**Chartwell**") that it did not already own. Chartwell held 100% of Eucalyptus Fibre Congo S.A., which is the lessee of a 68,000 hectare eucalyptus forestry plantation. To complete the acquisition MagIndustries entered into a share purchase agreement with Adwell Holdings Limited, A.B. Swart and Johan Kruger to acquire the remaining 45% of the issued and outstanding shares of Chartwell for consideration of 3,500,000 Common Shares and 1,000,000 Common Share purchase warrants with each warrant entitling the holder to acquire one Common Share of MagIndustries at an exercise price \$1.10 per Common Share at any time until the 24 month anniversary of the issuance of the warrants.

Also in August 2006, MagIndustries announced it had completed a private placement of 14,420,858 Common Shares at an issue price of Cdn\$1.40 per share for gross proceeds of Cdn\$20.2 million. In connection with the financing the Company paid the agents retained in connection with the offering, a cash commission of 5% of the gross proceeds and issued broker warrants to the agents entitling them to acquire a number of Common Shares equal to 3% of the number of Common Shares sold under the offering, at an exercise price of Cdn\$1.40 per share until August 18, 2007. The net proceeds of the offering were to be used to fund ongoing development activities including the feasibility study on the Project, expansion of MagEnergy's commitments at INGA II, a feasibility study for MagEnergy's "greenfield" hydroelectric site and for general corporate purposes.

In November 2006, the Company announced that its MagForestry division had begun the construction of its 500,000 tpy wood chipping plant in Pointe-Noire, ROC.

In December 2006, the Company announced that it had disposed of a portion of its interest in a former subsidiary, MagPetroleum Inc. and had adopted a formal plan for the full disposal of its remaining interest.

In addition to the foregoing, during 2006 (i) the Company proceeded with work by SNC on the Phase II bankable feasibility study on the Project. Phase II involved the coordination of final process flow sheets, selection of a crystallization technology supplier and other key vendor packages, final social and environmental impact assessment and the determination of detailed capital and operating costs (ii) the MagMinerals division also appointed BNP Paribas as financial advisors for the financing of the Project and (iii) the MagMinerals division executed a preliminary potash marketing agreement with Ameropa AG of Switzerland for the sale of 100% of the potash production from the Project.

Events of 2007

In February 2007, the Company announced that its MagEnergy division had signed an agreement to develop the Zongo II hydroelectric site on the Inkisi River 80 km southwest of Kinshasa, the capital of the DRC. The agreement was concluded with the Ministry of Energy and continued the DRC government's efforts to liberalize the energy sector with approved independent power producers. The Zongo II site has been the subject of previous technical studies and is expected to support production of between 100 and 130 megawatts of electricity. The MagEnergy division appointed SNC to conduct a scoping study of Zongo II. During 2008 the Company decided not to proceed with this project.

In March 2007, the Company announced that its MagMinerals division had selected HPD LLC to provide evaporation and crystallization technology for the Project.

Also in March 2007, the Company announced that its Phase I refurbishment program at the INGA II hydroelectric facility had reached a key milestone with the extraction of the 460 tonne rotor of the 172 megawatt G-23 turbine from its emplacement, without incident.

In June 2007, the Company announced that its MagMinerals division had selected CCC to assist with the completion of detailed capital costs estimates for the installation of the Kouilou potash plant in conjunction with SNC.

In August 2007, MagIndustries announced it had completed a non-brokered private placement of 12,508,000 Common Shares at an issue price of Cdn\$1.57 per share for gross proceeds of Cdn\$19.6 million. The net proceeds of the offering were to be used to fund ongoing development activities including the feasibility study on the Project, MagEnergy's commitments at INGA II, MagForestry's expansion of commercial activities and for general corporate purposes.

In November 2007, MagIndustries announced that its MagMinerals division had received an initial resource report for the Project prepared in accordance with National Instrument 43-101.

In December 2007, the Company announced that its MagForestry division had executed an agreement for the sale and delivery of eucalyptus wood chips to a major European pulp and paper producer. The agreement called for the delivery of an aggregate of 268,000 tonnes of wood chips in 2008 and in 2009 at delivered prices in excess of \$200 per tonne and the purchaser was granted an option to extend the contract for an additional year at the same price. In addition, it was announced that the MagForestry division had executed an agreement with Mitsui O.S.K. Lines, Ltd. to provide a specialized bulk carrier for delivery of wood chips, which carrier would be dedicated for the delivery of the above described off-take agreement.

Also in December 2007, the Company announced that it had completed an offering of units for total gross proceeds of \$37,845,000. Each unit consisted of one Note in the principal amount of \$1,000 and 175 Common Share purchase warrants. The Notes bear interest at the rate of 11% per year, payable semi-annually and mature in five years and one day following closing. Each warrant entitles the holder to purchase one Common Share at a price of C\$2.40 per share for a period of five years following closing. The agents under the offering received a cash commission of 4% of the principal amount of the Notes sold under the offering.

In 2007, based on further developments and progress on the Project and the pace of the contract validation review process by the government of the DRC in connection with the INGA II rehabilitation and refurbishment agreements, the Company began to focus more of its resources on MagMinerals and the Project.

Events of 2008

In February 2008, MagIndustries announced that its MagMinerals division had received the results of a final feasibility study for the development of the Project. The study was carried out in two phases. Phase I, completed earlier by Genivar LLP, consisted of a preliminary investigation of the quality of the resources, development of the preliminary scope of the Project and the initiation of the environmental and social impact assessment study. The results of Phase I had been announced by the Company in March 2006. SNC completed Phase II of the study and presented the results as a 19 volume final feasibility study. In the study the capital cost of the Project had been estimated at \$723 million excluding financing costs, for a 600,000 tpy operation producing K60 grade potash. Direct and indirect operating costs, with contingencies, were estimated to be \$83 per tonne FOB Pointe-Noire.

In February 2008, the Company also announced the finalization of the February Technical Report, which identified proven and probable reserves available to support the Project.

In March 2008, MagIndustries announced that its MagMinerals division had been granted a 25 year mining licence for the Mengo Permit Area.

In April 2008, the Company announced that it had completed the April Private Placements raising gross proceeds of Cdn\$101 million which was completed pursuant to an agency agreement (the "**2008 Agency Agreement**") dated April 3, 2008 as amended, among the Company, Holdings, MagMinerals and a syndicate of agents including Cormark Securities Inc., Paradigm Capital Inc. Desjardins Securities Inc., Jennings Capital Inc. and Ambrian Partners Limited. In connection with the offering the agents received a cash commission of 5% of the gross proceeds of the offering.

Also in April 2008, the Company announced the adoption of the Rights Plan.

In June 2008, the Company announced that its MagForestry division had successfully commissioned its 500,000 tpy eucalyptus wood chipping plant. It was also announced that the MagForestry division had executed a second wood-chip sales agreement with a major European pulp and paper producer. The agreement calls for the delivery of an aggregate of 140,000 tonnes of wood chips over a two year period at prices that were to be negotiated.

Also in June 2008, the Company announced that its MagMetals division had executed a technology license agreement with Norsk Hydro ASA ("**Hydro**") which granted a non-exclusive license to use certain technology for the construction and operation of a magnesium plant within the African continent. In addition to the license agreement MagMetals also acquired key process technology equipment from Hydro's closed magnesium plant in Becanour, Quebec.

Further, in June 2008, MagIndustries announced that its MagMinerals division had reached a 12 year marketing agreement with Ameropa for the sale of granular potash derived from the Project. The agreement provides for the supply of 1.2 million tones of granular potassium chloride per year (representing the production from Phase I and Phase II of the Project). In addition, Ameropa agreed to invest Cdn\$70 million in securities of MagPotash at a price of Cdn\$5.00 per security.

In July 2008, MagIndustries announced the closing of the July Private Placement pursuant to a subscription agreement (the "**July Subscription Agreement**") among the Company, Holdings and Ameropa AG dated June 27, 2008.

Also in July 2008, MagIndustries announced that it had obtained assured access to a sufficient quantity of natural gas in the ROC to support the Project and MagMetals' proposed magnesium smelting operation.

In August 2008, MagIndustries announced the receipt and filing of the August Technical Report. The August Technical Report updated the February Technical Report and was based on new rock mechanical modeling and a new solution mining cavern configuration and resulted in an increase of the previously stated reserves and resources.

Also in August 2008, the Company announced the successful operation of the wood chip plant and completion of the first delivery of wood chips to Europe by its MagForestry division.

Also in August 2008, the Company announced that MagMinerals had filed its preliminary prospectus in connection with the completion of the Liquidity Event.

In September 2008, the Company announced the completion of the September Private Placement pursuant to a subscription agreement (the "**September Subscription Agreement**") among the Company, Holdings and Interco Potash Inc. (formerly Portonovo Inc.) dated September 18, 2008.

In October 2008, the Company announced that since the Liquidity Event did not occur by the Liquidity Event Deadline, each Subscription Receipt would become exercisable into 1.05 common share of MagMinerals instead of one common share of MagMinerals.

Also in October 2008, the Company announced that MagMinerals signed a 12 million euro contract (the "**Drilling Agreement**") with Foraco International S.A., a global drilling services company based in France for the drilling of the first 50 production wells required for the Project. It was also announced that MagMinerals had executed two agreements with Socofran S.A. to demolish two existing warehouses on MagMineral's leased area in the port of Pointe-Noire and to build two new structures in their place. In addition, Socofran agreed to remove eucalyptus stumps and a layer of surface sand from the proposed site of the Kouilou Potash processing plant.

In December 2008, the Company filed the November Technical Report on www.sedar.com.

Also in December 2008, the Company announced that it, together with MagPotasses, had signed the PIA.

Also in December 2008, the Company announced that, as the Liquidity Event did not occur by 5:00 p.m. (Toronto time) on December 31, 2008, the Exchange Rights issued in connection with the April, July and September Private Placements automatically exercised, thereby exchanging the Holdings Shares issued in connection with such offerings for an aggregate of 90,165,946 Common Shares.

Events of 2009 to date

In March 2009, the Company announced that MagPotasses had executed the Gas Supply Agreement.

In April 2009, the Company announced that it had repurchased \$5.5 million of its outstanding Notes for aggregate consideration of \$2,141,700.

DESCRIPTION OF THE BUSINESS

General

Summary

MagIndustries was created to develop the Company's extensive mineral, energy and forestry resources and take advantage of managements' extensive business relationships in the ROC and the DRC.

MagIndustries is organized around four principal business units, two of which, MagMinerals and MagForestry, are considered to be material to the Company. The operations of both MagMinerals and MagForestry are located in the Pointe-Noire area of the ROC.

MagMinerals

MagMinerals owns exclusive rights to the Project, one of the world's largest undeveloped potash deposits located in the Kouilou province of the ROC. The Company's immediate focus is to construct and commission a 600,000 tonne per year potash plant on the Property to produce primarily agricultural-grade potash fertilizers to meet growing

demand from markets in South America, South Africa and Europe. The facility is scheduled to start production in 2012. The proposed plant site, near the village of Mengo, is located 25 km east of the Atlantic port city of Pointe-Noire, ROC. Pointe-Noire, West Africa's largest deep-water port, has successfully served as the operations base for major international oil companies for the past 35 years.

MagForestry

MagForestry wholly owns and operates Eucalyptus Fibre Congo ("EFC"), a sustainable, renewable forestry business based in Pointe-Noire, ROC. EFC acquired the exclusive rights to manage this 68,000 hectare concession in 2005. The concession, which expires in 2075, is based on the planting and harvesting (after 7 years) of fast growing clones of eucalyptus hardwoods. A significant part of the concession is overlain by mining and mineral exploration permits granted to MagForestry's sister company, MagMinerals. The EFC plantation supplies a recently commissioned state-of-the-art 500,000 tonne per year wood chip plant built by EFC on its concession lands within the port of Pointe-Noire. MagForestry is now delivering on sales contracts for the supply of eucalyptus chips to leading customers in the global pulp and paper and fiberboard industry.

MagEnergy and MagMetals

MagIndustries has two other business units, MagEnergy and MagMetals, both of which MagIndustries does not consider to be material at this time. MagEnergy is financing and project managing the refurbishment and rehabilitation of currently off-line turbines at the Inga hydro-electric facility located on the Congo River, 300 km south west of the Kinshasa, the capital of the DRC. MagEnergy is also reviewing the results of its independent technical studies for the evaluation of the Busanga "greenfield" hydroelectric sites on the Lualaba River in the Katanga Province of the DRC. Future development of MagEnergy's projects is contingent on the ratification of its refurbishment and rehabilitation contracts with the DRC energy utility. MagMetals plans to produce high quality magnesium metal and magnesium alloys for the automotive industry in a new facility that will be built adjacent to the MagMinerals' potash plant, utilizing the magnesium-rich waste stream from the MagMinerals potash production facility. Future development of MagMetals' projects is contingent on the continued development of the MagMinerals potash project.

Employees

With the activation of the forestry business MagIndustries has emerged as the ROC's largest non-government employer, with approximately 350 direct employees and up to 1,500 workers under contract. With this prominence MagIndustries has been recognized in the ROC as a major contributor for economic growth and as a responsible, socially engaged corporate citizen. The Company also has 15 employees in Toronto, Canada, three employees in Barbados, five employees in Johannesburg, South Africa, two employees in the DRC.

Strategy

The Company's long-term strategy is to implement independent stand-alone resource and energy projects, that in combination, will create a strong agile company which can continue to grow from its operating experience in Central Africa to create long term value and profits for its shareholders.

MagMinerals

Overview

MagMinerals is engaged in the exploration and development of potash resource properties in the **ROC**. MagMinerals' principal asset is comprised of rights relating to the Property, a 1,472 km² area within Kouilou province of the ROC, located approximately 15 km northeast of the city of Pointe-Noire, ROC. See "MagMinerals - General Development of the Business", "MagMinerals - Narrative Description of the Business" and "MagMinerals - The Property".

Unless otherwise indicated, the information relating to the business of MagMinerals and references to MagMinerals in this AIF include references to MagMinerals' wholly-owned subsidiary, MagBarbados and its 90% owned subsidiary, MagPotasses.

General Development of the Business

Project History

On May 27, 1997, MagIndustries (then Congo Minerals Inc.) was granted the original Makola exploration permit (the "**Makola Exploration Permit**") covering an area of 2,265 km² in the Kouilou region of the ROC. In April 2008, the government of the ROC issued an exploitation permit (the "**Mengo Exploitation Permit**") in respect of potash salts for a 136 km² portion of the area covered by the Makola Exploration Permit. Within the Mengo Permit Area, MagMinerals' exploration efforts were concentrated on an approximately 25 km² area near the village of Mengo (the "Mengo Mine Area"). On August 14, 2008, MagIndustries received a renewal of the original Makola exploration permit for a smaller area of approximately 1,472 km² (referred to herein as the "**Property**" and the "**Makola Permit Area**"). The Makola Permit Area is underlain by extensive deposits of magnesium and potassium salts, including carnallite, bischofite and sylvanite.

The evaluation of the Makola Permit Area was subject to an exploration agreement that was signed on May 28, 1997 with the government of ROC. The exploration agreement described plans for the technical and commercial evaluation of the extraction of magnesium (as metal), potassium (as potash), sodium (table salt) and other related salts. The Makola Permit Area was granted exclusively to MagIndustries for a period of ten years and MagIndustries was required to conduct its evaluation activities in accordance with a prescribed program and expend a minimum of \$10 million including the preparation of a technical and economic feasibility study within four years of the grant date. In 1999, MagIndustries completed an independent technical and economic feasibility study for a magnesium smelter which indicated the potential for a robust commercial magnesium metal operation. These studies became the foundation for continued evaluation of the Property's potential and allowed MagIndustries to continue to evaluate the potential of developing a potash mine.

In 2005, MagBarbados was formed to evaluate the potential for a potash plant and began by using the data collected from the feasibility study for the magnesium plant. MagBarbados contracted Genivar LLP ("**Genivar**") to conduct a first phase feasibility study and commenced a drilling program to collect data for a technical report on the Property. After completion of the Genivar feasibility study, MagBarbados then commissioned SNC-Lavalin International Inc. ("**SNC**") to complete a Phase I bankable feasibility study on the potential plant, the results of which were published on February 29, 2008. In conjunction with the feasibility study, MagBarbados received the February 2008 NI 43-101 technical report (the "**February Technical Report**") which concluded that there are sufficient reserves within the study area to support a 600,000 tpy potash plant for 34 years. In August 2008, an updated reserve report (the "**August Technical Report**") was received in respect of the Mengo Permit Area which concluded that there are sufficient reserves within the study area to support a 1.2 million tpy potash plant for 27 years. In October 2008, an updated reserved report (the "**Technical Report**") was received and updated the August Technical Report in respect of presentation of certain sections of the August Technical Report.

On April 3, 2008, the government of the ROC granted the Mengo Exploitation Permit to MagIndustries. The PIA, which governs the relationship between MagMinerals and the government of the ROC in respect of the Project, requires the constitution of a Congo company to be the operator of the solution mining operations and the potash plant. In this regard, MagMinerals has formed and registered MagPotasses as the operating entity for the Project and in accordance with the Congolese mining code 10% of the equity of MagPotasses is owned by the government of the ROC. On December 18, 2008, the Mengo Exploitation permit was transferred to MagPotasses.

The proposed plant site, near the village of Mengo, is located 25 km by rail, east of the Atlantic port city of Pointe-Noire, ROC. Pointe-Noire, one of West Africa's largest deep-water ports, has served as the operations base for major international oil companies for the past 30 years. The proposed plant site lies within a eucalyptus plantation operated by MagForestry, a subsidiary of MagIndustries. Through the PIA, the government of the ROC, the owner of the land on which the Project will be located, has agreed to provide access to the land for the life of the Project to

MagMinerals. This will provide MagMinerals with access to the site and controls and limits access to the site by third parties.

The design of the plant is based on a modular layout which will allow for the inclusion of an additional second phase 600,000 tpy unit which is expected to bring the total production to 1,200,000 tpy to more fully utilize the extensive resource base available. This added capacity is expected to have a lower capital cost than the first module as there is common infrastructure with the first phase. The operating costs per tonne are also expected to decrease with larger economies of scale at this production volume.

The Project is expected to use solution mining techniques to produce a brine which can be treated in a crystallization plant to produce granular potash fertilizers for export. The potash plant will utilize existing, commercially available technologies. One of the primary inputs for this crystallization process is natural gas which is currently flared as associated gas from nearby oil production. The access to natural gas at low cost as the source of MagMinerals' electricity and production heat is expected to make solution mining more cost competitive than other mining methods. The gas is the property of the government of the ROC and is flared as there is no market realizable value. MagMinerals has entered into the Gas Supply Agreement with Eni Congo S.A. for the supply of gas to the Project. The agreement is based on a contracted supply of associated gas from Eni Congo S.A. which operates the on-shore M'boundi oil field. Eni Congo S.A. will supply the gas from its treatment plant to be located in Djeno, approximately 25km southwest of the Project. The gas supply will support all of the requirements of the potash processing plant. Additional gas quantities will also be made available to support the Project's back-up power facilities if the electricity supply fails. MagMinerals is working with Eni Congo S.A. to complete detailed engineering for the gas pipeline from Djeno to the Project site.

MagPotasses has executed twelve-year off-take agreements in favour of Ameropa AG of Switzerland for the marketing and sale of 100% of the first phase potash production (the "**Phase I Marketing Agreement**") as well as the second phase of potash production (the "**Phase II Marketing Agreement**") if and when that should occur. Ameropa AG has executed an undertaking to execute such agreements and until such execution, binding agreements do not exist.

It is anticipated that MagMinerals will commence construction of the first phase of the Project in the second half of 2009. The first phase of operations has been designed as a 600,000 tpy, single train potash plant. MagMinerals is currently proceeding with production well drilling and is conducting pre-construction design and engineering. In addition, MagMinerals is conducting site preparation tasks including the harvesting of the eucalyptus trees at the plant site and leveling of the ground in preparation of site works.

Industry Overview

Overview of Potash

Potash is the name generally given to various naturally occurring potassium salts, sylvite, carnallite and halite and the products produced from those salts. Since the amount of potassium contained in potash varies, the industry has established a common standard of measurement by defining a product's potassium content in terms of equivalent percentages of potassium oxide (K_2O). For example, carnallite contains approximately 17% K_2O equivalent. The quantities used in this AIF refer to either K_2O or KCl content according to standard industry usage. The K_2O / KCl ratio is 0.6318, which means 100% KCl is 63.18% K_2O or K60 potash fertilizer means 60% K_2O (equivalent to 94.97% KCl with the balance to 100% being mainly NaCl). In practice, producers ship product with KCl content in the range of 95-97% or 60-61.3% K_2O . Supply and demand is usually shown in terms of K_2O , while prices and costs are in reference to KCl.

The four main types of potash:

- (a) Potassium Chloride (KCl) is the most common form of potash, making up about 92% of total potash consumption for use as fertilizer. It is also known as muriate of potash ("MOP") and contains 60% K_2O (Germany and former Soviet Union ("FSU") producers) to 61% K_2O (Canadian and Middle East producers).

- (b) Potassium Sulphate (K_2SO_4), also known as SOP, contains 50% K_2O . SOP occurs naturally or can be produced from MOP.
- (c) Potassium Nitrate (KNO_3), also known as NOP, contains 44% K_2O plus 13% nitrogen.
- (d) Potassium Magnesium Sulphate, also known as SulPoMag or KMS, contains around 25% K_2O plus sulphur and magnesium.

Potassium is mined from natural deposits or extracted from brines. It is then processed to separate the potash from other minerals and waste material. Commercial potash comes in two main forms, standard and granular, though there are many variants within these general categories. Granular potash represents 45% to 50% of demand, with a trend to increased use relative to standard grade due to the bulk blending and mechanical spreading of granular fertilizers. The use of granular fertilizers slows the passage of the nutrient into the soil and prolongs the action of the fertilizer.

According to Natural Resources Canada, approximately 95% of world potash production is used for agricultural fertilizer. Potash is the main source of potassium ("K"), which with nitrogen ("N") and phosphate ("P"), are the three essential nutrients for plant growth. Nearly every aspect of plant growth development, yield and quality is dependent upon an adequate supply of potassium. The functions potassium performs cannot be carried out by other nutrients and potash has no commercially viable substitute as a potassium fertilizer source.

Fertilizer Composition

Straight fertilizers contain one nutrient. Complex fertilizers ("NPKs") contain at least two. NPKs can either be chemically combined (compound fertilizers) or physical mixes (blends). Fertilizers are described by the percentage of their active nutrient content in the format N:P:K e.g. 20:10:10 contains 20% nitrogen, 10% phosphate and 10% potassium. The balance is inactive material.

Organic versus Mineral Fertilizers

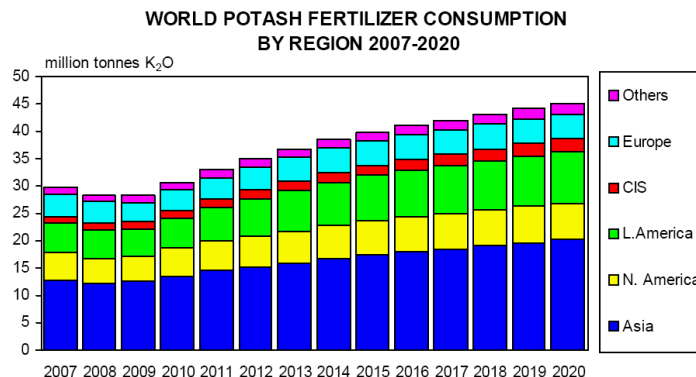
The three essential nutrients, whether contained in organic fertilizer or mineral fertilizer are essentially the same. However, organic fertilizers do not represent a threat to the mineral fertilizer sector as virtually all organic fertilizers available are used, even in higher developed agricultural industries. In essence, there is insufficient organic fertilizer available to meet the nutrient needs of modern agriculture. Without mineral fertilizers there would be a massive shortfall in nutrient supply and it would be impossible to produce sufficient food to feed the world's current population.

Historical and Projected Potash Demand

From 1974 to 2007, global consumption of potash as a fertilizer grew at a rate of 2.5% per year, from approximately 10 million nutrient tonnes to approximately 30 million nutrient tonnes, according to the International Fertilizer Industry Association (the "IFA"). The only significant downturn in global potash demand since 1974 was in the late 1980s and early 1990s when the collapse of the Soviet Union resulted in a dramatic drop in consumption there and in Eastern Europe. World potash consumption has accelerated its growth in recent years with 2.5% annual growth since 1974, 2.7% since 1993 and 3.5% since 2000.

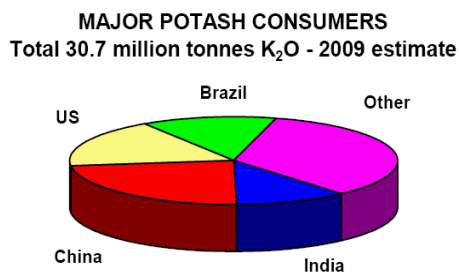
MagMinerals expects the current economic slowdown to have a negative impact on global potash demand in the short-term. However, the cyclical downturn in the economy is not expected to impact the long-term drivers that dictate demand when MagMinerals is expected to begin producing and marketing potash. Population growth, rising incomes and shifting meal patterns by certain developing nations have spurred the demand for fertilizers. As incomes in developing nations rise, people have shifted to meals with increased meat consumption, which requires large amounts of grain for animal feed. The agricultural cycle of growing and harvesting crops depletes the soil of potassium, nitrogen and phosphorus.

According to Fertecon Limited ("**Fertecon**"), a leading provider of market information and analysis on fertilizers and fertilizer raw materials, and as indicated in the chart below, the key areas of growth for potash demand are expected to be Asia and Latin America. Other areas with stable demand will be North America, the FSU and Eastern and Western Europe. There is potential for growth in Africa, however consumption levels will likely remain low compared to other regions.



World potash consumption, including fertilizer and non-fertilizer, is estimated by Fertecon to be approximately 30.6 million tonnes K₂O in 2008, which represents a decrease of 4% on 2007 consumption. The 2009 forecast is relatively flat compared to 2008. The credit crunch and onset of a recession in many economies has resulted in a sharp drop in demand for potash, and indeed for all fertilizer and fertilizer raw materials. Given recent announcements of production cutbacks it is clear that potash producers do not expect turnaround in demand until late 2009 or early 2010.

China, the United States, India and Brazil currently account for 58% of world potash demand, as indicated in the graph below. These four markets are expected to remain the largest markets. As well as being the largest consumers, they are also the largest importers. Although domestic production is expected to increase in China and Brazil, all four markets are expected to remain dependent on large quantities of imports.



Potash Demand Drivers

The main drivers of potash demand are:

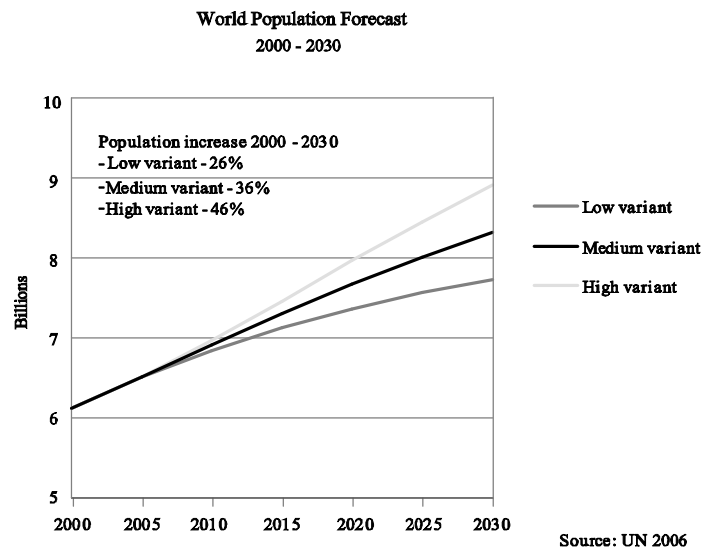
- **Population** – world population is expected to increase by over one-third by 2030;
- **Changes in Nutrition** – increased meat consumption in developing countries is expected to continue to drive demand for more fertilizers;
- **Less Arable Land** – is expected to drive the need to increase yields on remaining land;
- **Nutrient Balance** – under-application of potash needs to be corrected to maximize yields in key markets such as India and China;

- **Commercial Crops** – potash is used in commercial crops such as corn, soybean, palm oil and sugar cane; and
- **Biofuels** – which is a relatively new source of demand, although the main impact will be in the next five to ten years.

Population

Global population growth is the underlying demand driver for fertilizer growth. Increased world population results in increased demand for food and consequently drives the need to maximize crop yields. In order to increase yields, an increase in fertilizer use is required.

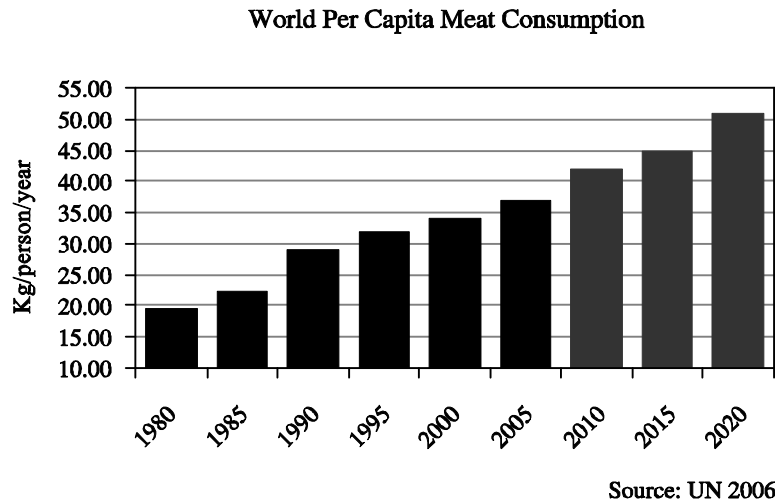
As illustrated in the graph below, the United Nations has three population growth forecasts: low variant, medium variant and high variant. The medium variant has been used as the basis for the potash demand forecasts. This variant shows a global population growth of 36% between 2000 and 2030 or an increase of approximately 2.2 billion people.



Changing Nutrition

Changing nutrition in developing countries is a key factor in potash demand growth. Increased affluence, driven by economic growth, leads to the desire for a more varied diet, which generally includes an increase in meat consumption. As meat production involves feed grain consumption by livestock, an increase in livestock production leads to an increase in the demand for grain, which ultimately creates a larger market for potash fertilizer. According to Fertecon, to produce a kg of protein in the form of meat takes two to seven kg of feed grain (the lower end for poultry, the higher end for cattle). Thus a population enjoying a varied diet requires a significantly higher grain supply and thus more fertilizer, and therefore potash, is required.

In addition, rising global income levels help people afford food above a mere subsistence level, which, in turn, increase both the quantity of food consumed per capita and the quality of food consumed, with an increase in consumption of high protein food such as meat, as indicated in the graph below. A rise in demand for meat from an increasing global population also increases demand for grain and other animal feeds, which in turn drives the demand for fertilizers, including potash, in order to increase the yield of arable land.



Less Arable Land

Although the amount of arable land grew from the 1960s to the end of the century, current pressures of urbanization mean that the amount of land available for crops and raising of livestock is being reduced in many regions of the world, particularly Asia. There are some regions where acreage may increase – in Brazil, for example, by extending into marginal land or forest clearance – however, overall the supply of arable land is falling. Thus, in order to maintain current food production, yields must be increased. Even where new land is brought into cultivation, it is often less fertile marginal land, requiring greater fertilization than the land lost to urbanization.

Global warming may also have an impact on the availability of arable land, although it is unclear what the net effect will be. In some areas, global warming could lead to desertification, thereby decreasing arable land. In other areas, warmer temperatures may extend the arable area of the northern hemisphere northwards, extending the areas that grain could be grown in countries such as Canada and Russia.

Nutrient Balances

In the developed world, fertilizer application is generally at optimal levels with the right balance between N, P and K. However, in many developing countries the green revolution of the 1970s, 80s and 90s was based on increased nitrogen application, as this gave the most immediate results and was essential to start the improvement of yields. In many regions, particularly parts of Asia, an increase in potash (and phosphate) application is required to provide balanced fertilization. Without balanced nutrient application, agricultural yields diminish over time. This is supported from research by the potash industry and many government agricultural departments. As a result, countries such as India and China have official policies to increase the use of potash to maximize yields. These factors indicate that potash demand growth is expected to be higher than the underlying growth for fertilizers as a whole.

Commercial Crops

Potash is overwhelmingly used on commercial crops, such as sugar cane, palm oil, corn, wheat, rice, soybeans and cotton. Therefore, crop supply/demand and related crop prices can be key factors in demand. Many potash users in markets such as Brazil, the U.S. and Southeast Asia often sell crops forward on commodities futures markets, such as the Chicago Board of Trade. Thus, forward prices of agricultural products can have a major influence on planting decisions and fertilizer application in any given year. Forward prices can be affected by fluctuations in climate and weather patterns, investor speculation and, more generally, the supply-demand balance.

Biofuels

Although the impact on fertilizer demand from biofuels in the U.S. is relatively new, for many years biofuels have been a significant driver of fertilizer demand in Brazil as sugar-derived bio-ethanol has been a major part of Brazil's energy balance.

In terms of the impact on potash demand on biofuels the key crop drivers are:

- *Corn* – Corn is used primarily in the U.S. for bio-ethanol production to meet federal targets for biofuel use. Energy gain is at best marginal and corn-based biofuels are only sustainable in a scenario that involves government subsidies and high oil prices. However, this scenario is expected to continue, particularly in the U.S., in the short-to-medium term.
- *Sugar* – Sugar cane is the longest established and most successful feedstock for biofuels. The Brazilian industry is well established and should continue to grow. There is a large energy gain in sugar cane derived bio-ethanol.
- *Palm oil* – Palm oil is an efficient feedstock for bio-diesel, and several Southeast Asian countries are considering expanding based on anticipated bio-diesel demand. Palm oil is easily transported, and there is an established international trade in palm oil for food product use. A significant part of the European Union ("EU") mandated requirement for biofuels use is expected to be met by imports of palm oil. Oil palm plantations are a major consumer of potash and the establishment of new plantations would represent a significant increase in potash demand.
- *Other oilseeds* – Oilseed rape (canola) is becoming a significant feedstock for bio-diesel in the EU and its use in biofuels is leading to increased crop acreage and thus increased fertilizer use. As with corn, economics are marginal and depend on government subsidies.

In the long-term, the biofuel impact on fertilizer demand growth is expected to diminish, except for sugar cane, which appears to be sustainable in the long-term. However, in the short-to-medium-term biofuels are expected to have a significant impact on fertilizer consumption and therefore on potash demand growth.

Potash Supply Characteristics

The supply of potash fertilizers is influenced by a broad range of factors including available capacity and achievable operating rates; mining, production and freight costs; government policies and global trade. Barriers to adding new potash production are significant because economically recoverable potash deposits with the appropriate geologic conditions occur rarely.

Present Supply Situation

Supply of potash is limited, while barriers to entry to the industry are high. Economically viable deposits are rare, and high costs and long lead times make greenfield production via conventional underground mining more difficult. Government involvement in the potash industry is low, so decisions are more likely to be made for economic, rather than political, reasons. Virtually all of the world's potash is currently extracted from twenty commercial deposits located in twelve countries, as indicated in the chart below.

POTASH PRODUCERS – 2008							
Number of Companies							
Canada	FSU	Germany	Israel	Jordan	China	USA	Others*
3	3	1	1	1	12	3	4

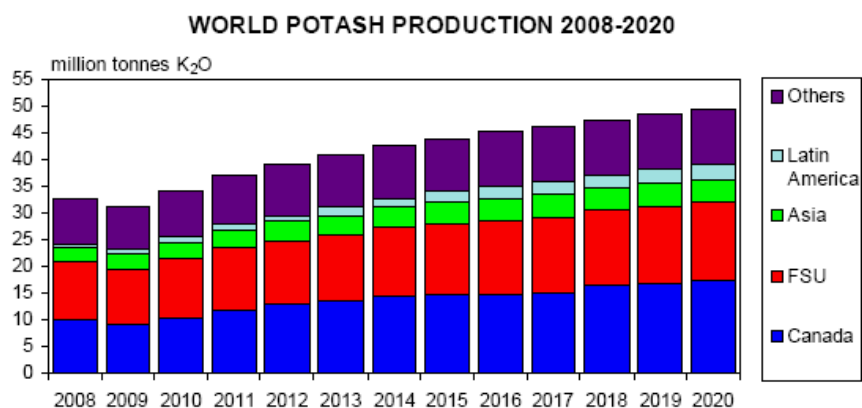
*Chile, Brazil, UK and Spain

In 2008, global potash production declined from a high in 2007 of 34.2 million tonnes K₂O to 33.2 million tonnes K₂O and capacity utilization rates declined from 85% in 2007 to 80% in 2008. However, with a drop in potash demand in the fourth quarter of 2008, a number of producers in North America, the FSU and Europe have instituted production cutbacks to balance the market.

According to Fertecon, in 2008, six of these countries (Canada, Russia, Belarus, Germany, Israel and Jordan) accounted for approximately 84% of the world's aggregate potash production. Canada alone contained approximately one-half of the world's known reserves as of 2007, according to the United States Geological Survey (the "USGS"), the vast majority of which are located in the province of Saskatchewan. This scarcity has resulted in a high degree of concentration among the leading producers.

There is considerable cross-ownership between potash-producing companies. Potash Corporation of Saskatchewan ("PCS"), the world's largest potash producer, has strategic stakes in Arab Potash Company of Jordan, Israel Chemicals Ltd. of Israel, Sociedad Quimica y Minera de Chile S.A. of Chile and Sinôferd Holdings Limited of China. Israel Chemicals Ltd. in turn owns potash producers in the United Kingdom and Spain and the major shareholder of OJSC Uralkali/Russia has a major stake in JSC Silvinit/Russia. This concentrated structure has historically led to relative stability in potash pricing.

Recent Potash Supply Developments

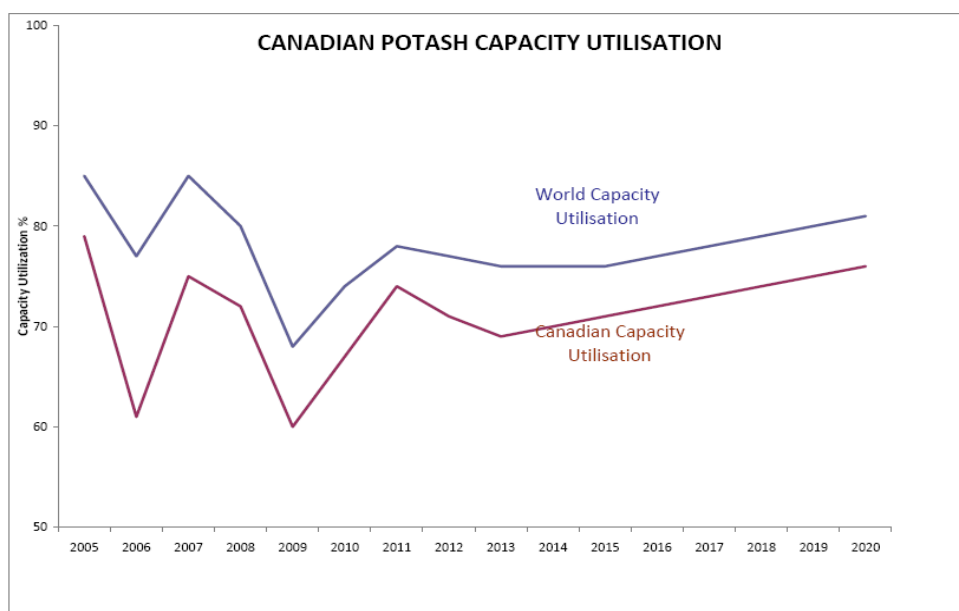


The growth in the "others" category in the above chart is mostly represented by anticipated expansions in Jordan, Argentina and the ROC. The increase in Canadian and FSU production is anticipated to result from expansions of existing facilities and the development of a small number of new mines, particularly later in the period in the case of Canada. In July 2008, PCS announced plans to increase capacity by 2.7 million tonnes of potash by the end of 2012.

Supply/Demand Balance

Potash supply does not exhibit the cyclical behaviour typical of the majority of commodities, which often go through periods of several years of excess supply. For many years, the Canadian producers have adjusted their production to maintain supply in balance with demand. More recently the Russian and the Belarusian producers have followed suit. However, current demand for potash globally has forced PCS and Compotex, the offshore

marketing company for Saskatchewan potash producers, to ship product to customers on an allocation basis in light of insufficient supply. The figure below illustrates how the capacity utilization of the Canadian producers has been varied to maintain overall stability of world production.



Fertecon forecasts potash availability to improve in 2009 and tighten in 2010 through 2011 due to strong growth of demand and limited possibility for production increases. A period of moderate oversupply may occur during the period from 2012 to 2016 due to the introduction of new capacity, but the actions by the major producers are expected to mitigate the impact. Production will necessarily exceed demand to take account of conversion losses when used for NPK production and other losses, such as those associated with storage, transport and handling.

Overall, the outlook is for a general balance between supply and demand with the major producers reducing supply as needed to maintain a balanced market, therefore creating an environment conducive to stable to rising prices. This is not to suggest that there will not be price declines, but that they are expected to be moderate and short-lived.

Significant differences exist between the nameplate and effective capacities of potash producers. Nameplate capacity, as reported by industry consultants such as Fertecon and the IFA, is typically provided by the producers. Until recently, some of the nameplate capacity has not been capable of coming into production. Recent investment programs have been aimed at increasing the facilities' effective production rates which are expected to take effect over the next few years. Adjusting for this, Fertecon estimates that effective capacity capable of production into the period 2009 to 2011 is as shown in the above graph.

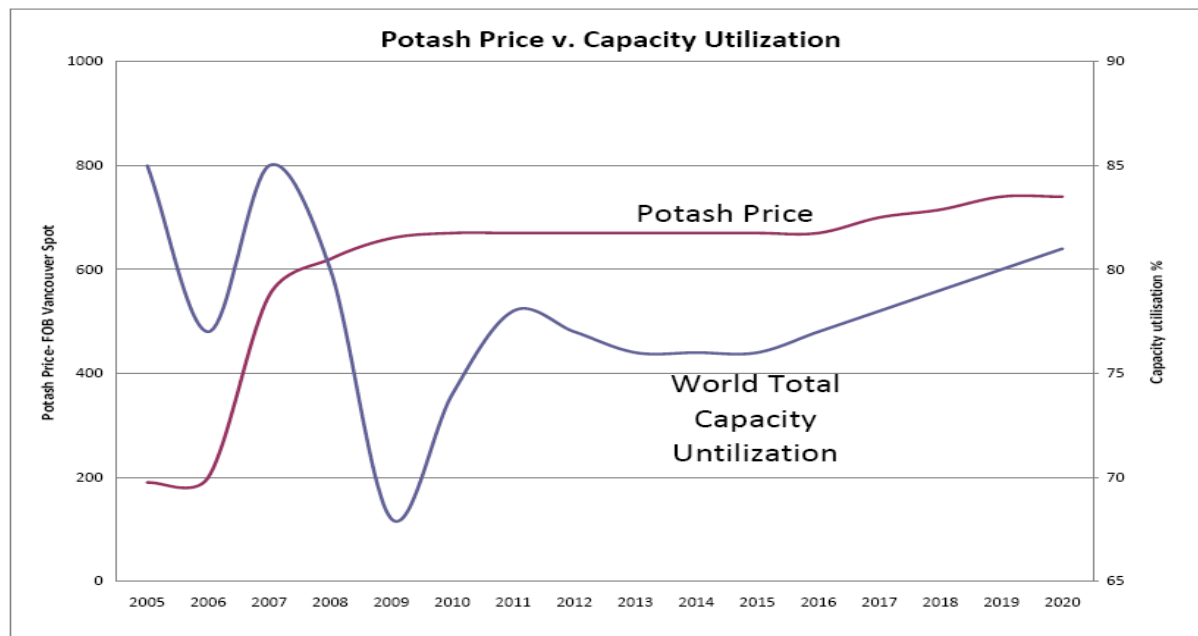
Pricing

Potash prices since 1991 have been typified by periods of stability punctuated by very occasional market-driven downturns and periods of strong price increases. One recent anomaly was the freight induced fall in margins to producers in 2004. Increases between 2007 to 2008 were strong due to the combined effect of the limited capability for capacity expansion combined with rising demand. As a result of the global economic downturn that began in the third quarter of 2008, there has been some decrease in potash prices from the all time highs seen earlier in the year. However, Fertecon has indicated that the production cutbacks continuing in North America, FSU and Europe during the second quarter of 2009 should help support potash pricing, or at least mitigate any downward pressure on the price.

In view of the market conditions discussed above, namely:

- the forecasted high rate of capacity utilization in the industry;
- the barriers to market entry for greenfield capacity;
- a typical seven-year period to realize a greenfield conventional mine (a solution mining field can be developed in one to two years);
- the historical pattern of other potash producers to adjust production to match industry demand; and
- demand growth of about 4.5% per year,

prices are expected to remain stable through 2017, with additional capacity to match anticipated demand increase during the period. Prices are forecast to begin rising again by 2017, once the new supply has been absorbed according to Fertecon, as indicated in the chart below.



Potash Mining Techniques

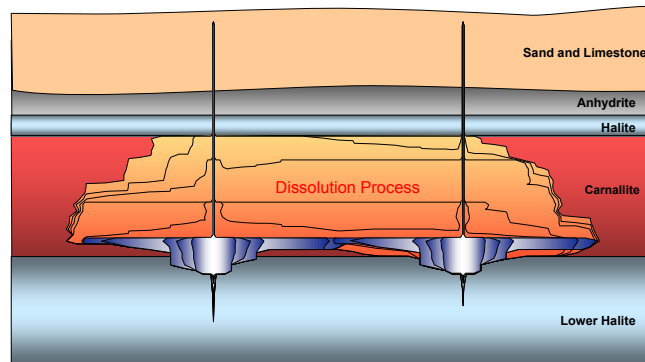
Solution mining of potassium salts is a technique that has been developed over the last 30 years as an alternative to conventional mining. The principle of solution mining involves drilling large-diameter boreholes to the bottom of the lowest carnallite layer. Water heated to a temperature significantly above the deposit temperature is then introduced into the well. A small volume of oil is injected and the layers of rock salt assist in creating a connection between two wells to form a dual well cavern as well as lateral dissolution of the highly soluble carnallite salt layer. Once a diameter of approximately 100 m is achieved, the leaching tubes are retracted or perforated thereby developing a working solution mining cavern.

A brine solution enriched in magnesium and potassium chloride is recovered from the dual well caverns and processed at the potash plant for product recovery. The rate of mining, cavern shape, and preferential separation of various salts are determined by changing the positions of the inflow and outflow pipes, as well as adjusting the flow rates and the oil or rock salt blanket. This high-tech mining procedure is accomplished by geophysical measurements and other sensors to monitor cavern shape and solution concentration.

The brine field is designed and operated to control the shape of each cavern and to plan well-spacing so as to eliminate any possibility of surface subsidence. When finished, spent caverns may be filled with the waste sodium chloride and magnesium chloride brine created after the recovery of potash from the brine. Salt caverns are often used around the world as environmentally and geologically secure long-term storage and disposal sites.

In Germany, efficient commercial carnallite solution mining operations have continued for over 14 years, producing potash fertilizers and magnesium chloride products. Similar operations are located in Saskatchewan and the Netherlands.

The solution mining process does not create surface waste dumps and therefore results in sustainable mining operations with an extremely low environmental impact. Well heads and piping systems to the processing plant are the only surface infrastructure and, at the site in Germany, well heads are located within cultivated fields, and livestock pastures.



Overview of the Regulatory Framework in the Republic of Congo

The legal framework for the development and use of mineral resources in the ROC was established by the constitution of the ROC and the laws enacting and implementing the mining code of the ROC (the "**Mining Code**"). The Mining Code was enacted to promote development of mineral projects by the private sector with the principal role of the state to promote and regulate the development of the mining industry.

The state owns the mineral substances contained in the soil and the subsoil of the ROC, including those beneath the territorial and maritime waters. The Mining Code governs the prospecting, exploration, exploitation, custody, transportation, and processing of mineral substances and fossils. The President of the ROC has jurisdiction over enactment of the mining regulations with the Minister of Mines responsible for day-to-day implementation of the Mining Code.

Individuals or corporate bodies who wish to undertake mining operations are first required to obtain a mining right. The nature of the mining right (authorization or license) depends on the nature of the mining operations.

The Mining Code has defined several types of mining rights:

1. *Prospecting authorization, granted by Order of the Ministry of Mines.*

A prospecting authorization allows its holder to conduct prospecting works in the authorized area, without exclusive right. Holders of this type of permit work jointly with other holders of prospecting permits for the same substances and in the same areas. In addition, this authorization allows the holder to move the mineral substance with or without the prior approval of the authorities, depending on the destination of the substances.

In case of successful prospecting works, the authorization allows the holder the right to request an exploitation authorization or an exploration or exploitation licence, for the same mineral substances and for the same area. The non-assignable authorization is valid for one year and can be renewed once for the same duration.

2. *Mining exploration licence granted by decree passed by the Council of Ministers, upon report of the Minister of Mines.*

A mining exploration license confers the holder an exclusive right to undertake prospecting and research of specified substances in the designated area. The surface area covered by the licence cannot exceed 2,000 km² for sedimentary formations, and 1,000 km² for the other formations. The license is an indivisible real estate right and as such may be assigned subject to the prior approval of the Minister of Mines.

A mining exploration licence is valid for three years, from the date of the gazetting of the decree that awards the licence. The licence can be renewed twice for bi-annual periods. At the time of each renewal, the area of the licence is reduced to a maximum of 50% of the previous surface area. The renewal of the license takes the form of a new decree passed by the Council of Ministers, upon report of the Minister of Mines.

In case of successful exploration works, the licence allows its holder the priority to apply for an exploitation license for the discovered substances for the same area.

3. *Exploitation authorization.*

An exploitation authorization covers the exploitation of a quarry or the exploitation of small mines. An exploitation authorization is granted by order of the Minister of Mines. Small mines are defined as any exploitation with modest financial resources and modest technical and human resources.

The authorization is assignable with the prior approval of the Minister of Mines. The authorization is valid for five years and is renewable for the same period upon request of the holder.

4. *Exploitation licence granted by decree passed by the Council of Ministers, upon proposal of the Minister of Mines, and after a public utility inquiry has been conducted.*

This type of exploitation license confers to its holder the exclusive right to undertake exploitation works within the limits of its perimeter without a limit on depth, for the substances for which it has been granted.

The duration of the mining exploitation licence is defined in the body of the awarding decree, but it cannot exceed 25 years. The licence can be renewed for new periods of 15 years when the recoverable reserves warrant the extension of the licence duration. The licence is assignable subject to the prior approval of the Minister of Mines.

The Mengo Exploitation Permit falls into this category of exploitation licence.

Mining Agreement

The government of the ROC will execute a mining agreement with the mine operator to whom an exploration or an exploitation licence has been granted. In the case of MagMinerals, the mining agreement is the PIA. See "Narrative Description of the Business – Potash Investment Agreement".

A mining agreement defines the rights and obligations of the parties with regards to the investments and operations of the mine project and specifically addresses, among other things:

- the minimum works program as well as the timing for conducting exploration or exploitation works;
- the minimum expenses for the exploration and exploitation works;
- the conditions of formation of associations, joint ventures or production sharing agreements or any other agreements, to conduct mining activities in common;
- the ROC government's contribution or the contributions of other persons to the capital or to profits of the companies;
- the conditions of realization and organization of the exploration or exploitation works;
- the total or partial processing of minerals found or produced during the exploration or exploitation works;
- the definition of the merchant value of the minerals;
- the technical and financial guaranties;

- the setting-up of bank accounts for the performance of decommissioning obligations;
- the specific fiscal and customs regime reserved for the mining company;
- the arbitration and settlement of disputes;
- the coordination of the operations of exploration and exploitation carried on by the operator on neighbouring sites; and
- the tax regime of the investments' depreciation.

The holder of an exploitation license is required to incorporate a Congolese company, to be the operating entity, 10% of the share capital of which is held by the government of the ROC. In the case of MagMinerals, the Congolese operating company is MagPotasses.

Pursuant to the mining agreement, the operator commits to:

- respect the rights and interests of the land owners;
- give priority to the recruitment of nationals, with equal qualification and experience;
- ensure the permanent training of the local personnel;
- give priority to the use of local products and services with equal conditions of delay and quality;
- cooperate with other operators in the mining industry to allow the setting up of Congolese companies for the supply of the abovementioned goods and equipment;
- prepare and submit for approval of the appropriate Congolese mining administration,
 - an environmental impact assessment,
 - an environmental plan with the details of measures adopted to reduce or to avoid the nuisances and the pollutions, and
 - a rehabilitation plan;
- update the plan for soil management; and
- remit any plans, data or documents allowing the Minister of Mines to have a better knowledge of the mineral deposits and their exploitation.

Promotion of the Congolese Mining Sector

Since 2005, the government of the ROC has actively promoted the mining industry. The government's promotion of the industry in conjunction with new Mining Code has resulted in an increase in international private companies investing in the Congolese mining sector. As a consequence, a number of prospecting authorizations for different mining substances (notably iron, copper, potash and gold) have been granted to several mining companies over the past three years allowing certain of their holders to be awarded exploration and exploitation licenses.

Acquisition of Title to Land in ROC

The right to acquire land is guaranteed by Article 17 of the Constitution of the ROC promulgated in 2002. The Constitution of the ROC also prevents the deprivation of land with the exception of expropriation for a public utility (with fair compensation for the land owner).

In 2001, the government of the ROC enacted a land estate law defining the procedure for the awarding of land titles as well as conditions for the registration of land titles. In 2004, the government also enacted a national estate code.

Land can be categorized as state land (which cannot be acquired but can only be occupied subject to a prior authorization from competent administrative authorities and for a maximum duration of twenty years, for example, harbour lands and private land (which can be acquired and gives right to land title). The rights of the land owner arising from a valid land title granted in accordance with the land estate law cannot be challenged by third parties.

Land Ownership Rights in ROC and Mining Permit Rights

The holder of a mining permit is required by the permit to respect the rights of the landowners. The Mining Code defines the procedures for the occupation, the expropriation or the acquisition of the lands as well as compensation to those landowners affected by mining operations.

Narrative Description of the Business

Overview

MagMinerals is expected to begin construction of the first phase of the Project in the second half of 2009. MagMinerals is developing the Project to capitalize on one of the world's largest economic carnallite deposits contained within the Mengo Permit Area. This deposit is strategically located close to both a deep water sea port and major end markets for potash consumption. Carnallite is a sedimentary (evaporate) mineral composed of water-soluble chloride salts of potassium (potash) and magnesium that lends itself to the use of solution mining which, with access to local low-cost energy provided for in the Gas Supply Agreement, is expected to allow MagMinerals to realize production costs in the bottom quartile of its peers. MagMinerals has completed all necessary technical foundation work for the solution mining method proposed for the mine and the engineering for the processing plant.

The Property has access to existing infrastructure as well as critical water and surface transportation links. The Mengo Permit Area consists of an area of approximately 136 km² and is located approximately 15 km northeast of the port-city of Pointe-Noire. Within the Mengo Permit Area is a 25 km² study area (the Mengo Mine Area) which has significant proven and probable reserves as identified in the recently completed Technical Report which is summarized herein. See "The Property". MagMinerals intends to complete the Project in two phases, each representing 600,000 tpy of KCl production.



Location of the Project - MagMinerals' Operations

MagMinerals History

MagMinerals was established for the purpose of developing and producing agricultural grade potash fertilizers using potassium rich brines from the Kouilou salt deposits. The Makola Permit Area supported commercial conventional underground potash production in the 1970's that was abandoned due to uncontrollable water incursion.

MagMinerals' operations will be designed to mitigate mine flooding risks through the planned use of solution mining techniques.

The key milestones in respect of the Project achieved to date include:

- obtaining an exploitation permit for the 136 km² Mengo Permit Area (April 2008);
- obtaining a renewal for the exploration permit for the 1,472 km² Makola Permit Area (August 2008);
- completion of a NI 43-101 reserve report (November 2007) and NI 43-101 updates (August and October 2008) for the Mengo Mine Area;
- completing an in-depth project feasibility study on Phase I (annual production capacity of 600,000 tonnes of KCl) (February 2008);
- retaining BNP Paribas as lead debt financing advisor to arrange the Project debt (October 2006);
- raising over **\$183** million through private placements of equity securities (April, July and September 2008);
- executing marketing agreements in favour of Ameropa AG covering the sale of 100% of MagMinerals' Phase I and Phase II potash production (August 2008);
- executing the PIA covering all fiscal, customs and exchange regulations and rights to use rail, ports and infrastructure (December 2008); and
- execution of the Gas Supply Agreement with Eni Congo S.A. for the supply of gas to the Project (March 2009).

Business Strategy

MagMinerals' strategy is to become one of the lowest cost producers of potash and a significant supplier of potash to the Brazilian and African markets by 2012 and a low cost producer to other markets. The principal elements of MagMinerals' strategy are:

- *Finalize Phase I Financing* – Complete the equity and debt financing to fund the construction of Phase I of the Project, which is expected to include approximately \$160 million in additional net equity proceeds and approximately \$840 million in net debt proceeds.
- *Construct Phase I* – MagMinerals' current timeline has it bringing incremental potash to the market faster than its greenfield competitors. In February 2008, SNC completed a "final" feasibility study on MagMinerals' mining site, with production scheduled to begin in 2012. MagMinerals is currently engaged in site preparation, has contracted for long lead time construction items and is preparing all major purchasing packages. Phase I is expected to produce 600,000 tpy of KCl.
- *Finalize Phase II Financing* – Complete the equity and debt financing to fund the construction of Phase II of the Project, which is expected to include approximately \$165 million in net equity proceeds and approximately \$385 million in net debt proceeds.
- *Construct Phase II* – Given the significant estimated potash reserves and strong anticipated consumption from Brazil, which is expected to represent the destination for over 50% of MagMinerals' potash production, MagMinerals is building Phase I of the potash plant based on a

modular design and layout which will allow for the inclusion of an additional 600,000 tpy of capacity. This would bring the total production to 1.2 million tpy of KCl and more fully utilize the extensive available resource base. This second phase of construction would utilize common infrastructure elements with Phase I which is expected to result in substantially lower capital costs and construction timelines. The capital expenditures for the second phase of construction are expected to be approximately \$423 million plus financing charges.

- *Continue to study the resource base and evaluate future production* – The use of solution mining technology is expected to allow MagMinerals to quickly add additional production capacity as it can develop the mining field and the plant in parallel. MagMinerals will also have exclusive access to mine areas around the 25 km² reserve study area. Pursuant to the Mengo Exploitation Permit, MagMinerals will be entitled to mine potassium salt in the 136 km² Mengo Permit Area while the 1,472 km² Makola Permit Area can be explored for additional reserves.

Certain of the future key milestones in respect of the Project include:

- construction of Phase I of the potash processing plant to commence during the second half of 2009;
- completion of an in-depth Project feasibility study for a second production module (Phase II) of 600,000 tonnes of annual production of KCl (expected in the first quarter of 2010);
- commencement of production at Phase I of the Project which is expected during 2012 with annual production capacity of 600,000 tonnes of KCl;
- Raising necessary debt and equity capital of approximately \$550 million to fund Phase II construction, assuming a positive feasibility study in respect of Phase II;
- construction of Phase II of the potash processing plant to commence during the fourth quarter of 2010, assuming a positive feasibility study in respect of Phase II; and
- commencement of production at Phase II of the Project which is expected in 2013 bringing annual production capacity to a total of 1,200,000 tonnes of KCl, assuming a positive feasibility study in respect of Phase II.

Potash Investment Agreement (PIA)

MagMinerals entered into the PIA with the government of the ROC in December 2008. The PIA is an umbrella agreement that covers a series of understandings and agreements between the parties in respect of a number of operational aspects of the Project. The PIA addresses the following needs of the Project:

- *Access to water* – The solution mining process to be used by the Project will require a significant volume of water and the PIA grants MagMinerals access to sufficient quantities of water from rivers, streams and aquifers located within the boundaries of the Mengo Exploitation Permit.
- *Rail/track access* – The Project will require use a portion of the rail and track owned and operated by a third party, for the shipment of product from the plant site to the port of Pointe-Noire. The PIA guarantees access to this railway. In January 2009, an access agreement was executed with the owner/operator of the railway which allows for the transportation of potash and all products manufactured by the Project between the Project site and the port for a period of 25 years and is renewable by mutual agreement of the parties.
- *Port infrastructure and shipping* – The Project will require storage space at the port as well as bulk loading facilities and docking rights for shipping of K60 product. The PIA includes access to all necessary port facilities and/or the right to construct the necessary facilities.

- *Gas supply* – The Project is expected to require a significant supply of gas for process heat and generation of electricity. The gas is the property of the government of the ROC and is flared as there is no market realizable value. MagMinerals has entered into the Gas Supply Agreement with Eni Congo S.A. for the supply of gas to the Project. The agreement is based on a contracted supply of associated gas from Eni Congo S.A. which operates the on-shore M'boundi oil field. Eni Congo S.A. will supply the gas from its treatment plant to be located in Djeno, approximately 25km southwest of the Project. The gas supply will support all of the requirements of the potash processing plant. Additional gas quantities will also be made available to support the Project's back-up power facilities if the electricity supply fails. MagMinerals is working with Eni Congo S.A. to complete detailed engineering for the gas pipeline from Djeno to the Project.
- *Rights of way for construction of the Project* – The PIA provides the necessary permitting for construction of the solution mine, process plant and the natural gas and water supply pipelines, and the spent brine pipeline.
- *Fiscal conditions* – The PIA sets out the fiscal terms for the Project operation in the ROC including the ROC government's share of the ownership in the operating company, MagPotasses, the length of holidays on both the royalty and corporate taxes, and other fiscal conditions for import, export and in-country levies. It also addresses repatriation of profits and duties exemptions.

The PIA also includes the environmental and social impact study completed by MagMinerals and is expected to be ratified by the State. The study sets out the on-going obligations of MagMinerals with respect to environmental and social monitoring and actions during the construction, operation and eventual closure of the Project.

The PIA includes the necessary licenses and permits for the construction of the Project, the exploitation of the mine and operation of the process plant. The PIA provides the rights to establish operating companies in-country, and allow MagMinerals to take any action it deems necessary to design, build and establish operations in-country, as well as addressing procedures, processes, documentation, permitting systems and administration requirements in-country. The PIA further outlines the terms in respect of export of final product, commercialization of the production on the open markets and allows MagMinerals to execute any agreement with third parties it deems necessary for the good execution and operations of the Project including labour agreements and freedom to hire internationally, subject to implementation of training programs for and priority placement of qualified and competent Congolese nationals or residents. The PIA also provides MagMinerals the freedom to establish all communications, security and other modalities deemed necessary for a safe and economic operation in the ROC.

Competitive Strengths

Management believes that MagMinerals' competitive strengths outlined below will allow it to become a significant participant in the international potash industry.

Long-life Reserves

The Mengo Permit Area is expected to provide a significant reserve life to MagMinerals. The Technical Report in respect of a 25 km² area within the 136 km² Mengo Permit Area identified proven reserves of 155 million tonnes of carnallite ore at an average KCl (potassium chloride) content of 17.2% and probable reserves of 33.2 million tonnes of carnallite ore at an average KCl grade of 17.2%, which, based on an annual production rate of 600,000 tonnes of KCl, would provide for a mine life of 54 years, or based on an annual production of 1,200,000 tonnes of KCl, would provide for a mine life of 27 years. MagMinerals intends to continue to drill the Makola Permit Area with a view to increasing the proven reserves and will work with the ROC government to obtain the required permits if and when such reserves are identified.

Low-Cost Production Inputs and Proximity to Shipping Port

Management believes MagMinerals will have significant cost advantages for its inputs, which are expected to lead to production costs that are among the lowest in the industry. Direct and indirect operating costs, with contingency, are estimated by SNC to be \$83/tonne FOB Pointe-Noire.

- *Access to Low-Cost Energy* - One of the largest cost components in the production of potash when using the solution mining method is natural gas, which is used in the evaporation process. Due to the abundance of flared natural gas in the Pointe-Noire area, MagMinerals has entered into the Gas Supply Agreement with Eni Congo S.A. for the supply of gas to the Project. The agreement is based on a contracted supply of associated gas from Eni Congo S.A. which operates the on-shore M'boundi oil field. Eni Congo S.A. will supply the gas from its treatment plant to be located in Djeno, approximately 25km southwest of the Project. The gas supply will support all of the requirements of the potash processing plant. Additional gas quantities will also be made available to support the Project's back-up power facilities if the electricity supply fails.
- *Solution Mining* - The Mengo Mine Area site is underlain by multiple thick horizons of carnallite mineralization, which are suitable for solution mining. Solution mining operations have relatively low initial investment costs and compared to conventional underground mining only relatively small amounts of waste material are transported to the surface. Unlike conventional underground mining, with solution mining, flooding may result in the loss of caverns, while the overall operation can continue. The use of solution mining together with access to local low cost energy should allow MagMinerals to realize production costs in the bottom quartile of its peers.
- *Access to Strategically Located Deep-Water Port* - The Project will be located just 25 km east by rail of the Atlantic port of Pointe-Noire, one of West Africa's largest deep water ports and the operations base for major international oil companies for the past 30 years. Close proximity to the port should provide a significant cost advantage relative to FSU and Canadian potash producers which are situated over 1,700 km and 2,500 km, respectively, from the nearest deep water ports. Additionally, MagIndustries, through MagForestry, holds a 70-year lease for a 10 acre quay, on which MagMinerals expects to locate potash storage and bulk ship loading facilities. The port site will be connected by rail spur to the existing rail line which runs to the Project site. MagForestry currently occupies approximately one half of the quay for the use of its log chipping and shipping operations. The short shipping distance by rail to the port is expected to minimize the effects of handling as well as changing environmental conditions on the product which could include humidity and precipitation. These effects should be further minimized as potash will be treated within a compaction building at the plant site with a special glazing circuit that will seal the product and minimize its sensitivity to humidity. This will be followed by an organic coating which has been specifically developed for further treating the potash granule to exhibit good performance under adverse environmental conditions including humidity. During the shipment from plant to port, the potash will be handled in closed buildings, conveyors, rail cars and storage facilities designed to ensure that the product is at all times contained within an internal environment that is controlled and undergoes little change with the seasons.

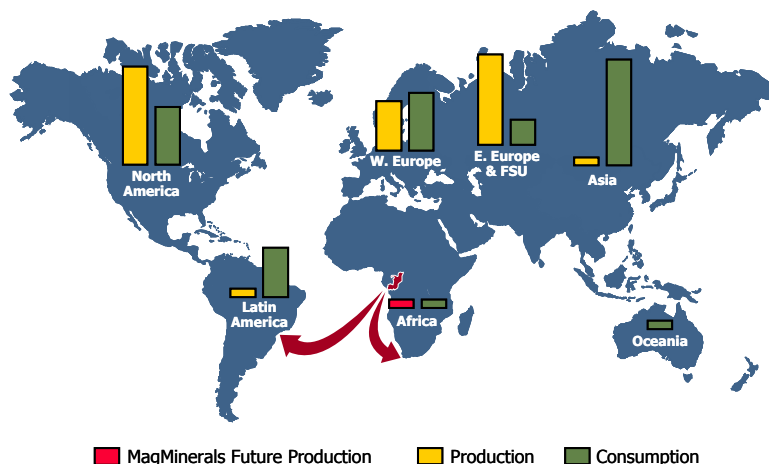
Proximity to Growing Brazilian Agriculture Market

The primary end market for the majority of MagMinerals' potash production is expected to be Brazil. Brazil is the third largest consumer of potash behind China and the U.S. and is expected to experience continued strong demand for potash owing to its position as one of the world's top agricultural producers. Brazil is also a large supplier of agricultural products to China.

Meanwhile, Brazil's limited domestic potash production has created a significant supply-demand imbalance, with domestic production capacity of only 0.5 million tonnes of K₂O per year, thereby requiring imports of 4.5 million tonnes in 2008, according to Fertecon. Furthermore, Fertecon anticipates that Brazil's K₂O import demand will grow to 7.6 million tpy by 2020, representing a 59% increase relative to 2008 forecasted levels.

Given the location of the Property, management expects MagMinerals to have a significant advantage over other producers currently serving the Brazilian and many other South American potash markets.

✓ Shortest shipping distance to key Brazilian and African markets



Positive Relationship with the Government of the ROC

The ROC is a Central African country with a population of 3.3 million whose economy has long been dominated by off-shore oil production. Major international firms including Total E&P Canada Ltd., Eni S.p.A and Chevron Corporation and Shell Oil Company have carried out oil exploration and commercial production in the ROC for over 30 years. The ROC is bordered to the south by its much larger and distinctly separate DRC, formerly known as Zaire. The ROC is a functioning democracy with rule of law based on the French Civil Code and mining law to World Bank standards. The country is governed by a single dominant party whose president, Denis Sassou Nguesso, has presided over the country since 1997. The last election was held in March 2002 and it is anticipated the next election will be in July 2009.

MagMinerals expects to benefit from the long-running relationship of MagIndustries with the ROC government, which began in 1996. MagIndustries has become an important source of employment and has contributed to the local and state economies through its various operations with MagForestry, a wholly-owned subsidiary of MagIndustries, recently becoming the largest non-government employer in the ROC with approximately 1,850 employees and contractors.

The ROC government's interest will be further aligned with MagMinerals given the government's expected 10% free-carried interest in the Project as well as the future tax revenue and royalty stream from the sale of potash. Management believes that the government considers the Project to be a high priority and has mandated supply of natural gas at significantly less than current international prices.

Strong and Experienced Project Team

MagMinerals has assembled a team of some of the industry's leading companies in developing and operating the Project. These include:

- *SNC-Lavalin* – SNC-Lavalin completed the bankable feasibility study on the Project between July 2006 and February 2008. SNC-Lavalin is one of the leading groups of engineering and construction companies in the world, and a global leader in the ownership and management of infrastructure. SNC-Lavalin companies provide engineering, procurement, construction, project management and project financing services to a variety of industry sectors, including agrifood, biopharmaceuticals, chemicals and petroleum, environment, heavy construction, mass transit, mining and metallurgy, power and water management.

- *Ameropa AG* – MagPotasses has executed twelve-year off-take agreements in favour of Ameropa AG of Switzerland (being the Phase I Marketing Agreement and the Phase II Marketing Agreement) for the marketing and sale of 100% of the first phase potash production as well as the second phase of potash production if and when that should occur. Ameropa AG has executed an undertaking to execute such agreements and until such execution, binding agreements do not exist. Ameropa is a privately owned, Swiss-based international grain and fertilizer trader and has been a marketer of potash since 1948. Ameropa was the first to develop the Brazilian market in the 1960's and is one of its main suppliers. It employs approximately 2,265 people worldwide with annual sales of 11,000,000 tonnes of fertilizers, 3,000,000 tonnes of grains and sizeable volumes of petrochemicals and metals.
- *HPD LLC* – MagMinerals has selected HPD LLC as the supplier of, among other things, process design, the evaporation and crystallization equipment and related processes in the plant. HPD LLC is a global leader in evaporation and crystallization technology and a part of the Veolia Water Solutions & Technologies group of companies. HPD LLC has extensive expertise through the execution of complex, design-build projects where HPD LLC provides the design, detailed engineering, and installation of all major equipment.
- *BNP Paribas* – BNP Paribas is MagMinerals' lead Project financial advisor and the lead debt financing arranger for Phase I lending. BNP Paribas is one of the largest international banks in the world with significant exposure to Europe, Africa, Asia and the United States. The definitive terms of the proposed debt facility have not yet been finalized.
- *Engineering and Projects Company (E+PC)* – E+PC has been selected as engineering, procurement and construction management (EPCM) consultants. E+PC is a wholly-owned subsidiary of Aveng (Africa) Ltd. ("Aveng") and offers engineering, design and project delivery services as well as the operation and maintenance of metallurgical processing plants. E+PC has broad contracting expertise and a wealth of experience for the delivery of projects in Africa. Aveng is the largest construction firm in South Africa with over 30,000 employees.
- *Consolidated Contractors Company (CCC)* – CCC has been selected as the construction contractor to build the potash plant. CCC is one of the largest engineering and construction companies in the Middle East with offices in almost every country of the Middle East and Africa. The construction activities of CCC cover fields in (i) heavy civil construction such as power plants, bridges and highway interchanges, harbour and docks, and civil work for process plants and the petrochemical industry, (ii) highways, roads and airports, (iii) water and sewage treatment plants, pumping stations and all related networks, (iv) mechanical construction such as fabrication and installation of piping, erection of equipment and vessels, structural steel works for light industry and heavy mechanical works (refineries, petrochemical plants, gas oil separation plants, oil loading and off loading terminals) and (v) pipelines for water, gas and oil.
- *Ercosplan* – Ercosplan has been selected for the design of the solution mining portion of the plant. Ercosplan, in operation since 1952, is an industry leader in solution mining consulting, engineering and project management, and project control for potash and salt extraction.

Expected Debt Facility

As a part of the financing of the Project, MagMinerals expects to enter into an arrangement with a syndicate of lenders providing a debt facility for the development of the Project. It is expected that a secured debt facility of approximately \$840 million will be arranged by BNP Paribas and syndicated among export credit agencies, development financial institutions and commercial banks. While a definitive term sheet has yet to be concluded, MagMinerals anticipates that the terms of the facility will include a 13 year term, which will allow for a three year construction period and a ten year repayment period with such facility being secured by the assets of MagMinerals. Any future project debt facility is, among other things, subject to negotiation of definitive terms of the facility, satisfactory due diligence findings, sufficient equity capital being raised for the Project, market conditions, final

credit committee approval and other conditions precedent. See "Risk Factors – Risks Relating to MagMinerals' Business – Debt Facility".

The Property

The following disclosure relating to the Property has been derived from the technical report entitled "Updated Reserve Estimate for MagMinerals Mengo Permit Area, Kouilou Region, Republic of Congo" prepared by Dr. Henry Rauche and Dr. Sebastiaan N.G.C. van der Klauw dated November 3, 2008 (the "**Technical Report**"). The summary from the Technical Report is reproduced herein for the purposes of the disclosure of the Property required under section 5.4 of Form 51-102F2 of National Instrument 51-102 – *Continuous Disclosure Obligations*. The detailed disclosure contained in the Technical Report, in its entirety, is incorporated by reference in this AIF.

Each of Dr. Rauche and Dr. van der Klauw, the authors of the Technical Report, are "qualified persons" within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") and are independent of MagIndustries and MagMinerals. The Technical Report is available for inspection during normal business hours at MagIndustries' registered office at 33 Yonge Street, Suite 300, Toronto, Ontario and may also be reviewed under MagIndustries' profile on the SEDAR website at www.sedar.com.

Technical Report Summary

Location of the Property

The Mengo Exploitation Permit area is located about 500 km west of Brazzaville, ROC, and about 15 km northeast of the port city Pointe-Noire. The Mengo Permit Area lies in the Kouilou province, its boundaries are given by the following coordinates in the decree 2008-74:

Longitude	Latitude
11° 55' 40" E	4° 37' 37" S
12° 01' 01" E	4° 37' 37" S
12° 01' 03" E	4° 45' 00" S
11° 55' 40" E	4° 45' 00" S

Within the Mengo Permit Area of 136 km² MagMinerals exploration efforts were concentrated on an area of approximately 25 km² area near the village of Mengo (the "**Mengo Mine Area**").

Land Tenure

The authors of the Technical Report did not complete a detailed review of the mineral titles or agreements to assess the validity of the stated ownership of the exploration concession and relied on the documentation provided by MagMinerals. The Mengo Exploitation Permit was granted by Decree 2008-74 dated April 3, 2008, in accordance with law 23/82 dated July 7, 1982, enacting the Mining Code.

The Mengo Exploitation Permit gives the holder exclusive right to carry out exploitation activities in the area defined, to an unlimited depth and in respect of potassium salts. The Mengo Exploitation Permit is valid for a **maximum** of 25 years and can be extended upon request by the holder for maximum periods of 15 years per extension. When the permit expires, if no request for extension is filed, a mine closure plan must be submitted. In the event that the holder has not commenced the exploitation works within twelve months of the date on which the permit was granted, the Council of Ministers may revoke the permit.

The Mengo Exploitation Permit was granted based on the exploration work done under the former Makola exploration permit (2,265 km²). MagMinerals has applied for a renewal of the Makola Exploration Permit for a smaller area (approximately 1,472 km²), because the original Makola exploration permit expired as the Mengo

Exploitation Permit was granted. Subsequent to the receipt of the Technical Report, the renewal of the Makola exploration permit was granted.

Geology and Mineralization

Geologically, the deposit area is located in the Congo coastal basin of Aptian age (lower Cretaceous), which extends from Equatorial Guinea in the North, to Angola in the South (Feuga et al., 2005). The basin represents the eastern flank of the pre-Atlantic continental rift basin which continues on the opposite coast of the South Atlantic Ocean in the Sergipe Basin, Brazil, where large potash deposits are still under extraction. To the east this basin is bordered by Precambrian crystalline rocks, known as the Mayombe basement.

For the whole Congolese coastal basin non-NI 43-101 compliant geological resources have been estimated at 800 billion tonnes of carnallite¹ by the Congolese government. For the 1,300 km² Holle Mine Area, Feuga et al., 2005 cite from Compagnie de Potasse de Congo sources non-43-101 compliant geological K₂O resources of 30 billion tonnes of Sylvite and Carnallite. The detail of the data available for these historical resource estimates is below that required for inferred resources according to CIM Standards². MagMinerals is not treating these historical estimates as current mineral resources as defined in NI 43-101. They are presented here because they are considered relevant and of historical significance. These historic estimates should not be relied upon, but suggest that a potash deposit in the form of Carnallite underlies the Mengo Permit Area.

Exploration

For the Mengo Mine Area, which is a part of the Mengo Permit Area, the carnallite mineralization has been investigated by MagIndustries in more detail, with 14³ drill holes and 23 km of 2D seismic survey. To date, the data available allow for this part of the deposit reserves and resources to be categorized in accordance with NI 43-101. In the area investigated, small scale faults and potential subsidence structures have been identified and the areas where these structures occur were excluded from the reserve estimation area.

The carnallite rock consists of an interlayering of carnallite (KMgCl₃ x 6 H₂O) rich layers (> 70 % carnallite) with some halite (NaCl) and minor amounts of anhydrite (CaSO₄) and clay with layers or lenses of rock salt, consisting mainly of halite with minor amounts of carnallite, usually in lenses and Anhydrite, dolomite and clay, which are often concentrated in, at maximum, several mm thick layers.

14 drill holes completed in the Mengo Mine Area have all intersected multiple carnallite horizons.

- 1 hole completely penetrated the evaporite sequence and all the carnallite beds;
- 11 holes penetrated the upper part of the evaporite sequence, where the thick carnallite horizons, suitable for solution mining are located; and

¹ Throughout the Technical Report, mineral names start with a capital letter and rock names use a lower case letter unless occurring at the beginning of a sentence or in names. Rock names of evaporate rocks are used according to international lithological terminology and are formed by the suffix -ite at the end of the main evaporate mineral. The exception to this rule is anhydrite since such a suffix spelling is uncommon for these types of rocks. A rock containing mainly Halite (the mineral) is called rock salt.

² The historical estimates presented above with respect to the estimated geological resources were prepared prior to the implementation of NI 43-101. A qualified person has not done sufficient work to classify these historical estimates according to NI 43-101 standards or the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards. MagBarbados is not treating these historical estimates as current mineral resources as defined in NI 43-101. They are presented here because they have considered relevant and of historical significance. These historic estimates should not be relied upon.

³ The 14 drill holes, consist of hold K3 from 1960 used as reference hole and slim hole Mengo 1 from 1998 and 12 holes from the recent MagBarbados campaign. Only for these last 12 holes was sufficient data available for use in the resource and reserve estimate.

- 2 holes penetrate only the uppermost carnallite beds, which are partly suitable for solution mining.

Resource and Reserve Estimation

Four carnallite horizons are considered to have economic potential for solution mining of carnallite. In descending order they are Horizon 1 carnallite, Horizon 2 carnallite, Horizon 3 carnallite and Horizon 4 carnallite. Horizon 1 carnallite has potential for solution mining, but preliminary rock mechanical modeling has shown that a connection between caverns and groundwater bearing strata cannot be excluded and therefore this horizon is only considered part of the inferred resources. Horizons 2, 3 and 4 have reserves categorized as proven and probable depending on the distance from the 12 new drill holes.

The average thickness and the weighted average Carnallite grade, for the 12 recent drill holes for the Horizons 2, 3 and 4 are as follows:

- Horizon 2 carnallite, 13.4 m average thickness and 44.1% Carnallite;
- Horizon 3 carnallite, 10.0 m average thickness and 90.0% Carnallite; and
- Horizon 4 carnallite, 26.6 m average thickness and 66.3% Carnallite.

The resources have been categorized based on the distance surrounding the recent drill holes that have complete geophysical logs and spot cores in the horizons of interest. This is the best available practice in the potash industry. The distances from the wells for inclusion in the inferred, indicated and measured resources are as follows:

- measured: 750 m radius if a correlation is possible on two sides to other drill holes with a comparable potash section, otherwise a 250 m radius is used;
- indicated: 1,500 m radius if a correlation is possible on two sides to other drill holes with a comparable potash section, otherwise a 500 m radius is used, minus the area of measured resources; and
- inferred: 3,000 m radius is used minus the area of measured and indicated resources.

On the basis of the diameters discussed above, polygons were constructed around the drill holes. The measured and indicated resources were calculated for each polygon, reducing the area by taking into account the presence of geological (faults) and technical exclusion zones (steep slopes and villages). For the inferred resources an overall 35% area reduction for these factors was used. Furthermore, mining losses due to safety pillars around caverns, non-geometric cavern shape (thickness dependent), incomplete Carnallite dissolution and incomplete brine displacement were accounted for in the resource estimate. The estimated resources for each category are given in the table below.

	Horizon 1	Horizon 2	Horizon 3	Horizon 4	Total
Measured resources					
Million tonnes of carnallite	-	42.0	24.4	97.0	163.4
Carnallite grade of ore (%)	-	44.1	90.0	66.3	64.1
KCl grade of ore (%)	-	11.8	24.1	17.8	17.2
Million tonnes of KCl	-	5.0	5.9	17.2	28.1
Indicated resources					
Million tonnes of carnallite	-	9.6	5.3	26.4	41.3
Carnallite grade of ore (%)	-	44.1	90.0	66.3	64.1
KCl grade of ore (%)	-	11.8	24.1	17.8	17.2
Million tonnes of KCl	-	1.1	1.3	4.7	7.1

	Horizon 1	Horizon 2	Horizon 3	Horizon 4	Total
Inferred resources					
Million tonnes of carnallite	427.6	191.9	113.7	482.5	1215.7
Carnallite grade of ore (%)	63.6	44.1	90.0	66.3	64.1
KCl grade of ore (%)	17.1	11.8	24.1	17.8	17.2
Million tonnes of KCl	73.0	22.7	27.5	85.8	209.0

This resource estimate does not take into account any of the several relatively thin (<5m) and high grade carnallite horizons, which together have a combined thickness in the order of 20 m within the investigated evaporite section, as they are only marginally mineable by solution mining.

This resource can be mined using hot leaching in double well caverns. The brine produced may be processed at the proposed potash facility located nearby. The processing concept continually adds Carnallite (produced during a later stage) to the incoming brine, which results in the precipitation of Halite and Sylvite. The solid slurry is separated from the brine and processed to produce a marketable K60 material using hot leaching and KCl crystallisation. The brine from the Carnallite decomposition is evaporated to produce Carnallite, which is recycled to the Carnallite decomposition stage. Remaining $MgCl_2$ brine will be disposed to the sea.

Based on this mining and processing concept the production of 1,200,000 tonnes of K60 requires capital expenditures estimated at \$1.146 billion, with operating expenditures of \$72 per tonne of K60.

Financial modeling based on a conservative potash price prognosis of Fertecon (which implies an average net realized price per tonne to MagMinerals of \$464 for the first five years of the Project) and taking into account the financing costs (Phase I capital expenditures of \$723 million, financing and development costs of \$257 million and Phase II capital expenditures of \$423 million, with a debt to equity ratio for Phase I of 70:30) show that even for pessimistic cases the Project is capable of servicing its debt and breaking even. On the base case, the internal rate of return is estimated at 19% and at a discount rate of 12% the net present value is estimated at \$1.208 billion. On the total Project costs of \$1.403 billion, pay back is achieved in approximately six years, on the cumulative cash flows from operations from 2011 to 2016. Relative to the net cash flows from operations in 2014 (assumed for the purposes of the Technical Report to be the first year of full production at 1.2 million tpy), pay back is approximately four years.

These economics show that the measured and indicated resources can be transformed to proven and probable reserves. As a basis for the reserve estimate the polygon areas for exclusion zones around each drill hole were used, but instead of the area, the number of caverns in each polygon were used for the estimation of proven and probable reserves to take into account unfavourable polygon shape and cavern requirements.

The estimated reserves of each category for Horizon 2, Horizon 3 and Horizon 4 are presented in the table below.

	Horizon 2	Horizon 3	Horizon 4	Total
Proven reserves				
Million tonnes of carnallite	39.8	23.2	92.0	155.0
Carnallite grade of ore (%)	44.1	90.0	66.3	64.2
KCl grade of ore (%)	11.8	24.1	17.8	17.2
Million tonnes of KCl	4.7	5.6	16.4	26.7

The proven and probable reserves summarised over the three horizons for each drill hole polygon are shown in the table below.

Hole Mengo	Polygon Area (km ²)	Thickness of Intersections (m)	Average Density (t/m ³)	Ore Tonnage (million tonnes)	Averaged Carnallite Grade %	Averaged Mining Recovery %	Carnallite Reserves (million tonnes)
2B	1.46	40.5	1.68	98.9	68.99	16.2	11.0
3 ⁴	0.55	12.6	1.84	12.8	48.00	13.4	0.8
5B	0.82	47.1	1.51	58.7	65.11	20.1	7.7
6	0.93	43.2	1.69	67.6	63.75	16.9	7.3
7	1.34	55.9	1.76	131.6	65.16	25.1	21.5
8B	0.59	31.1	1.61	29.5	66.06	20.3	4.0
9	0.49	51.8	1.79	45.7	60.93	13.8	3.8
10	1.25	41.4	1.76	91.0	65.02	16.3	9.6
11	0.81	58.6	1.76	83.4	62.34	24.3	12.7
12	1.08	57.8	1.76	109.4	65.84	24.0	17.3
13	1.03	48.4	1.75	87.6	67.03	17.2	10.1
15	1.12	53.8	1.76	106.0	64.61	27.6	18.9
	10.91			922.2			124.6

Conclusions

It is the opinion of the authors of the Technical Report that proven and probable potash reserves of 33.5⁵ million tonnes of KCl occur in the Mengo Mine Area of the Mengo Permit Area.

The estimate of proven and probable reserves for the Mengo Mine Area is conservative as none of Horizon 1 carnallite has been assigned to the reserves, as the preliminary synoptic 3D rock mechanical modeling has shown that contact is possible between the groundwater bearing cap rock strata and the caverns. Detailed rock mechanical modeling of caverns with specific data from the location is required to further verify the scenario. Solution mining design efforts might result in adding parts of Horizon 1 to the probable and proven reserves, but until then Horizon 1 is reported as inferred resources.

Further engineering studies and pre-production drilling will increase the database, thus helping to further upgrade the reserve and resource base. The indicated and measured resources are open in all directions (have no natural boundaries) and are surrounded by 209 million tonnes of inferred resources. Further drilling for brine field development is expected to identify additional proven and probable reserves and to change present probable reserves and proven reserves.

The provider of the crystallisation plant, HPD Systems of Plainfield, Illinois, states that a 93% efficiency rate of the processing plant is achievable, which is considered feasible by the authors of the Technical Report. At this efficiency the 33.5 million tonnes of KCl reserves defined to date are sufficient to support 28 years of production at

⁴ For drill hole Mengo 3, only data are available for Horizon 2 carnallite. The Horizon 3 and 4 carnallite in this area is calculated from the neighbouring drill holes. To avoid double counting the influence area around a drill hole, the Mengo 3 area should not be added to the total area.

⁵ Numbers mentioned in the text and tables are rounded from more comprehensive calculation tables, therefore the small differences between the results as shown in the tables and calculations with the data from the tables can occur.

a rate of 600,000 tonnes of K60 per year for the first two years and 1,200,000 tonnes of K60 per year for the remaining 26 years. At a production rate of 600,000 tonnes of K60 per year, the KCl reserves are adequate for a project lifetime of 54 years. At a production rate of 1,200,000 tonnes of K60 per year, the KCl reserves are adequate for a project lifetime of 27 years.

Recommendations

A further increase in the reserves and resources or a reclassification within the investigated area, without additional exploration drilling can be established in two ways:

- Increase the number of caverns in the area by reducing the size of technical and geological exclusion zones. Technical exclusion zones cannot be further minimised, but if the potential dissolution structure is better defined and the location of the faults interpreted from 2D seismic surveys in the underground is better defined, the size of the geological exclusion zones can be minimised. A potential option to achieve this would be 3D seismic investigations in selected parts of the Mengo Mine Area.
- Transform part of the inferred resources from Horizon 1 carnallite to indicated or measured. This would require definition of a solution mining method which allows mining of this horizon without risk to the groundwater. This can potentially be achieved by a number of studies:
- Rock mechanical modelling to define potential cavern size and required thickness of the rock salt between Horizon 1 carnallite and the anhydrite overburden.
- Investigation of the potential aquifers in the anhydrite and the dolomitic limestone to investigate consequences of contact between aquifer and cavern brine.

MagForestry

MagForestry wholly owns and operates EFC, a sustainable, renewable forestry business based in Pointe-Noire, ROC. EFC acquired the exclusive rights to manage this 68,000 hectare concession from a division of Shell Oil International, Shell Renewables in 2005. The concession, which expires in 2075, is based on the planting and harvesting (after 7 years) of fast growing clones of eucalyptus hardwoods. A significant part of the concession is overlain by mining and mineral exploration permits granted to MagForestry's sister company MagMinerals. The forest concession also includes a 70 year lease on a five hectare site with a loading quay in Pointe-Noire harbour – providing critical infrastructure for the shipment of all of the Company's current and future products. This is also the location of a recently commissioned state-of-the-art 500,000 tonne per year wood chip plant built by EFC.

MagForestry delivers on sales contracts for the supply of eucalyptus wood chips to European customers in the global pulp and paper and fiberboard industry.

Process Improvements

When MagForestry commenced operations on the plantation in 2005, it initially harvested and sold round eucalyptus logs. However, it was determined that installing the necessary infrastructure to sell wood chips instead of round logs would increase gross revenues as well as margins. The commissioning of a chip mill was completed in 2008 and MagForestry's wood chip operations are now in full commercial production. In order to further increase efficiencies, significant efforts have been made to upgrade harvesting equipment and facilities, as well as workforce training, health and safety. The intention is to safely increase forest harvesting volumes and expand the use of local contractors. In 2009 EFC has been able to achieve improvements in harvesting and chip mill through-put which it expects to continue through the year. Some specific areas of investment made to date include tree harvesting, debarking, and log transportation equipment in addition to a substantial upgrade of the nursery operation to support re-planting.

Employment in ROC

MagForestry is the ROC's largest non-government employer, with approximately 350 direct employees and up to 1,500 workers under contract.

In addition, MagForestry has an experienced management team led by Dan Orlando who joined MagIndustries in October 2006 as Vice President of MagForestry. Mr. Orlando who has a long history with the forestry industry in Canada is responsible for the management of MagForestry. Prior to joining MagIndustries, he worked for Catalyst Paper, Newstech PA, Newstech Recycling, Bowater Inc. He is a member of the professional engineers and geoscientists of B.C & PAPTAC. He holds a B.Sc.F.E. from the University of New Brunswick.

Customers

MagForestry's revenue is generated from the sale of wood chips rather than round logs, greatly enhancing revenues and margins. All production has been sold forward for the next two years to two leading customers in the global pulp and paper and fiberboard industry.

MagForestry has an agreement with a European based pulp and paper industry participant dated December 11, 2007 for the supply of woodchips, which agreement is in the process of being amended to adjust the delivery schedule. The amended delivery schedule for 2009 requires the delivery of 270,000 green metric tonnes ("GMT") and the amended delivery schedule from January 1 to December 31, 2010 requires the delivery of 67,000 GMT, and the customer has an option to purchase an additional 268,000 GMT up to March 31, 2011. The pricing varies depending on the port of delivery and the off-loading conditions elected. The amended agreement provides for the payment of compensation to MagForestry in the event that the customer delays any shipment with the result that MagForestry is liable for demurrage on the Mitsui shipping contract.

MagForestry Inc. has an agreement with a second European based pulp and paper industry participant dated May 7, 2008 for the supply of woodchips. The purchase terms run from March to April in each year. The customer has agreed to purchase 140,000 GMT in each year ending April 30, 2009, 2010 and 2011. For the two years ending April 30, 2013, the customer has an option to purchase an additional 140,000 GMT per year. The price is fixed until April 30, 2011. Pricing thereafter is to be adjusted by reference to the market FOB price, subject to mutual agreement. Since the shipment due to be made in October, 2008, this customer has been delaying taking shipments. The customer alleges the existence of a force majeure by virtue of the current economic conditions. MagForestry has issued default letters to the customer to preserve our legal rights, and our representatives continue with a positive dialogue to bring the customer back into compliance.

Distribution Method

After the logs are cut and debarked, they are transported from the plantation to the port by truck. The logs are then feed into the chip mill by a conveyor belt, converted into wood chips and stored at the port. The wood chips are then transported by conveyor belt from the storage facility to the transport ship. In respect of shipments to one of the customers, Taio Dream, a 43,500 tonne dry bulk carrier, has been chartered from Mitsui O.S.K. Lines, Ltd. through July 2011. The ship makes a round trip from Pointe-Noire to the port of discharge every 30-40 days, depending on the loading/unloading and travel conditions and the selection of port of discharge by the customer. The sales to the second customer are made FOB, meaning this customer arranges shipping on its own behalf.

Chip Mill

MagForestry's chip mill has the capacity to process 500,000 tonnes per year of green logs - to yield approximately 330,000 tonnes of bone dry chips, on a two shift basis. On a full 24 hour/7 days a week basis, throughput could reach over 1 million GMT to yield about 650,000 tonnes of bone dry chips.

The plant produces a nominal chip length of 19 mm, from logs with a maximum diameter of 0.5 m and lengths from 2.4 m up to 10 m. The specifications are considered to be ideal for customers worldwide in either the fibre-board or pulp and paper industries.

Loading Quay in Pointe-Noire

As noted above, the forestry concession also included a 70 year lease on a five hectare site with a loading quay in Pointe-Noire harbour – providing critical infrastructure for the shipment of MagForestry's wood chips as well as the products which may be produced by the Company's other subsidiaries. The loading facility has proved itself to be adequate for the commercial operation of the wood chip operation.

Tree Nursery

EFC has expanded its tree nursery to support the re-planting of all harvested areas plus the planting of 20,000 ha of new unplanted lands. The nursery has the capacity to produce over 12 million seedlings per year which allows for the phasing out of coppicing as a tool for re-planting. The nursery is currently growing 12 different clones of eucalyptus Euro Grandis.

Forest Productivity

The biomass yield of the plantation averages 25 m³/ha. The trees are harvested on seven-year rotation cycles, to approximately 175 m³/ha. The current annualized harvest rate is 500,000 tpy. This volume can be increased marginally up to 600,000 in 2012 and then is expected to step significantly with the maturing of new acreage to 1 million tonnes per year in 2014 and potentially to 1.5 million in 2018.

Research and Development

Research and development is an important function of MagForestry's tree plantation operations. The goal of MagForestry's research and development efforts is to improve tree plantation yields and the quality of the trees grown on its tree plantation.

MagForestry holds a one third interest in UR2PI (Unité de Recherche sur la Productivité des Plantations Industrielles), a forestry and community research facility based in Pointe-Noire. The other equal owners include the French research group CIRAD Forêt and the Ministry of Forestry for the ROC. UR2PI's mandate is the study of all facets of the region's forestry plantations along with creation of new forestry related businesses, forestry improvement and long-term management. UR2PI works principally in four programs: new tree varieties, forestry and environment, long-term plantation management and forestry restoration. UR2PI's principal value to MagForestry is its expertise as a world leader in the research and development of clonal eucalyptus species. UR2PI continues to improve and develop species that are best suited to the climate and soils of the coastal Congo region.

Through MagForestry's interest in UR2PI, it has access to a wide range of research and development activities, including:

- genetic breeding research, including the breeding, selection and testing of planting materials that perform better, in terms of improved yield, quality and resistance to natural stresses (pests, diseases, low temperature and snow);
- vegetative propagation technology, including lab tissue culture and nursery mass-propagation of cuttings;
- site and nutrition management and fertilizer application for different soil types and developing methods to optimize fertilizer application;
- improved silviculture practices, such as control of stand density, spacing and rotation, and genetic diversity control;
- development of a sustainable management system of commercial plantation ecosystems, merging timber production, environmental conservation and social care;
- wood properties and processing (such as change of water content and properties and of short rotation eucalyptus plantation wood) and value-added products; and
- ecological and environmental technology, including the monitoring and evaluation of ecological and environmental conditions in short-rotation eucalyptus plantations.

In performing research and development activities, from time to time MagForestry also collaborates with, and receives assistance from, research and academic institutions in the Africa.

Competition

The global demand for wood chips is primarily driven by the pulp sector. International fiber trade in the world is represented by two relatively distinct markets, the Pacific Rim market; and the European market, which largely consists of Scandinavian mills and to a lesser extent Spanish mills. With MagForestry's two main customers located in Portugal and Spain, it competes in the latter of these two markets.

According to Wood Resource Quarterly, the global trade of wood chips in 2007 was almost 31 million oven-dry metric tons (odmt), up from 29 million odmt in 2006 and 7 million tons higher than in 2002. The biggest increases in imports have been to Finland, Austria, Germany, Turkey, Canada and China. Trade of chips is still the highest in the Pacific Rim, where imports to Japan, Taiwan, South Korea and China account for about 55% of the total global trade and over 95% of water-born trade. MagForestry's newly constructed wood chip plant, which commenced operations in 2008, has an annual capacity of 500,000 tonnes.

Global Wood Fiber Prices

The global average wood fiber price is a weighted average of delivered wood fiber prices for the pulp industry in most wood pulp producing regions around the world, as tracked by Wood Resource Quarterly.

During the past two decades, global wood fiber prices have been declining during most of the 1990's and early 2000, followed by a substantial increase from 2002 to 2008, according to Wood Resource Quarterly. Wood costs reached record levels in early 2008, but then declined rapidly for the following 12 months. The recent decline is expected to be temporary and global wood costs should slowly increase again later this year or in early 2010 according to Wood Resource Quarterly.

Environmental Matters

MagForestry's tree plantation and wood chip operations are subject to ROC laws and regulations relating to the protection of the environment. MagForestry believes that its operations are in substantial compliance with these laws and regulations. There are currently no significant environmental proceedings involving MagForestry.

MagForestry maintains an environmental management system designed to ensure sustainable and responsible resource management. This system sets out policies on the social, ecological and environmental aspects of MagForestry's tree plantation operations and detailed operating procedures on environmental compliance. MagForestry believes that, with its commitment to corporate responsibility, it will steadily and effectively improve its sustainable plantation management, from economic, environmental and social perspectives.

All environmental matters associated with MagForestry's wood product manufacturing are regularly or periodically inspected and assessed by local authorities or relevant parties. With MagForestry's wood product manufacturing, some environmental accidents may still occur from daily operation or at old facilities. As with most other labor-intensive companies in Africa, MagForestry often has inexperienced or outsourced workers in its labor force, who may inadvertently cause environmental and safety accidents, even though professional training is always first provided. MagForestry strives to implement an integrated training and monitoring system to avoid or minimize accidents. In addition, old inefficient facilities or equipment may emit hazardous chemicals or contaminated materials and as a consequence, timely replacement and effective maintenance of outdated facilities, equipment or their parts are necessary to control environmental accidents in manufacturing operations.

Environmental Regulation

MagForestry's tree plantations and chip plant operations are subject to certain environmental laws and regulations, particularly with respect to air emissions and discharges of wastewater and other pollutants into land, water and air, and the use, disposal and remediation of hazardous substances and contaminants. MagForestry may be required to

incur significant expenditures to comply with applicable environmental laws and regulations. Moreover, some or all of the environmental laws and regulations to which MagForestry is subject in its tree plantations and operations could become more stringent in the future, which could affect MagForestry's production costs and results of operations. Any failure by MagForestry to comply with applicable environmental laws and regulations could result in civil or criminal fines or penalties or enforcement actions, including a requirement to install pollution control equipment or other mandated actions. As a result, environmental laws and regulations may adversely affect MagForestry's business, financial condition and results of operations.

RISK FACTORS

There are numerous risks that could affect MagIndustries' business prospects and future performance, including but not limited to those outlined below. Additional risks and uncertainties not presently known to MagIndustries, or that MagIndustries currently deems immaterial, may also affect MagIndustries' business prospects and future performance.

Risks Related to MagMinerals' Business

Debt Facility

It is expected that MagMinerals will enter into a credit facility with a syndicate of lenders that will contain restrictive financial and other covenants that may limit MagMinerals' ability to engage in activities that may be in its long-term best interests. Failure to comply with those covenants could result in an event of default, that if not cured or waived, could result in the acceleration of all of the debt.

To date, definitive terms of the proposed facility have not been finalized; however, in October, 2008, and in May 2009, MagMinerals engaged in meetings with BNP Paribas to update a group of international lenders in respect of the Project. Each of the banks in attendance were sovereign supported development finance institutions and export credit agencies.

As a condition of the proposed debt financing, MagMinerals will be required to procure insurance covering certain risks with international insurers with certain credit ratings. The insurance law of the ROC requires that all insurance is placed with local insurers. Currently, there are two companies that offer fronting arrangements, neither of which meet the rating requirements. However, MagMinerals has requested an exemption from the requirement to insure the Project through ROC insurers. If MagMinerals does not receive the exemption noted above, the proposed credit facility necessary for the development of the Project may only be available at an additional cost, which would have a material impact on MagMinerals' operations and financial results.

Any future project debt facility is, among other things, subject to negotiation of definitive terms of such facility, satisfactory due diligence findings, sufficient equity capital being raised for the Project, market conditions, final credit committee approvals and other conditions precedent. Although the October 2008 and April 2009 discussions with BNP Paribas, the lead debt financing advisor, and a group of development finance institutions and export credit agencies, were positive in MagMinerals' view, there is no guarantee that the proposed debt facility will be concluded on favourable terms or at all, which would have a material adverse impact on the development of the Project and the financial results of MagMinerals.

Financing Risks

MagMinerals currently has limited financial resources, no source of operating cash flow and no assurance that additional funding, equity or debt based, will be available for further exploration and development of the Project. There can be no assurance that it will obtain adequate financing in the future or that the terms of such financings will be favourable.

Limited Operating History

MagMinerals has a very limited history of operations, is in the early stage of development and must be considered a start-up company. As such, MagMinerals will be subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and a lack of revenues. There can be no assurance that MagMinerals will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. MagMinerals has no history of earnings.

Exploration Risks

Resource exploration is a speculative business, characterized by a number of significant risks. The operations of MagMinerals will be subject to all the hazards and risks normally encountered in the exploration and development of mineral projects, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, land slides, flooding, fires, explosions and other conditions involved in the drilling and removal of material. Any of these risks may result in damage to, or destruction of, mines and other production facilities, damage to life or property, environmental damage, delays in or interruption of the development of MagMinerals' projects, monetary loss and possible legal liability and adverse governmental action, all of which could have a material adverse effect on MagMinerals' business, financial condition and results of operations.

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 the proposed mine may differ from those estimated and such differences could have a material adverse effect on MagMinerals' business, financial condition, results of operations and prospects. There can be no assurance that MagMinerals will be able to complete development of the 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 Project, delays in receiving required consents, permits and licences (including mineral subsurface rights), the delivery and installation of plant and equipment and cost overruns, or that MagMinerals' 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 MagMinerals' business, financial condition and results of operations.

Development Risks

Substantial expenditures will be required to establish and develop MagMinerals' proposed potash mine, processing plant and related infrastructure. The development of the potash deposit located in the Mengo Mine Area into a commercially viable mine cannot be assured. A part of the development of the Project will be the construction of natural gas, water and spent brine pipelines, as well as construction of the processing plant. Design or engineering flaws, as well as an increase in price of construction materials and labour could cause a substantial increase in the overall development costs or delays which could imperil the completion of the pipelines, processing plant and development of the mine, any of which would have material adverse effects on MagMinerals' business, operations and financial condition.

Operation and Production Risks

Potash production and sale is highly speculative and may not be successful. There are a number of inherent risks which even careful evaluation, experience and knowledge may not eliminate. In addition to the exploration and development risks noted above, power outages, labour disruptions, and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the business of MagMinerals. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of the properties of MagMinerals, personal injury or death, environmental damage, delays in or interruption of MagMinerals' projects, monetary losses and potential legal liability and adverse governmental action, all of which could have a deleterious effect on MagMinerals' business, results of operations and financial status.

Major weather events, such as heavy rainfall, especially during the ROC's wet season from October until mid May, may result in delays in the construction of the plant, cost over-runs and may inhibit future production, any of which could have a material adverse effect on MagMinerals' business, operations and financial results.

The grade of any potash bed ultimately mined from a mineral deposit may differ from that produced from drilling results. Production volumes and costs can be affected by such factors as the proximity and capacity of processing facilities, permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Short-term factors relating to mineral reserves, such as the need for orderly development of potash beds or the processing of new or different grades, may also have an adverse effect on the results of operations. Moreover, there can be no assurance that minerals recovered in small scale laboratory tests will be achieved under production scale conditions. Although precautions to minimize risks will be taken, processing operations are subject to hazards such as equipment failure or failure of tailings impoundment facilities, which may result in environmental pollution and consequent liability.

Engineering and design flaws could have a material impact on the extraction and processing process. Design flaws could materially impact, among other things, the dissolution rate of carnallite; cause an increase in dissolution rate of minerals other than carnallite, such as magnesium and calcium with a resulting lower potassium content; caverns linking together causing collapse; leach strings or brine pipelines becoming blocked; or breakdown of the crystallization unit, compactor or other material production processes. Each of these would have a material adverse impact on MagMinerals' operations and financial condition.

Access to the rail lines and the port of Pointe-Noire will be governed by agreements with third parties. Any renegotiation of the terms or cancellation of such agreements could have a material adverse effect on the construction of the mine and processing plant as well as future production, transport and sale of MagMinerals' products, each of which could have a deleterious effect on the financial condition of MagMinerals.

Volatility of Potash Prices

MagMinerals' future revenues, if any, are expected to be derived from the sale of potash. The market price of potash has in the past and is expected to continue to fluctuate widely as a result of numerous factors beyond the control of MagMinerals. The market price for potash is affected by mining production rates, and may be affected by a variety of unpredictable international economic monetary and political considerations. Macroeconomic considerations, including currency exchange fluctuations; economic inflation and expectations for the level of economic inflation in the consuming economies; interest rates; global and local economic health and trends; speculative activities and changes in the supply of potash due to new mine developments and mine closures; as well as advances in various mining and production techniques can also impact the market price of potash. In addition, the price of shares of developing mining companies can be volatile due in part to changes in metals prices, actual development results differing from expected development results, changes in metal companies' valuations or the departure of key employees. All of these factors will have an impact on the viability of the Project, including the ability to secure necessary additional financings in the short or long term, as well as future exploration projects that are impossible to predict with certainty. See also "Debt Facility" and "Financing Risks".

The mineral exploration and development industry in general is intensely competitive and there is no assurance that, even though commercial quantities of probable reserves have been discovered, a profitable market will exist for the sale of same. Factors beyond the control of MagMinerals may affect the marketability of any substances discovered. Mineral prices have fluctuated widely, particularly in recent years. The marketability of minerals generally is also affected by numerous other factors beyond the control of MagMinerals, including government regulations relating to price, royalties, allowable production and importing and exporting of minerals, the effect of which cannot accurately be predicted.

With recently favourable prices for potash products, producers have been, and will likely continue to be, engaged in expansion and development projects to increase production. Many of the projects to increase potash production are speculative. However, a potash supply increase beyond market demand either from the opening of new potash mines or the expansion of existing potash mines could depress prices and have a material adverse effect on MagMinerals' business, financial condition and results of operations.

Prices of Raw Materials

Natural gas, electricity, steel, water, cement, chemicals and diesel fuel and gasoline are key raw materials that will be used in the construction of the Project and will be used in future production. Sales and profitability may in the future be impacted by the price and availability of these raw materials and other energy costs. Natural gas is a significant energy source which will be used in the solution mining process and at the processing plant. Should MagMinerals' agreement for the supply of natural gas be terminated, a significant increase in the price of natural gas, electricity and fuel that is not recovered through an increase in the price of potash, or an extended interruption in the supply of natural gas, electricity, water or fuel to MagMinerals' production facilities in the future, could have a material adverse effect on MagMinerals' business, financial condition or operating results. High natural gas costs also may increase farm input costs, which may cause MagMinerals' potash sales to decline. Similarly, the financial condition of MagMinerals could be materially adversely affected if the gas pipeline is compromised.

Hydroelectric power to the processing plant is expected to be supplied by a single 25MW gas turbine and any major mechanical malfunctions with the turbine could have a material impact on production and consequently, the financial results of MagMinerals. Water is contemplated to be sourced from the local river system as well as the collection of rainwater. Given MagMinerals' limited water storage facilities, an abnormally dry season could result in decreased supply causing delays in development and/or decreased production with a material adverse impact on the financial condition of MagMinerals.

The design of the processing plant uses significant amounts of structural steel. Should the price of steel increase significantly in the future or the supply of steel be adversely affected, the total cost of the development of the Project may increase to such an extent as to render the Project unfeasible.

Demand for Potash

The potash market has historically moved 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 satiated which leads to a decline in prices and capacity utilization until the cycle repeats again. Therefore any increased potash supply that exceeds the market demand (either through new mine construction or current mine expansion) could depress prices and therefore have a deleterious effect on MagMinerals' business, financial condition and results of operations.

A number of macroeconomic factors, including changes in world population, availability of arable land per capita and income growth, drive demand for potash. The relationship between population and demand for potash is closely linked. Rising population numbers increase demand for food, including crops and meat. Increased demand for crops helps drive demand for potash because potash can help increase yield from available arable land. Increased demand for meat drives demand for grain to provide animal feed, which in turn drives demand for potash. As MagMinerals expects to sell the majority of its product in Brazil and other South American countries, the population trends in Brazil and other South American markets could have a material adverse effect on MagMinerals' business, prospects, financial condition and results of operations.

Arable landmass per capita may also grow if forests are cut down or undeveloped land is cultivated for farming, thereby reducing demand for potash by alleviating the pressure to increase crop yields from existing farmed land. Rising income levels also help drive potash demand by enabling people to afford better diets, which are more likely to include meat. Increased demand for meat generally drives demand for grain and therefore potash, as explained above. In addition, stronger economic conditions put farmers in a better position to be able to afford potash, but farmers can reduce application of potash, which can have a negative effect on potash demand. Economic conditions have historically moved in cycles, and downturns of the type the world and particular economies have undergone in the past, or more or less severe downturns, could have a material adverse effect on MagMinerals' business, prospects, financial condition and results of operations.

Decline in Agricultural Production

Conditions in the global agricultural industry could significantly impact the operating results of MagMinerals. Adverse weather conditions, natural disasters, crop disease, pests and other natural conditions can impose significant costs and losses on farmers and other participants in the agricultural industry. Unfavourable growing conditions caused by these or other factors can reduce both crop size and crop quality. These factors could result in lower sales as well as increased costs to customers, which, in turn, could have a material adverse effect on MagMinerals' business, financial condition and results of operations. The agricultural industry can be affected by a number of factors, including weather patterns and field conditions, current and projected grain inventories and prices, the domestic and international demand for agricultural products and foreign policies regarding trade in agricultural products. A decrease in agricultural production could have a material adverse effect on the market for MagMinerals' products and, in turn, on MagMinerals' business, financial condition and results of operations.

Consumer Concerns of Fertilizer Use

Further growth of organic farming could have an adverse effect on MagMinerals' business because it discourages use of potash. Organic farming has been growing due, in large part, to agricultural subsidies and consumer pressure related to pesticides, food scares, health, environment and animal welfare. Organic farming generally makes use of manure or other organic materials. While limited use of some fertilizers of low solubility is permitted under applicable guidelines, the use of potash is prohibited. If organic farming increases substantially in the markets that MagMinerals will be in, demand for potash may decrease. A decrease in demand due to a shift to organic farming could have a material adverse effect on MagMinerals' business, financial condition and results of operations.

Seasonality of Demand and Marketing Decisions

The fertilizer business is seasonal as a result of crop growing and harvesting seasons and weather conditions, as well as other factors. If MagMinerals' marketing partner fails to anticipate regional and seasonal demand properly, MagMinerals could become exposed to such seasonality in any given market. In such case, if in any given period seasonal demand exceeds the marketing projections and MagMinerals limits its production in that period, then its customers may acquire products from its competitors, and MagMinerals' profitability may be negatively impacted. If in any given period seasonal demand is less than MagMinerals or its marketing partner has forecasted, it will be left with excess inventory that will have to be stored, liquidated or discarded. Any such failure to predict demand or regional consumption trends could have a material adverse effect on MagMinerals' business, financial condition and results of operations. The risks associated with excess inventory and product shortages are particularly acute with respect to potash because of the relatively brief periods for which potash can be stored.

Sufficiency of Capital and No Operating Revenues

MagMinerals has limited financial resources, currently has no source of operating income and there can be no assurance that additional funding will be available to it, when needed for development of the Project, operation of the business of MagMinerals or further exploration and development. MagMinerals expects to make significant capital expenditures over the next several years in connection with the development of the Project. Costs associated with capital expenditures have escalated on an industry-wide basis over the last several years, as a result of factors beyond MagMinerals' control including increases in price of natural gas, steel and other commodities. The operations of MagMinerals will be dependent upon the sufficiency of its financing to complete construction of the proposed potash processing plant or its ability to arrange additional financing and when it has reached the operational phase, to generate operating revenues. The ability of MagMinerals to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of MagMinerals. There can be no assurance that revenues can be generated, or that other financing can be obtained when needed or on terms favourable to MagMinerals. The failure of MagMinerals to generate such revenues or obtain such additional financing when needed could have a material adverse effect on MagMinerals' business, financial condition and results of operations, including but not limited to delay or indefinite postponement of further exploration and development of the Property or the possible loss of such the Property.

Uncertainty of Acquiring and Renewal of Necessary Permits

The Makola Exploration Permit and the Mengo Exploitation Permit are, and any future exploration and mining permits will be, subject to various standard conditions including, but not limited to prescribed permit conditions. Any failure to comply with the expenditure conditions or with the other conditions on which the permits are held, can result in forfeiture. Generally, the permits are granted for terms of 15 and 25 years for exploration and exploitation permits, respectively, and further renewal of an exploration or exploitation permit is at the discretion of the authorities and on such conditions as the authorities may in their discretion impose. Renewal conditions may include increased expenditures and work commitments or compulsory relinquishment of areas of the permits comprising the Property. The imposition of new conditions or the inability to meet those conditions may have a material adverse effect on MagMinerals' business, financial condition and results of operations.

Although MagMinerals holds numerous governmental, environmental, mining and other permits through the PIA, which are required in order to carry out its drilling program on the Property, construction of the processing plant and for commencing production, there can be no certainty that MagMinerals will renew the necessary permits on acceptable terms. The failure to obtain such permits, or delays in obtaining such permits, could increase MagMinerals' costs and delay its activities, and could have a material adverse effect on the operations of MagMinerals. To the extent such approvals are required and not obtained, MagMinerals may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of the Property.

Reserve Estimates

The actual amount of KCl that MagMinerals is able to economically recover from its reserves may vary substantially from its reserve estimates. There are numerous uncertainties inherent in estimating quantities of reserves including many factors beyond the control of MagMinerals. Estimates of potash reserves necessarily depend upon a number of variables and assumptions, any one of which, if incorrect, may result in an estimate that varies considerably from actual results. These factors and assumptions relate to:

- future potash prices, operating costs, capital expenditures, royalties, severance and excise taxes and development and reclamation costs;
- future mining technology improvements;
- the effects of regulations by governmental agencies; and
- geologic and mining conditions, which may not be fully identified by available exploration data.

Because reserves are only estimates, they cannot be audited for the purpose of verifying exactness. Instead, reserve information is reviewed by a reserve engineer in sufficient detail to determine if, in the aggregate, the data provided is reasonable and sufficient to estimate reserves in conformity with practices and standards generally employed by and within the mining industry and that are consistent with the requirements of Canadian securities laws.

In preparing the Technical Report, the authors of such report relied on data generated by exploration work previously carried out by geologists employed by others. There is no guarantee that data generated by prior exploration work is reliable and discrepancies in such data not discovered by MagMinerals may exist. Such errors and/or discrepancies, if they exist, could impact the accuracy of the Technical Report.

Limited Number of Suppliers

MagMinerals will be able to purchase all of its mining and production equipment only from a limited number of contractors and/or suppliers. Any interruption in the operations of its suppliers and/or the inability to obtain timely delivery of key equipment of acceptable quality or any significant increases in the prices of such equipment could result in material production delays, increased costs and reductions in shipments of potash by MagMinerals, any of which could increase MagMinerals' operating costs or could have a material adverse effect on MagMinerals' business, financial condition or results of operations.

Infrastructure

Construction of MagMinerals' processing plant for the Kouilou potash mine, the operation of the processing plant and further development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads and railways, power sources and water supply and access to the deep water port at Pointe-Noire are important determinants, which will affect MagMinerals' capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could have a material adverse effect on MagMinerals' business, financial condition and results of operations.

Pricing Strategies by MagMinerals' Competitors

Many competitors have significantly larger operations than MagMinerals is expected to have. The large size of some competitors may give them greater leverage in pricing negotiations with customers and may enable them to negotiate better rates for transportation of products sold. The economies of scale of their operations may allow them to mine their potash at a lower cost.

Uninsurable Risks

The exploration, development and production of mineral properties, is subject to several risks that could result in damage to or destruction of mineral properties or facilities or cause personal injury or death, environmental damage, delays in mining and monetary losses and possible legal liability. It is not always possible to fully insure against such risks and MagMinerals may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of MagMinerals. MagMinerals does not currently have any insurance policies covering the operation of its business or any liabilities that may arise as a result any of the above noted risks may cause a material adverse effect on the financial condition of the Company.

As a condition of the proposed debt financing, MagMinerals will be required to procure insurance covering certain risks with international insurers with certain credit ratings. The insurance law of the ROC requires that all insurance is placed with local insurers. Currently, there are two companies that offer fronting arrangements, neither of which meet the rating requirements. However, MagMinerals has requested an exemption from the requirement to insure the Project through ROC insurers. If MagMinerals does not receive the exemption noted above, re-insurance of the facility will be sought, but which will have a higher costs.

Limited Storage Time for Potash

Potash as a finished product is not amenable to being stored for long periods but is regarded as having a shelf life of approximately six months, depending on the environment in which it is stored. The product degrades easily and is susceptible to moisture. This may hamper MagMinerals' operational flexibility in a number of respects. In particular, if there is a slowdown in purchases, MagMinerals may halt production rather than continue to produce potash. The ability to store potash is also important as a logistical matter. Potash inevitably needs to be stored from time to time as immediate transportation from production facilities or sea ports is not always possible. The inability to store potash for long periods can increase logistical costs, which could have a material adverse effect on MagMinerals' business, financial condition and results of operations.

Potash-Only Producers

MagMinerals will be dedicated to the production and marketing of potash, whereas most of its competitors will be diversified, primarily into other nitrogen and phosphate-based fertilizer businesses and other chemical and industrial businesses. As a result, MagMinerals is likely to be impacted more by factors affecting the potash industry or the regions in which it operates than a more diversified company would be. A decrease in the demand for potash could have a material adverse effect on MagMinerals' business, financial condition and results of operations. In addition, a large increase in the potash supply could also materially impact MagMinerals' financial condition more than a diversified competitor.

Risks Related to MagForestry's Business

Operating Risks

Revenues, net income and cash flow from forestry operations are dependent on MagForestry's continued ability to harvest timber at adequate levels. MagForestry's ability to harvest timber from its timberlands may be limited by weather conditions, timber growth cycles, market pricing, sustainable forestry standards and regulatory requirements. There can be no assurance that MagForestry will achieve harvest levels in the future necessary to maintain or increase revenues, net earnings and cash flows.

Competition

MagForestry's competitors in the forest products businesses have substantially greater financial and operating resources and own more timberlands than MagForestry. Some of MagForestry's forest products competitors may also be lower cost producers in the businesses. These factors may have an adverse material impact on the operations and financial results of MagForestry.

Forest Resource Risk

MagForestry's forestry concession is subject to the risks associated with standing forests, including forest fires, pests and drought. MagForestry has endeavoured to minimize these risks through prevention techniques such as building fire breaks and continuous monitoring. Any of these risks may inhibit future production, which could have a material adverse effect on MagForestry's business, operations and financial results.

End-Market Risks

The results of MagForestry's operations are, and will continually be, affected by the cyclical nature of the forest products industry. Prices and demand for logs and wood products have been, and in the future can be expected to be, subject to cyclical fluctuations. The demand for logs and wood products is primarily affected by the level of new residential construction activity and, to a lesser extent, repair and remodeling activity and other industrial uses, which are subject to fluctuations due to changes in economic conditions, interest rates, population growth, weather conditions and other factors. Decreases in the level of residential construction activity and the emergence of non-wood, substitute products generally reduce demand for logs and wood products, resulting in lower revenues, net earnings and cash flows.

MagForestry's business includes the sale of wood chips from its forestry concession for export, which is substantially dependent on market and economic conditions in Europe which may be affected by, among other things, log supply in competing regions, fluctuations in exchange rates, the availability of substitute products, the level of housing starts, changes in building practices.

Risks Related to the Cost of Raw Materials

The price of raw materials and energy can be volatile and is susceptible to rapid and substantial increases due to factors beyond MagForestry's control, such as changing economic conditions, political unrest and instability in energy-producing nations, and supply and demand considerations. For example, in early 2008 oil and natural gas costs significantly increased but have dropped suddenly due to the fall in economic demand. Increases in production costs could have a material adverse effect on MagForestry's business, financial condition and results of operations.

Risks Related to MagIndustries Generally

Risks Related to International Operations

MagIndustries is expected to derive virtually the majority of its revenues from the sale of products from the Kouilou region of the ROC and to a lesser extent from its operations in the DRC. Substantially all of MagIndustries' assets are located in the ROC. The operations and financial results of MagIndustries and the market price and liquidity of

the Common Shares may be affected by the foreign government policy on taxation of earnings and/or revenues, or political, social, ethnic, economic or other developments in or affecting the countries in which MagIndustries operates.

Risks Related to Concentration of Contractual Counterparties

MagMinerals has entered into the PIA with the government of the ROC. The PIA covers a number of essential elements in the development of and production from the Project, including but not limited to, certain necessary rights-of-way for construction of the natural gas and water supply pipelines and the spent brine pipeline, permits and licences, royalty amounts on productions, repatriation of profits as well as duty exemptions. Given that significant areas of development of the Project are covered by the PIA, MagMinerals faces significant risks in relation to the agreement should a change in government or other circumstances occur resulting in a renegotiation of such agreement, including expropriation of the Property. Likewise all of MagForestry's sales are currently made to two customers. The loss of, or a decrease in the amount of business from, these customers could significantly reduce our net sales and harm our operating results.

Political Risks

The operations of MagIndustries will be exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to: political, military or civil unrest; change in government; terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in mining, environmental or investment policies or shifts in political attitude in the ROC and/or the DRC may have a material adverse effect on MagIndustries' business, financial condition and results of operations.

There are a number of instances in Africa where a change in government leads to a change in policy towards foreign owned entities, or agreements made by the preceding government with such entities. There is a risk that the next governments of the ROC or the DRC will not view foreign investment in the resource sector as favourably as the current government and may change the policies towards such entities. The next presidential elections in the ROC are expected to occur in July 2009. Should any government of the ROC or the DRC amend its favourable position towards foreign investment and ownership of resources change, the business, operations and financial results of MagMinerals could be materially adversely affected.

Regulatory Risks

Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, labour laws, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Government approvals and permits are currently, and may in the future be, required in connection with MagIndustries' various projects. To the extent such approvals are required and not obtained, MagIndustries' may be restricted or prohibited from proceeding with planned exploration, development or production activities. Failure to comply with applicable laws, regulations and permit requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining, hydroelectric or forestry operations may be required to compensate those suffering loss or damage by reason of such activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permitting requirements in respect of mining, hydroelectric or forestry operations, or more stringent application of existing laws, could have a material adverse impact on MagIndustries and cause increases in capital expenditures or production costs or reductions in levels of production or require abandonment or delays in development.

Government Royalties

In addition to local taxes and insurances, the ROC government has levied a number of royalties including port royalties, production levies, and corporate income tax. MagMinerals expects to qualify for a tax exemption during the period of construction of the proposed potash processing plant and for a period of up to 10 years after production commences. The current rates of royalties, taxes and levies payable to the ROC government in respect of the production of minerals may be varied at any time as a result of changing legislation and MagMinerals may not be able to benefit from any tax exemptions applied for, either of which may have a material adverse effect on MagMinerals' business, financial condition and results of operations. Similarly, MagForestry currently enjoys a ten year (2005 – 2015) exoneration from corporate income tax. If for whatever reason the terms of such exoneration were varied or cancelled it could have an adverse impact on the Company.

Risks Associated with Native Land Claims

Pursuant to the laws of the ROC, mineral deposits are the property of the government with the ability to purchase surface rights. Generally speaking, the ROC has not had a history of native land claims being made against the state's title to land. Currently the local populations as well as the various levels of government are generally supportive of the development of the Project as well as the forestry operations. There is no guarantee that such support will continue in the future, which may have a deleterious effect on the progress of development and future production.

Risks Associated with Previous Occupation of MagIndustries' Properties

No assurances can be given that title defects to the properties on which MagIndustries operations are located do not exist or that previous owners or leaseholders of such properties will not claim a right to occupy such properties. These properties may be subject to prior unregistered agreements, interests or land claims and title may be affected by undetected defects. If title defects do exist or previous leaseholders claim a right to continuing occupation, it is possible that MagIndustries may lose all or a portion of its right, title, estate and interest in and to such properties to which such a claim relates. There can be no guarantee that title or the right to occupy to any of MagIndustries' properties will not be challenged or impugned.

Environmental Risks and Hazards

MagIndustries' projects are subject to federal, state and local environmental regulations relating to the protection of the natural environment which can be revised or expanded at any time. Generally, compliance with these regulations will require MagIndustries to obtain permits issued by various regulatory agencies. Certain permits require periodic renewal or review of the conditions. There can be no assurance that MagIndustries will be able to obtain or renew such permits or whether material changes in the permit conditions will be imposed. The inability to obtain or renew permits, or the imposition of additional conditions, could have a material adverse effect on MagIndustries ability to develop or operate its projects.

Environmental laws and regulations to which MagIndustries will be subject as its projects progress will mandate additional concerns and requirements. Failure to comply with applicable environmental laws, regulations and permits can result in injunctive actions, damages and civil and criminal penalties. The laws and regulations applicable to MagIndustries' activities may change frequently and it is not possible to predict the potential impact on MagIndustries from any such future changes.

Environmental hazards may exist on the properties in which MagIndustries holds interests which are unknown to MagIndustries and which have been caused by previous or existing owners or operators of the properties. To the extent MagIndustries is subject to environmental liabilities, the payment of any liabilities or the costs that may be

incurred to remedy environmental impacts would reduce funds otherwise available for operations. MagIndustries has not purchased insurance for environmental risks. See "Risk Factors – Uninsurable Risks".

MagIndustries' operations will be subject to environmental regulations promulgated by government agencies from time to time as well as policies required by lenders and other third party contractors. Environmental legislation and policies applicable to MagIndustries' projects provide for restrictions and prohibitions on spills, and releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is generally evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect MagIndustries' business, financial condition and results of operations.

Costs of Land Reclamation

It is difficult to determine the exact amounts which will be required to complete all land reclamation activities in connection with the properties in which MagIndustries holds an interest. Reclamation bonds and other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. Accordingly, it may be necessary to revise planned expenditures and operating plans in order to fund reclamation activities. Such costs may have a material adverse impact upon the financial condition and results of operations of MagIndustries.

Market Upheavals due to Global Pandemics, etc.

Global pandemics, actual or threatened armed conflicts, future terrorist attacks or military or trade disruptions affecting the areas where MagIndustries or its competitors do business may disrupt the global market for its products. As a result, MagIndustries' competitors may increase their sales efforts in MagIndustries' geographic markets and pricing of potash may suffer. If this occurs, MagIndustries may lose future sales to competitors or be forced to lower its prices, which would reduce revenues. In addition, due to concerns related to terrorism or the potential use of certain fertilizers as explosives, local, state and federal governments could implement new regulations impacting the production, transportation, sale or use of potash. Any such regulations could result in higher operating costs or limitations on the future sale of potash and could result in significant unanticipated costs, lower revenues and reduced profit margins.

Enforcement of Contractual Rights in the ROC

The legal system in the ROC is based on the French civil law system (the Civil Code of the former French Equatorial Africa). The ROC is also a member state of the Organization for the Harmonization of Business Law in Africa, which has enacted an Act relating to Company Law and Economic Interest Groupings, providing for a standard system for the creation and administration of companies and related entities, and a Uniform Act on Arbitration, allowing recourse to a standard arbitration mechanism for the settlement of contractual disputes arising from civil or commercial contracts concluded in the ROC as an alternative to recourse to the ROC courts for legal proceedings relating to contracts. Under ROC contract law, parties may enter into private contracts in the language of their choice, however enforcement of certain contracts (such as commercial leases and asset purchase agreements) before the ROC courts requires notarization and translation into French. Contracts relating to administrative matters, between public entities or between a public entity and a private entity (such as, for example, leasing of areas belonging to a public entity to a private company), must be entered into in French, but need not be notarized before being enforced in a ROC court. All contracts require registration with the ROC stamp duties and registration fees office and payment of the applicable stamp duties as a condition of enforceability. If any of these processes are not strictly followed, the courts may determine that a contract entered into is not enforceable. If any of MagIndustries' contracts are deemed unenforceable, this could have a material adverse effect on the operations and financial results of MagIndustries.

Instability of Developing Economies

Financial turmoil in any developing market country tends to adversely affect all developing market countries as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in developing markets could dampen foreign investment in the developing economies on which MagIndustries relies and adversely affect those economies. As a result, during such times, companies with operations in countries with developing economies can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, financial turmoil in any emerging market country could materially adversely affect MagIndustries' business, financial condition and results of operations.

MagIndustries is a Holding Company

Because MagIndustries' operations are conducted through its subsidiaries, its ability to make payments in the future on its indebtedness and pay dividends, if any, will be dependent on the earnings of and distribution of funds from its subsidiaries. MagIndustries' subsidiaries will not be obligated to make funds available to MagIndustries' for payment on its indebtedness or to pay any dividends to holders of Common Shares. Future financing arrangements of MagIndustries' subsidiaries, such as project financing, may significantly restrict or prohibit its subsidiaries from paying dividends or otherwise transferring assets to MagIndustries.

Management and Technical Consultants

The success of MagIndustries is currently dependent on the performance of its Chief Executive Officer, President, Chief Financial Officer, directors and consultants. The loss of the services of these officers and consultants would have a material adverse effect on MagIndustries' business and prospects in the short term. There is no assurance MagIndustries can maintain the services of its officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse affect on MagIndustries' business and its prospects.

Health and Safety Risks

The development, ownership and operation of MagIndustries' assets carry an inherent risk of liability related to worker health and safety, including the risk of government imposed orders to remedy unsafe conditions and/or potential penalties for contravention of health, safety laws, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety laws (and any future changes) and the requirements of licenses, permits and other approvals will remain material to MagIndustries' business. MagIndustries has incurred and will continue to incur capital and operating expenditures to comply with health and safety standards. Nevertheless, from time to time MagIndustries may be unsuccessful in obtaining an important license, permit or other approval or become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health and safety matters. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health and safety laws, licenses, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures. As a consequence, no assurances can be given that additional workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to its business and operations.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of MagIndustries in creating revenues, cash flows or earnings.

In the past, following periods of volatility in the market price of a company's securities, shareholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in

substantial costs and diversion of management attention and resources, which could have a material adverse effect on the business, financial condition and results of operations.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair MagIndustries' ability to raise capital through future sales of Common Shares.

Increased Costs as a Result of being a Publicly-Traded Company

As a publicly-traded company, MagIndustries will continue to incur significant legal, accounting and other expenses and may make some activities more time-consuming and costly. Further, it is more expensive for MagIndustries to obtain director and officer liability insurance and MagIndustries may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be difficult to attract and retain qualified persons to serve on the board of directors or as executive officers of MagIndustries.

Experienced Personnel

The success of the business of MagIndustries depends upon its ability to attract and retain skilled managers and other personnel. MagIndustries competes for experienced labourers with other industries in the area surrounding the Property. Employee turnover can be high, and the continued expansion of projects in the ROC and the DRC threaten to increase competition for qualified workers. At the present time, there is a shortage of suitably qualified and experienced mining/processing personnel worldwide and the pool of experience solution mining personnel is even smaller. If MagIndustries is not able to attract and retain the personnel necessary for the development of its business, it may have to raise wages to keep employees or hire less qualified workers, either of which would ultimately result in higher labour costs per tonne of potash produced.

Currency Exchange Rates

Exchange rate fluctuations may adversely affect MagIndustries' financial position and results. Wood chips and potash are sold throughout the world, primarily in U.S. dollars. MagIndustries' costs are incurred primarily in U.S. dollars, Euros and Congolese Francs (which is currently pegged to the Euro). The appreciation of the Euro or Congolese Franc against the U.S. dollar could increase the actual capital and operating costs of MagIndustries' projects and materially adversely affect the results presented in MagIndustries' financial statements. Currency exchange fluctuations may also materially adversely affect MagIndustries' future cash flow from operations, its results of operations, financial condition and prospects.

Enforcement of Legal Rights

In the event of a dispute arising from MagIndustries' foreign operations, MagIndustries may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, as substantially all of MagIndustries' assets are located outside of Canada, investors may have difficulty collecting from MagIndustries any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities provisions.

Certain of the directors of MagIndustries and certain experts named herein reside outside of Canada. Substantially all of the assets of such persons are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon such directors or experts.

Conflicts of Interest

Certain of the directors of MagIndustries also serve as directors and/or officers of other companies involved in natural resource exploration and development or other industries in which MagIndustries operates. To the extent that such other companies may participate in ventures in which MagIndustries may participate there exists the

possibility for such directors and officers to be in a position of conflict. Such directors and officers will have duties and obligations under the laws of Canada to act honestly and in good faith with a view to the best interests of MagIndustries and its shareholders. Accordingly, such directors will declare and abstain from voting on any matter in which such director may have a conflict of interest. Some of the directors and officers of MagIndustries have or will have either other employment or other business or time restrictions placed on them. Accordingly, those directors and officers will only be able to devote part of their time to the affairs of MagIndustries.

Internal Control Risk

Rapid growth will present challenges with regard to MagIndustries' operational capacity and financial controls, placing significant demands on its management. However, MagIndustries will need growth in order to achieve its future business objectives. Management of continued growth will require, among other things: continued development of financial and management controls; implementation of adequate internal controls; attraction, retention and motivation of its personnel in the face of competition for capable and qualified employees (especially those with technical or industry expertise); and retention of key personnel whose management skills and expertise in the industry will be crucial to the success of MagIndustries. No guarantees can be given that effective evaluation of risks and timely implementations of required operational or other enhancements will always be completed. Any failure by MagIndustries to do so could have a material adverse effect on MagIndustries' business, financial condition and results of operations.

Dilution

MagMinerals will require additional funds to fund the construction of the processing plant, operations or further exploration and development programs. It is not currently anticipated that MagForestry, MagEnergy or MagMetals will require additional capital in the near term. If MagIndustries raises additional funding for any reason by issuing additional equity securities, such financing may substantially dilute the interests of MagIndustries' shareholders. Sales of substantial amounts of Common Shares, or the availability of Common Shares for sale, could adversely affect the prevailing market prices for Common Shares. A decline in the market price of Common Shares could impair MagIndustries' ability to raise additional capital through the sale of securities should it desire to do so.

Shareholder Rights Plan

MagIndustries has adopted a shareholder rights plan. The provisions of this plan could make it more difficult for a third party to acquire a majority of our outstanding Common Shares, the effect of which may be to deprive the Company's shareholders of a control premium that might otherwise be realized in connection with an acquisition of the Company.

Default Risk

Under the terms of its Notes the Company is required to meet a number of covenants. Should the Company be in default its covenants or obligations, the noteholders have the right to call for the acceleration of the payment of the Notes. Management believes that the Company will be in compliance with the terms of these Notes. However, if the Company is unable to comply with the terms, the Notes will become due on demand, unless the Company is able to obtain waivers or extensions.

DIVIDENDS

There are no restrictions in the Company's constating documents that would restrict or prevent MagIndustries from paying dividends. MagIndustries has not paid any dividends on its Common Shares to date. It is the present policy of the board of directors of MagIndustries to retain any earnings to finance the growth and development of MagIndustries' business and therefore management of MagIndustries does not anticipate paying any dividends in the immediate or foreseeable future.

DESCRIPTION OF CAPITAL STRUCTURE

General

Summary of Common Share Characteristics

The authorized share capital of the Company consists of an unlimited number of Common Shares. The holders of Common Shares are entitled to receive dividends if, as and when declared by the board of directors of the Company, subject to the prior rights of the holders of any shares ranking senior to the Common Shares in the payment of dividends. In the event of the dissolution, liquidation or winding-up of the Company, the holders of the Common Shares, subject to the prior rights of the holders of any shares ranking senior to the Common Shares with respect to priority in the distribution of the property and assets of the Company upon dissolution, liquidation or winding-up, will be entitled to receive the remaining property and assets of the Company. Holders of Common Shares are entitled to receive notice of, attend and vote at any meeting of the Company's shareholders, except meetings where only the holders of another class or series of shares are entitled to vote separately as a class or series. The Common Shares carry one vote per share.

Shareholder Rights Plan

The Company's directors and shareholders have approved a shareholder rights plan (the "**Rights Plan**"). The material terms of the Rights Plan are summarized below. This summary is qualified in its entirety by reference to the actual provisions of the Rights Plan, a copy of which is available to shareholders upon request and which is available on www.sedar.com.

General

Each share purchase right (a "**Right**") entitles the registered holder to purchase from the Company, upon the occurrence of a Flip-in Event (defined below), that number of Common Shares having an aggregate market price on the day of the Flip-in Event equal to twice the exercise price. The Rights are not exercisable until the Separation Time (as defined below).

Flip-in Event

A "Flip-in Event" means a transaction as a result of which a person becomes an Acquiring Person (as defined below). On the occurrence of a Flip-in Event, any Rights beneficially owned by an Acquiring Person (including an affiliate or associate thereof or any person acting jointly or in concert with the Acquiring Person) will become void and any such holder will not have any right to exercise the Rights under the Rights Plan.

Acquiring Person

An "Acquiring Person" is, generally, a person who, including others acting jointly or in concert, acquires 20% or more of the Common Shares. Under the Rights Plan there are various exceptions to this rule, including: where a person acquires 20% or more of the Common Shares by way of a Permitted Bid (as defined below) or a competing bid.

Permitted Bid Requirements

A Flip-in Event will not occur if a take-over bid is structured as a Permitted Bid. The conditions of a Permitted Bid include the following:

- (a) the bid must be made by way of a take-over bid circular to all holders of Common Shares;
- (b) the bid must be subject to irrevocable and unqualified conditions that no Common Shares shall be taken up or paid for prior to a date which is not less than 60 days after the date of the bid and only if more than 50% of the outstanding Common Shares held by shareholders ("**independent**")

shareholders") other than the offeror and its related parties have been tendered to the bid and not withdrawn;

- (c) the bid must provide that Common Shares may be deposited at any time during the bid period and that any shares so deposited may be withdrawn at any time during such period; and
- (d) if more than 50% of the Common Shares held by independent shareholders are tendered to the bid, the offeror must extend the bid for 10 days to allow holders of Common Shares who did not tender initially to take advantage of the bid if they so choose.

Exercise of Rights

The Rights are not exercisable initially and certificates representing them are not sent to shareholders. Until the Separation Time, the Rights will be transferred with the associated Common Shares. Subject to certain exceptions, the Rights will separate from the Common Shares and become exercisable at the Separation Time. The Separation Time is defined as the close of business on the tenth trading day (or such later trading day as may be determined by the Board) after the earlier of:

- (a) the first date of the public announcement that a person has become an Acquiring Person; or
- (b) the date of commencement or first public announcement in respect of a take-over bid to acquire 20% or more of the Common Shares, other than by an acquisition pursuant to a Permitted Bid.

As soon as practicable following the Separation Time, separate certificates evidencing the Rights ("**Rights Certificates**") will be mailed to registered shareholders as of the close of business at the Separation Time, and thereafter the Rights Certificates alone will evidence the Rights. Such Rights Certificates will be transferable and traded separately from the Common Shares.

Lock-Up Agreements

A bidder may enter into lock-up agreements with shareholders whereby such shareholders agree to tender their Common Shares to the take-over bid (the "**Subject Bid**") without a Flip-in Event (as referred to above) occurring. Any such agreement must:

- (a) permit the shareholder to withdraw the Common Shares from the lock-up to tender to another bid or to support another transaction that in either case will provide greater value to the shareholder than the Subject Bid;
- (b) permit the locked-up person to withdraw from the agreement in order to tender or deposit the Common Shares to another bid or to support another transaction that contains an offering price that exceeds the value of the Subject Bid by as much as or more than a specified amount as long as the agreement does not provide for a specified amount that exceeds 7% of the value of the Subject Bid. For purposes of clarity, an agreement may contain a right of first refusal or require a period of delay (or other similar limitation) to give an offeror an opportunity to match a higher price in another transaction as long as the shareholder can accept another bid or tender to another transaction.

Waiver

The Board, acting in good faith may, prior to the occurrence of a Flip-in Event (and in certain cases subject to shareholder approval), waive the application of the Rights Plan to a particular Flip-in Event. The Board may also waive the Rights Plan in respect of a Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding Common Shares. Prior to the occurrence of a Flip-in Event, the Board may, at its option, elect to redeem all, but not less than all, of the outstanding Rights at a price of \$0.0001 per Right.

Board of Directors

The Rights Plan will not detract from or lessen the duty of the Board to act honestly and in good faith with a view to the best interests of the Company.

Amendment

The Board of Directors may make amendments to the Rights Plan without the approval of the holders of the Rights to correct clerical or typographical errors and to maintain the validity and effectiveness of the Rights Plan as a result of any change in any applicable laws, rules or regulatory requirements.

Term

The Rights Plan will expire at the close of business on the Company's 2011 annual meeting unless it is again approved by shareholders.

Notes

On December 19, 2007, the Company issued \$37,845,000 of senior secured notes (the "**Notes**") pursuant to a unit offering. The Notes are governed by the terms of an indenture (the "**Note Indenture**") between the Company and Equity Transfer & Trust Company dated December 19, 2007. The financing consisted of an offering of units with each unit consisting of one Note in the principal amount of \$1,000 and 175 common share purchase warrants (the "**Warrants**"). The Notes bear interest at the rate of 11.0% per year, payable semi-annually and mature on December 20, 2012. The notes are secured by the assets of the Company all of the property, assets, equipment, accounts and undertakings of the Company now owned or hereinafter acquired by the Company and all the shares in the capital of each of MagMinerals, MagEnergy and MagForestry Inc. held by the Company. Each Warrant will entitle the holder to purchase one additional common share of the Company at a price of C\$2.40 per share for five years after closing.

Issued and Outstanding Securities

As of the date of this AIF the Company has 288,079,962 issued and outstanding Common Shares.

In addition to the Common Shares, the Company also has 20,860,000 stock options issued and outstanding with exercise prices ranging from Cdn\$0.24 to Cdn\$3.24. The stock options were issued pursuant to the Company's stock option plan a description of which is contained in the Company's management information circular dated March 26, 2009 at pages 6 to 8, which are incorporated herein by reference.

The details of stock options outstanding at May 27, 2009 are as follows:

Exercise price per share	Outstanding options	Remaining contractual life	Weighted average strike price	Vested options	Remaining contractual life	Weighted average strike price
Cdn\$0 - Cdn\$0.99	8,310,000	4.0	Cdn\$0.45	2,074,991	1.8	Cdn\$0.86
Cdn\$1.00 - Cdn\$1.99	9,175,000	3.3	Cdn\$1.48	8,141,680	3.2	Cdn\$1.42
Cdn\$3.28	3,375,000	4.1	Cdn\$3.28	1,687,494	4.1	Cdn\$3.28
	20,860,000	3.7	Cdn\$1.36	11,904,165	3.1	Cdn\$1.59

The following table summarizes information about the Company's Common Share purchase warrants outstanding at May 27, 2009.

Exercise price per share	Expiry date	Number of warrants outstanding	Remaining contractual life
\$1.00	December 21, 2009	1,000,000	0.6 years
Cdn\$2.40	December 20, 2012	6,622,875	3.6 years
		7,622,875	

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are currently listed for trading through the facilities of the TSXV under the symbol "MAA". During the 12 months ended December 31, 2008, the Company's shares traded as follows:

Month	Volume (000s)	High (Cdn\$)	Low (Cdn\$)
January 2008	19,666	\$2.03	\$1.60
February 2008	22,454	\$2.28	\$1.84
March 2008	25,112	\$2.63	\$1.93
April 2008	39,387	\$2.82	\$2.15
May 2008	36,116	\$3.17	\$2.69
June 2008	44,151	\$3.63	\$3.10
July 2008	35,028	\$3.45	\$2.36
August 2008	39,584	\$2.55	\$1.55
September 2008	43,671	\$2.00	\$0.80
October 2008	24,366	\$0.94	\$0.27
November 2008	14,314	\$0.65	\$0.27
December 2008	26,601	\$0.30	\$0.17

Prior Sales

For a description of all sales of securities of the Company not listed or quoted on a marketplace since January 1, 2008, see "General Development of the Business – Three Year History".

ESCROWED SECURITIES

There are no securities of the Company currently in escrow.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The name, province or state, country of residence, position or office held with the Company and principal occupation during the past five years of each director and executive officer of the Company are described below:

Name and Address	Official Position Held	Period served as a Director	Principal Occupation During Past Five Years
Bryan Benitz London, England Chairman	Director	Since April 1999	Self-employed, corporate director from 2001 to current date.
William B. Burton Toronto, Ontario, Canada	President, Chief Executive Officer and Director	Since October 1997	President and Chief Executive Officer and Director of MagIndustries Corp.
Stéphane A. Rigny Toronto, Ontario, Canada	Senior Executive Vice-President, Director	Since November 2003	Senior Executive Vice President and Director of MagIndustries Corp.
Gerard Munera Greenwich, Connecticut, U.S.A.	Director	Since November 2003	Managing Director, Synergex Group, investment holding company; Executive Chairman, Arcadia Inc., manufacturer of building parts, since 1995.
Victor Wells Oakville, Ontario, Canada	Director	Since September 2006	Officer and director of various public companies. Vice President, Finance and Chief Financial Officer of Chemtrade Logistics Income Fund from July 2001 until April 2006. Chief Financial Officer of Titanium Corporation from October 2007 to current date.
Gary E. German Toronto, Ontario, Canada	Director	Since May 2003	Professional director of various public and private companies
Richard John Linnell Randburg, South Africa	Director	Since January 2006	Officer and director of various public and private companies.
Moustapha Niasse Dakar, Senegal	Director	Since January 2006	Chairman and main shareholder of Group Cabinet Conseil International (C.C.I.) – Dakar - Sénégal
Jeffrey Swinoga Oakville, Ontario, Canada	Senior Vice-President Finance and Chief Financial Officer	Not applicable	Director of Treasury, Finance, Assistant Treasurer of Barrick Gold Corp. from July 1998 to September 2005. Vice President Finance and Chief Financial Officer of Hudbay Minerals Inc. from October 2005 to August 2008. Senior Vice-President Finance and Chief Financial Officer of MagIndustries Corp. from September 2008 to current date.

Name and Address	Official Position Held	Period served as a Director	Principal Occupation During Past Five Years
Willy Verbrugghe Houston, Texas, U.S.A.	Chief Executive Officer MagMinerals Potasses Congo SA	Not applicable	Chief Executive Officer of Dominion Lasercom from November 2002 to April 2004. Chief Executive Officer of Vehoco LLC from May 2004 to April 2008. Chief Executive Officer of MagMinerals from May 2008 to February 2009. CEO MagPotasses from July 2008 to current date.
Daniel Orlando Pointe-Noire, ROC	Vice-President MagForestry	Not applicable	Operations Specialist with Catalyst Paper from October 2003 to August 2006. Vice President MagForestry from September 2006 to current date.
William C. Burton Toronto, Ontario, Canada	Corporate Controller	Not applicable	Auditor with Deloitte & Touche LLP from June 2002 to April 2006. Corporate Controller of MagIndustries Corp. from April 2006 to current date.

The above directors and executive officers collectively own 10,144,535 Common Shares, representing approximately 3.5% of the issued and outstanding Common Shares.

Committees of the Company

The committees of the board of directors of the Company and the directors serving on each of the committees are described below:

Audit Committee

The Audit Committee is currently composed of the following three members: Gary German, Gerard Munera and Victor Wells, all of whom are independent directors and each of whom is financially literate. For a description of the responsibilities and mandate of the Audit Committee as well as the information required to be disclosed pursuant to National Instrument 52-110 – "Audit Committees", please refer to pages 10 to 12 and Schedule "B" in the Company's management information circular dated March 26, 2009, which are incorporated herein by reference.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is currently composed of the following three members: Gary German, Richard Linnell and Victor Wells, all of whom are independent directors. The Corporate Governance and Nominating Committee is responsible for: (i) developing the Company's approach to Board governance issues and the Company's response to the corporate governance guidelines set forth in National Policy 58-201 as such policy may be amended, supplemented or replaced from time to time; (ii) reviewing the composition, compensation and contribution of the Board and its members and recommending Board nominees; (iii) producing a director's manual to use in the orientation program for new directors; (iv) helping to maintain an effective working relationship between the Board and management; and (v) exercising, within the limits imposed by the by-laws of the Company, by applicable laws, and by the Board, the powers of the Board for the management and direction of the affairs of the Company when (i) time or logistical constraints do not permit a meeting of the full Board during intervals between scheduled meetings or (ii) specific transactions or actions have previously been approved in principle by the full Board and subsequently require a specific resolution for formal approval.

Human Resources Committee

The Human Resources Committee is currently composed of Bryan Benitz, Gerard Munera and Victor Wells, each of whom are independent directors. The Human Resources Committee makes recommendations to the Board regarding director and Chief Executive Officer compensation, and various other matters.

Environmental, Health and Safety Committee

The Environmental, Health and Safety Committee is currently composed of the following three members: Richard Linnell, Gary German, members of the Board and Kate Harcourt, Director of Environmental, Health and Safety as a management representative. Richard Linnell is Chair of the committee. The Environmental and Health & Safety Committee has the responsibility of regularly reviewing the environmental behaviour of the Company and its subsidiaries as it relates to operations within the various communities in which the Company operates and to report on its findings to the Board. The Environmental, Health and Safety Committee is also responsible for reviewing on a timely basis all occupational health and safety matters as it considers suitable or the Board may specifically direct.

Strategic Alliance Committee

The Strategic Alliance Committee is currently composed of the following four members: Gerard Munera, Moustapha Niasse, Stephane Rigny and John Bell all of whom have extensive business experience in Africa. Gerard Munera is Chair of the Strategic Alliance Committee. The Strategic Alliance Committee was established by the Board on April 10, 2008 to study and report to the Board on the prevailing political atmosphere and existing political sensitivities which could affect the development of the Company's projects in the Republic of Congo and the Democratic Republic of Congo.

MagMinerals Potash Committee

The MagMinerals Potash Committee is currently composed of the President & CEO, William B. Burton and four independent members being: Gary E. German (Chair), Richard J. Linnell, George Jones, and John Bell. Members of the committee have extensive international major capital project experience. The MagMinerals Potash Committee was established by the Board on March 26, 2009. The MagMinerals Potash Committee, on behalf of the Board, will regularly review all aspects of the Kouilou Potash Project developments and business from financing structure and marketing through successive stages of design, construction and implementation-commissioning of the solution mining, potash plant and commercial operations.

Cease Trade Orders and Sanctions

To the best of the Company's knowledge, no director or executive officer of the Company is at the date hereof, or within the ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Company), that:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Other than as set forth below, to the best of the Company's knowledge, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control

of the Company is, at the date hereof, or has been within the ten years prior to the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. Mr. Munera was a Director of SiVault Systems Inc. ("SiVault") until October 20, 2006, when he resigned from the Board. SiVault subsequently started bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code in July 2007.

Bankruptcies

To the best of the Company's knowledge, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person other than Mr. Burton who in August 1999 instituted a compromise with his sole creditor, Canada Customs and Revenue Agency, through a proposal under the Bankruptcy and Insolvency Act. The proposal was accepted by the creditor and the court and has since been settled.

Penalties and Sanctions

No director or executive officer has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Conflicts of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms and such director will not participate in negotiating and concluding terms of any proposed transaction. Under applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

To the Company's knowledge currently there are no existing or potential material conflicts of interest between the Company and any director or officer of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the best of the Company's knowledge there are no other lawsuits that are material to the Company, in terms of the Company's liability other than those described below:

On December 28, 2008 a former employee of the Company's wholly owned subsidiary MagAlloy Congo SA filed a claim for payment in the amount of \$26.65 million in the Commercial Court of Brazzaville, ROC against the Company and two of its senior officers, William Burton and Stéphane Rigny, requesting a freezing order for the assets of the Company and its subsidiaries in the ROC. This claim is analogous to a claim for wrongful dismissal, as the damages claimed are for loss of salary, bonus and stock options, as well as a separate claim for discriminatory

treatment. A magistrate sitting on the Commercial Court issued a freezing order for such assets, provisionally valued at FCFA 13,325,000,000 (equivalent to approximately \$26,650,000). On February 9, 2009, the plaintiff applied to the Commercial Court for the conversion of the freezing order into a seizure order. On May 5, 2009 a magistrate read a decision into the record which denied the plaintiff's request for a seizure order and lifted the previous freezing order but validated the plaintiff's claim in the amount of FCFA 7,825,000,000 (equivalent to approximately \$16,500,000). This decision cannot be enforced by the plaintiff until several formal steps are completed, including payment by the plaintiff of the registration fees to obtain a copy of the judgment imprinted with an order of enforcement (equivalent to approximately \$700,000) and service of the judgment (imprinted by the registrar of the court with an order of enforcement) on the Company. The Company has filed a notice of its intention to appeal the judgment and, as soon as the judgment is served, the Company will file its appeal (which is the procedure required by ROC law). The Company's filings will also have the effect of suspending enforcement of the judgment by the plaintiff until after the hearing of the Company's appeal. Legal counsel to the Company have advised that the Company has several strong legal and evidentiary grounds in defense and management of the Company does not believe that the outcome of this claim will be material to the financial position of the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer of the Company or person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of the Common Shares, or any associate or affiliate of the foregoing, have had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this Annual Information Form that has materially affected or will materially affect the Company.

TRANSFER AGENT AND REGISTRAR

Equity Transfer and Trust Company is the Company's transfer agent and registrar at its office located at 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1.

MATERIAL CONTRACTS

Contracts of the Company, other than contracts entered into in the ordinary course of business, that are material to the Company and that were entered into by the Company between January 1, 2006 and May 27, 2009 are listed below.

- (a) the Gas Supply Agreement (see "Narrative Description of the Business – Project History");
- (b) the Note Indenture (see "Description of Capital Structure – Debentures");
- (c) the Drilling Agreement (see "General Development of the Business – Three Year History – Events of 2008");
- (d) the 2008 Agency Agreement (see "General Development of the Business – Three Year History – Events of 2008");
- (e) the Ameropa Subscription Agreement (see "General Development of the Business – Three Year History – Events of 2008"); and
- (f) the Interco Subscription Agreement (see "General Development of the Business – Three Year History – Events of 2008").

Each of the above material contracts is available for review on the SEDAR website at www.sedar.com.

INTEREST OF EXPERTS

Names of Experts

Dr. Henry Rauche, EurGeol., of Ercosplan Ingenieurgesellschaft Geotechnik und Bergbau mbH ("**Ercosplan**") is an independent consulting geologist and a "qualified person" for the purposes of National Instrument 43-101, and is one of the authors responsible for the preparation of the Technical Report dated November 3, 2008, entitled "Technical Report, Updated Reserve and Resource Estimate for MagMinerals Mengo Permit Area, Kouilou Region, Republic of Congo" which is incorporated by reference herein and are available on the SEDAR website at www.sedar.com.

Dr. Sebastiaan Van der Klauw, EurGeol., of Ercosplan is an independent consulting geologist and a "qualified person" for the purposes of National Instrument 43-101, and is one of the authors responsible for the preparation of the Technical Report dated November 3, 2008, entitled "Technical Report, Updated Reserve and Resource Estimate for MagMinerals Mengo Permit Area, Kouilou Region, Republic of Congo" which is incorporated by reference herein and are available on the SEDAR website at www.sedar.com.

Ernst & Young LLP have audited the Company's financial statements for the year ended December 31, 2008.

Interest of Experts

Neither of the experts named under "Names of Experts" nor Ercosplan, the companies with which the experts are employed, when or after they prepared the reports, has any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of the Company's associates or affiliates and they are not expected to be elected, or appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

ADDITIONAL INFORMATION

Additional information related to the Company may be found on SEDAR as www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the management information circular of the Company filed for its most recent annual and special meeting of shareholders. Additional financial information is provided in the Company's audited consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2008.