



ANNUAL INFORMATION FORM

For the year ended December 31, 2013

March 31, 2014

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PRELIMINARY NOTES

All information contained herein is as at March 31, 2014, 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, 2013. 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 Central African 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

Capitalized terms not otherwise defined in the body of the AIF have the meanings ascribed thereto below.

"**Accord**" means the Accord Transactionnel dated August 17, 2010 between MagEnergy Inc. and SNEL, the electric utility of the Democratic DRC, for net proceeds of approximately \$6 million;

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

"**August 2008 Technical Report**" means the report completed by Ercosplan 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 2008 Technical Report;

"**BMO**" means BMO Nesbitt Burns Inc.

"**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;

"**CBCA**" means the *Canada Business Corporations Act*;

"**CDB**" means China Development Bank;

"**Changsha Institute**" means Changsha Design & Research Institute of the Ministry of Chemical Industry, People's Republic of China;

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

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

"**DRC**" means the Democratic Republic of Congo;

"**ECEC**" means East China Engineering Science and Technology Co., Ltd.

"**EFC**" means Eucalyptus Fibre Congo;

"**Engineering and Design Contract**" means the engineering and design contract was entered into with the Changsha Institute in April 2012;

"**Ercosplan**" means Ercosplan Ingenieurgesellschaft Geotechnik und Bergbau mbH;

"**ESIA**" means the Environmental and Social Impact assessments for a loading terminal, compaction plant and linear infrastructure for the Project;

"**EU**" means the European Union;

"**Evergreen**" means Evergreen Holding Group;

"**Exploration Well Drilling Contract**" means the exploration well drilling contract entered into with No. 417 Team of Bureau of Geology and Mineral Exploration and Development Hunan Province, a public institution registered under the laws of China;

"February 2008 Technical Report" means the report completed by Ercosplan 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;

"Framework Agreement" means the a framework agreement dated March 16, 2013 with ECEC under which ECEC has agreed to provide a range of services related to the engineering, planning, construction and performance of the Project;

"FSU" means the former Soviet Union;

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

"General Construction Contract" means the general construction contract entered into with ECEC pursuant to which ECEC agreed to provide a range of services related to the planning, construction and performance of the Project;

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

"June 2009 Technical Report" means the report completed by Ercosplan "Updated Reserve and Resource Estimate for MagMinerals Kouilou Potash Project, Republic of Congo" dated June 10, 2009 pursuant to the provisions of NI 43-101 in respect of the Mengo Permit Area;

"LOC" means a Letter of Commitment from the CDB related to the majority of the funding required to complete the construction of the Project;

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

"MagForestry" means MagForestry Corp., 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;

"Mining Code" means the legal framework for the development and use of mineral resources in the ROC which was established by the constitution of the ROC and the laws enacting and implementing the mining code of the ROC;

"NDRI" means China Shipbuilding NDRI Engineering Co., Ltd.;

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

"November 2008 Technical Report" means the report completed by Ercosplan 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 Mengo Permit Area and which updates the August 2008 Technical Report;

"November 2013 Technical Report" means the report completed by Ercosplan entitled "Update of the NI 43-101 Technical Report for MagMineral's Mengo Permit Area, Kouilou Region, Republic of Congo" dated November 12, 2013 pursuant to the provisions of NI 43-101 in respect of the Property and which updates the November 2008 Technical Report;

"October 2008 Technical Report" means the updated reserve report in respect of the Property issued in October 2008;

"Offer" means the offer to acquire all the outstanding MagIndustries Common Shares by way of a friendly take-over bid made by Evergreen Resources Holdings (BVI) Ltd for CAD\$0.25 per share in cash;

"PCS" means the Potash Corporation of Saskatchewan;

"Phase I Marketing Agreement" means the twelve-year off-take agreement executed by MagPotasses and Ameropa AG for the marketing and sale of 100% of the first phase potash production from the Project;

"Phase II" means a second phase of 600,000 tonnes per year capacity for the Project;

"Phase II Marketing Agreement" means the twelve-year off-take agreement executed by MagPotasses and Ameropa AG for the marketing and sale of 100% of the second phase potash production from the Project;

"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;

"Port Facility Design Contract" the port facility design contract entered into with NDRI in October, 2012 to further the development of the Project;

"Project" means the 1.2 million tonnes per year potash mine and processing plant to be constructed and operated by MagMinerals on the Mengo Permit Area.

"Property" means the Makola Permit Area;

"ROC" means the Republic of Congo;

"Shareholder Convertible Loan" means the shareholder convertible loan entered into with Evergreen Resources Holdings (BVI) Ltd. to provide the Company with a CAD\$50,000,000 principal amount term loan and that bears interest at a rate of 10.5% per annum;

"SNC" means SNC-Lavalin International Inc.;

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

"**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 TSX;

"**Support Agreement**" means the support agreement dated April 20, 2011 which the Company entered into in connection with Evergreen Resources Holdings (BVI) Ltd making the Offer;

"TSC" means TSX Capital Ltd.;

"TSX" means the Toronto Stock 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
"CAD\$"	Canadian dollar
"Carnallite"	a hydrated potassium magnesium chloride
"carnallite"	rock form of carnallite
"CIM"	Canadian Institute of Mining, Metallurgy and Petroleum
"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 tonnes
"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

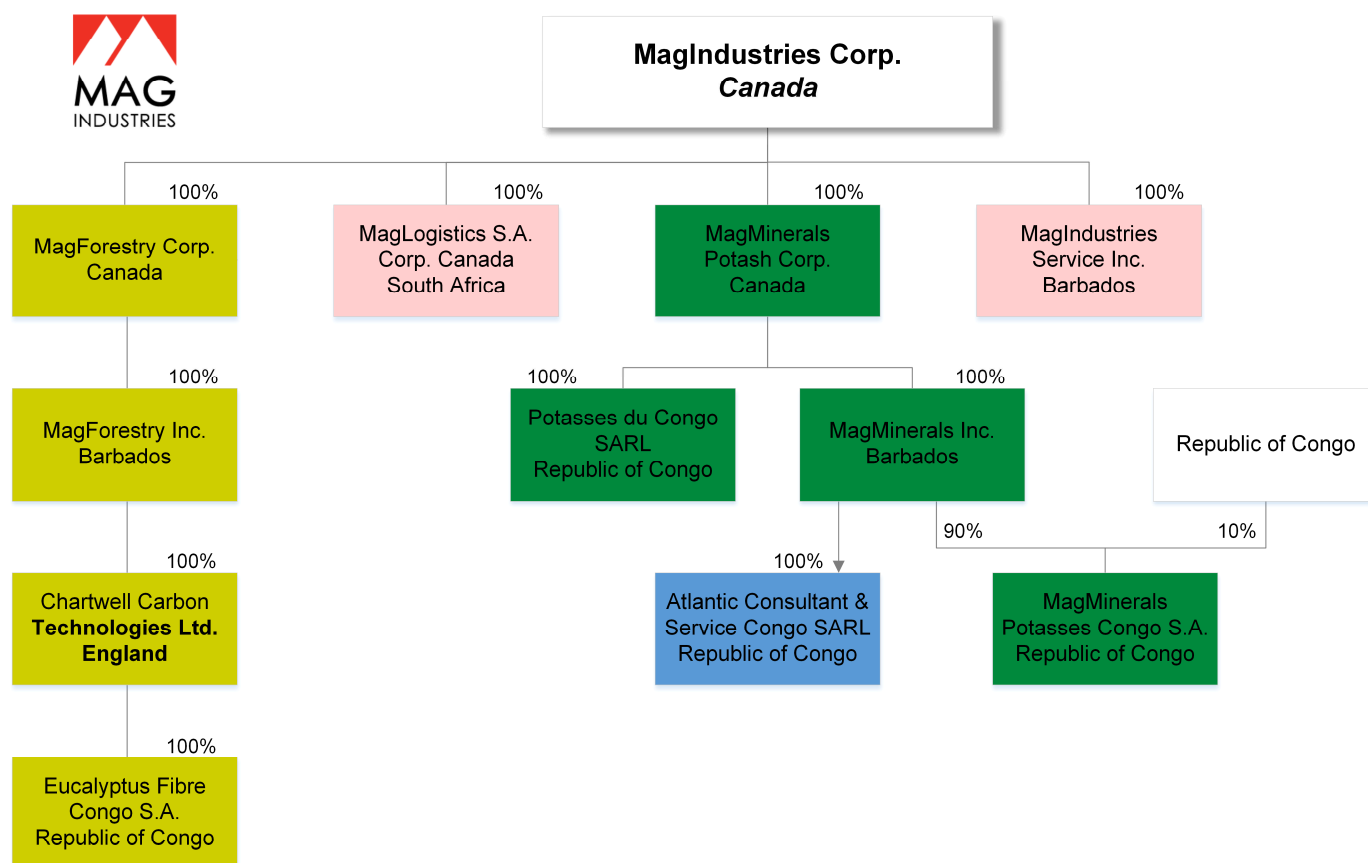
MagIndustries was formed by Articles of Amalgamation dated October 23, 1997, whereby Clavos Enterprises Inc. and Magnesium Alloy Corporation amalgamated and continued as "Magnesium Alloy Corporation". By Articles of Amendment dated January 27, 2005, the name of the Company was changed from Magnesium 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 820, Toronto, Ontario, Canada M5E 1G4 and its registered office is located at 77 King Street West, Suite 3000, Toronto-Dominion Centre, Toronto, Ontario, Canada M5K 1G8.

Intercorporate Relationships

On July 22, 2011, Evergreen Resources Holdings (BVI) Ltd., a subsidiary of the Evergreen, acquired 357,238,683 Common Shares of the Company by way of a takeover bid, representing approximately 77.6% of its issued and outstanding shares. On March 11, 2013 Evergreen acquired an additional 295,770,211 Common Shares on the conversion of a loan in the amount of CAD\$50,653,425. MagIndustries is seeking approval from disinterested shareholders to accept additional loans from Evergreen, which when fully drawn will total CAD\$133,000,000 and will be convertible into an additional 578,260,870 Common Shares. The Company's subsidiaries as of December 31, 2013 are reflected below:

MagIndustries Organizational Chart



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Events of 2011

On February 11, 2011 MagIndustries announced that the Company had received a letter from TSC Capital Ltd. ("TSC") indicating TSC's decision not to subscribe for units under a letter of intent announced on December 21, 2010 in respect of a proposed investment by TSC in the Company.

In March 2011, the Company signed an advisory agreement with BMO Nesbitt Burns Inc. ("BMO") where the Company agreed to issue BMO 12,500,000 Common Share purchase warrants for BMO to acquire one Common Share per warrant at an exercise price of CAD\$0.50 with each warrant exercisable for eighteen months following a "Transaction". "Transaction" was defined as a transaction or series of transactions in which one or more persons or entities acquires, directly or indirectly, at least 33 1/3% of any of the shares, assets, revenues, income or businesses of the Company or otherwise gains control of the Company by way of an offer to acquire outstanding shares of the Company or otherwise, a sale of all or substantially all of the Company's assets, any merger, amalgamation, plan of arrangement, reorganization or other business combination, the issue by the Company to one or more other persons of securities of the Company in numbers sufficient to constitute an acquisition of control, or any acquisition of control of the Company, directly or indirectly.

On April 6, 2011 the Company sold forward the balance of its receivable from SNEL pursuant to the terms of the Accord Transactionnel dated August 17, 2010 (the "**Accord**") between MagEnergy Inc. ("**MagEnergy**") and SNEL, the electric utility of the Democratic DRC, for net proceeds of approximately \$6 million. The Company had been receiving net proceeds of approximately \$400,000 per month since then for total net proceeds, prior to the sale, of approximately \$2.3 million. Under the terms of the receivable sale agreement, the Company received payment of approximately \$6 million, and the purchaser has agreed to assume and perform all obligations of the Company in respect of this receivable to its partners in the refurbishment project and indemnify the Company for any claims arising from these obligations.

On April 20, 2011 the Company entered into a definitive agreement (the "**Support Agreement**") pursuant to which Evergreen, a diversified industrial company based in Shanghai, China, agreed, subject to the terms of the Support Agreement, to make an offer to acquire all the outstanding MagIndustries Common Shares by way of a friendly take-over bid (the "**Offer**") for CAD\$0.25 per share in cash, valuing the Company's equity at approximately CAD\$115 million. The Offer represented a premium of approximately 64% to MagIndustries' 20-day volume weighted average trading price of CAD\$0.15 on the TSX for the period ending on April 19, 2011.

On July 22, 2011, Evergreen Resources Holdings (BVI) Ltd., a subsidiary of Evergreen, acquired 357,238,683 Common Shares in accordance with the Offer, representing approximately 77.6% of its issued and outstanding shares.

On August 9, 2011, the Company issued a notice of redemption for all of its 11% notes due December 20, 2012. This redemption was fully completed on October 6, 2011.

On August 23, 2011 the Company announced that it had entered into an agreement with Evergreen Resources Holdings (BVI) Ltd. to provide the Company with a CAD\$50,000,000 principal amount term loan and that bears interest at a rate of 10.5% per annum (the "**Shareholder Convertible Loan**"). Approximately CAD\$34 million of the Shareholder Convertible Loan was used to fund the redemption of its 11% secured notes described above, with the remainder being used to fund ongoing operations. As approved at a meeting of the shareholders on October 25, 2011 (by the disinterested shareholders), the Shareholder Convertible Loan was convertible, in whole or in part, at the option of Evergreen, into Common Shares on the basis of a conversion price of CAD\$0.1712 per share (the volume average trading price of the Common Shares on the TSX for the five trading days immediately prior to date of the Shareholder Convertible Loan, less a discount of 20%), or up to 295,770,221 Common Shares .

On August 23, 2011 the Company announced that Longbo Chen had been appointed Co-Chief Executive Officer.

Events of 2012

On January 19, 2012, the Company announced that Richey Morrow, had resigned as Chief Executive Officer and accepted a new role as Director of Investor Relations and Corporate Development. The transition was effective on February 15, 2012. Following the effective date, Longbo Chen assumed the role of sole Chief Executive Officer.

On April 4, 2012 the Company announced the signing of two contracts to further the development of the Project. The first contract was for engineering design work for the Project (the "**Engineering and Design Contract**"). The second contract was for exploration well drilling at the Company's additional exploration licenses which surround the Mengo mining license. The Engineering and Design Contract was entered into with the Changsha Design & Research Institute of the Ministry of Chemical Industry, People's Republic of China (the "**Changsha Institute**"). The contract is a for the full design, engineering services and procurement assistance associated with the construction of the Project, including brine extraction, transfer, processing plant, waste brine transmission, brine effluent handling, thermal power station, offices and housing, public utility interfaces, auxiliary engineering and the external transportation, external engineering work (including supply of water, natural gas, electricity supply and access roads) and the water supply and pumping. The total price of the contract is approximately US\$17.8 million subject to adjustment mechanisms for the US dollar/Chinese Yuan exchange rate and performance incentives of up to 18%. An exploration well drilling contract (the "**Exploration Well Drilling Contract**") was entered into with No. 417 Team of Bureau of Geology and Mineral Exploration and Development Hunan Province, a public institution registered under the laws of China. The drilling contract calls for the drilling of six exploration wells or approximately 5,400 metres of drilling. The price of the contract is approximately US\$4.6 million.

On August 22, 2012 the Company announced that it had entered into an agreement with Evergreen to extend the terms of the Shareholder Convertible Loan originally provided to the Company on August 23, 2011. The extended loan was for a principal amount of CDN\$50,653,425 (which included the original CDN\$50 million and interest thereon capitalized for the period from August 23, 2011 to October 25, 2011. The extended loan bore interest at 10.5% per annum calculated daily and compounded monthly. The additional interest that accrued on the Shareholder Convertible Loan was not capitalized nor was it convertible into Common Shares.

On October 9, 2012 the Company obtained disinterested shareholder approval for the conversion feature associated with the extended loan. The conversion feature provided that the loan was convertible into 295,770,211 Common Shares. The extended loan was to mature on August 23, 2013.

On October 16, 2012 the Company announced that it had entered into a port facility design contract (the "**Port Facility Design Contract**") to further the development of the Project. The contract is with NDRI and calls for the design of all necessary facilities for the operation of a potash export terminal in the New Port area of Pointe Noire, ROC. The contract is for the full design services for an export facility suited to load potash bulk carriers including a jetty and trestle, a breakwater, a 150,000 tonne storage facility, transfer stations, ancillary facilities and transportation corridors. The total price of the contract is approximately US\$6.2 million subject to adjustment mechanisms for the U.S. dollar/ Chinese Yuan exchange rate.

On November 27, 2012 the Company announced that it had provided notice to Ameropa AG of its intention to terminate the Phase I and Phase II Marketing Agreements it previously entered into with Ameropa AG. The Company decided to terminate the agreements in order to ensure full flexibility over the marketing of future potash production in connection with a new distribution strategy to be implemented prior to the start of production.

Events of 2013

On February 25, 2013 the Company announced that Will Burton, the Company's chief financial officer, resigned his position to pursue a new opportunity.

On March 12, 2013 the Company announced that Evergreen had converted its outstanding loan to the Company into 295,770,211 Common Shares. The conversion of the loan and issuance of the shares increased Evergreen's interest in the Company from approximately 77% of the issued and outstanding shares to approximately 86% of the issued and outstanding Common Shares.

On March 18, 2013 the Company announced that it had entered into a framework agreement (the "**Framework Agreement**") with East China Engineering Science and Technology Co., Ltd. ("**ECEC**") under which ECEC has agreed to provide a range of services related to the engineering, planning, construction and performance of the Project. It is anticipated that the Framework Agreement will be replaced by a general contract when certain contract specifics of the scope of services have been finalized. The main indicative terms of the Framework Agreement entrust ECEC with general contracting work of the Project. The indicative terms provide a contract price within the existing scope of work of approximately USD\$480 million. The Framework Agreement specifies completion of the Project by December 31, 2015.

On March 28, 2013 the Company announced that its controlling shareholder Evergreen Resource Holdings (BVI) through its Ningbo, China based parent, Evergreen, had received approval from the National Development and Reform Commission of the People's Republic of China ("**NDRC**") to invest in and construct the Company's 1.2 million tonnes per annum Mengo Potash Project in the Republic of Congo. The NDRC is the senior administrative and regulatory body in China responsible for the approval of major capital investments by Chinese companies, ensuring the consistency of these investments with China's economic policies and development strategies. The NDRC approval is valid for two years from the date of issue, which was March 18, 2013. NDRC approval of Evergreen's intended investment in and construction of the Project is a necessary condition for the approval of project finance loans by China's senior banks.

On June 12, 2013 the Company announced that the first ship carrying construction equipment and materials for construction of the Mengo Potash Project arrived in Pointe Noire, Republic of Congo on June 12, 2013. The cargo, with a total weight of about 4,900 tonnes, originated from the Port of Shanghai, China. It included some 2,000 tonnes of steel re-bar, 1,000 tonnes of cement, forty trucks, twelve generators and a gravel crushing plant. The shipment also contained various pieces of earth moving equipment including an excavator, land leveler, concrete mixer, pile driving machine, weighbridge and a concrete pump.

The shipment, organized by the general contractor for the Project, East China Engineering Science and Technology Co., Ltd. (ECEC), was seen as a major step in mobilization of ECEC and its subcontractors for the full start of construction of the various facilities and installations required for the Project.

On June 26, 2013 the Company announced the resignation of Stella Zhao, the Company's Co-Chief Financial Officer, who had resigned her position to pursue other interests. Ms. Zhao's resignation was effective on July 26, 2013.

On July 10, 2013 the Company announced the signing of a general construction contract with ECEC as anticipated in its press release of March 18, 2013 indicating that a "Framework Agreement" had been entered into (the "**General Construction Contract**"). Under the terms of the General Contract ECEC will provide a range of services related to the planning, construction and performance of the Project. The General Construction Contract became unconditional on July 29, 2013 with the registration of a performance guarantee satisfactory to the Company with a Chinese bank.

On July 11, 2013 the Company reported that a Construction Engineering Supervision Contract (the "**CESC**") has been signed with Changsha Huaxing Construction Supervision Co., Ltd. ("**CHCS**") to supervise engineering work related to the Project. CHCS will supervise engineering work on all of the major work modules and installations/systems of the Project. The CESC came into effect immediately and will terminate at the later of September 30, 2015 or the date of mechanical completion of the Project.

On July 18, 2013 the Company hosted an Inauguration Ceremony for the Project in Pointe Noire. The ceremony provided an official recognition for the recent arrival in Congo of materials and equipment in anticipation of the start of construction of the Project and encouragement to the Company as it proceeds with implementation.

On November 14, 2013 the Company reported that it had received an updated National Instrument 43-101 Technical Report entitled "Update of the NI 43-101 Technical Report for MagMineral's Mengo Permit Area, Kouilou Region, Republic of Congo" (the "**November 2013 Technical Report**") in respect of the Mengo Permit Area. Specifically, the November 2013 Technical Report relates to the geology and development of the Project. The Technical Report updates the June 2009 Technical Report.

On November 21, 2013 the Company announced that it had received a Letter of Commitment (the "**LOC**") from the China Development Bank ("**CDB**") related to the majority of the funding required to complete the construction of the Project. The LOC is a conditional commitment by CDB in favour of the borrower of record, MagMinerals (the "**Borrower**"), to arrange a syndication loan for an amount up to US\$740 million with a term of 12 years in connection with the Project, in which CDB will provide up to US\$370 million as the lead arranger.

In addition to the terms in the LOC itself, the LOC is subject to the completion of a definitive loan agreement between CDB and the Borrower and to various conditions, principally:

- i. Completion of all required and relevant approvals for the Project;
- ii. Compliance with all local and international law applicable to the Project;
- iii. Engaging legal counsel and consultants by CDB at the cost of the Borrower (principally for satisfaction of items (i) and (ii) above, any other legal opinions required by CDB
- iv. Reimbursement of CDB's reasonable out of pocket expenses and deduction of taxes, fees, or governmental charges associated with the loan

The LOC is outstanding for 12 months unless terminated by mutual agreement or at CDB's sole discretion for failure of the Borrower to meet the above conditions. The detailed terms of the loan will be disclosed by the Company if and when the definitive loan agreement is executed.

On December 16, 2013 the Company announced that Environmental and Social Impact assessments ("**ESIA**") for a loading terminal, compaction plant and linear infrastructure for the Project had received final approval from the Ministry of Tourism and Environment of the Republic of Congo. Previously, in 2010, the Company had obtained ESIA approvals from Congolese authorities based on the design of a 600,000 tpy Mengo potash plant, with the potential to revise capacity to 1 mtpy. The Company has since doubled the initial designed production capacity to 1.2 mtpy, reorganized aspects of the plant layout and planned a new transportation strategy, changes which are reflected in the revised and approved ESIA studies and the November 2013 Technical Report.

Events of 2014 to date

On February 24, 2014 the Company announced that Geoff Woo, CGA had been appointed Chief Financial Officer of the Company, effective on that date. Mr. Woo had served MagIndustries for the previous 11 months as Financial Controller. Mr. Woo is a finance professional with over fifteen years of corporate finance experience gained in both private and public companies.

In addition to the foregoing, Evergreen Resources Holdings (BVI) Ltd., has been providing MagMinerals, with advances on an interest free basis to fund its ongoing operations. These advances commenced on January 18, 2012 and have continued intermittently to the present day. The Company has required these advances given the financial difficulty in which it has found itself as a result of the limited ability to raise third party financing. At present the total advances total approximately \$79 million. The Company will be seeking disinterested shareholder approval to amend the terms of such loans to provide for the ability to, among other things, charge interest at a market rate and to add a conversion feature to the loan. It is anticipated that the special shareholders meeting to approve this matter will be held on May 7, 2014.

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' history and business relationships in the ROC and the DRC.

MagIndustries is organized around three 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 1.2 million tonne per year potash plant on the Mengo Permit Area 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 2016. 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 500,000 tonne per year (capacity) 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.

MagMetals (Discontinued)

MagMetals had studied a plan to produce high quality magnesium metal and magnesium alloys for the automotive industry utilizing the magnesium-rich waste stream from the MagMinerals potash production facility. The activities of MagMetals were discontinued in 2013.

MagEnergy (Discontinued)

MagEnergy financed and managed the refurbishment and rehabilitation of one turbine and other emergency works at the Inga hydro-electric facility located on the Congo River, 300 km south west of the Kinshasa, the capital of the DRC. The activities of MagEnergy were discontinued in 2011.

Employees

With the activation of the forestry business MagIndustries has emerged as one of the largest non-government employers in the ROC, with approximately 300 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 10 employees in Toronto, Canada, three employees in Barbados, and two employees in South Africa

Strategy

The Company's long-term strategy is to implement independent stand-alone resource 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 Project and an approximately 1,500 km² area within Kouilou province of the ROC, located (at its closest point) less than 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 (the "**Mengo Permit Area**"). 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 2008 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 2008 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 reserve report (the "**October 2008 Technical Report**") was received and updated the August 2008 Technical Report in respect of presentation of certain sections of the August 2008 Technical Report. In June 2009, an updated reserve report (the "**June 2009 Technical Report**") was received and updated the October 2008 Technical Report in respect of the economic analysis of the Mengo Permit Area in the October 2008 Technical Report. In November 2013, updated reserve report (the "**November 2013 Technical Report**") was received and updated the June 2009 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 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 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 original design for the plant was based on a modular layout which would 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. A review of the feasibility study by Changsha Institute concluded that an initial capacity of 1,200,000 tpy provided economic advantages and Changsha proceeded with a re-design of the project on that basis.

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.

MagMinerals started construction of the Project in mid-year 2013.

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.

There are 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% K₂O (Germany and former Soviet Union ("FSU") producers) to 61% K₂O (Canadian and Middle East producers).

- (b) Potassium Sulphate (K₂SO₄), also known as SOP, contains 50% K₂O. SOP occurs naturally or can be produced from MOP.
- (c) Potassium Nitrate (KNO₃), also known as NOP, contains 44% K₂O plus 13% nitrogen.
- (d) Potassium Magnesium Sulphate, also known as SulPoMag or KMS, contains around 25% K₂O 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

According to Fertecon Limited ("Fertecon"), a leading provider of market information and analysis on fertilizers and fertilizer raw materials, global production of potash grew from approximately 23 million nutrient tonnes (K₂O equivalent) in 1981 to a peak of approximately 34 million nutrient tonnes in 2007 before falling back to an estimated 20 million tonnes in 2009. Before the retreat in 2008-2009 the only other 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. From 2000 to 2007 world potash consumption accelerated its growth with a 3.5% annual growth rate. The decline in demand in 2008 and 2009 was due to high potash prices in 2007 and 2008 intersecting with a deep global recession. High prices, economic uncertainty and difficult credit conditions lead to many farmers drastically reducing applications during this time. From 2009 to 2011 production improved to reach a new peak of 35.7 million nutrient tonnes in 2011. The renewed challenges to global economic recovery experienced in 2012 resulted in a decline in potash production to an estimated 32.7 million nutrient tonnes. Strong sales through the first quarter of 2013 have enabled Fertecon to estimate full year 2013 production at what would again be a new peak sales number of 37.1 million nutrient tonnes.

The long-term drivers that dictate demand when MagMinerals is expected to begin producing and marketing potash suggest further increases over time. It is anticipated that population growth, rising incomes and shifting meal patterns by certain developing nations will continue to spur 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.

According to Fertecon 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.

China, the United States, India and Brazil currently account for approximately 60% of world potash demand. 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

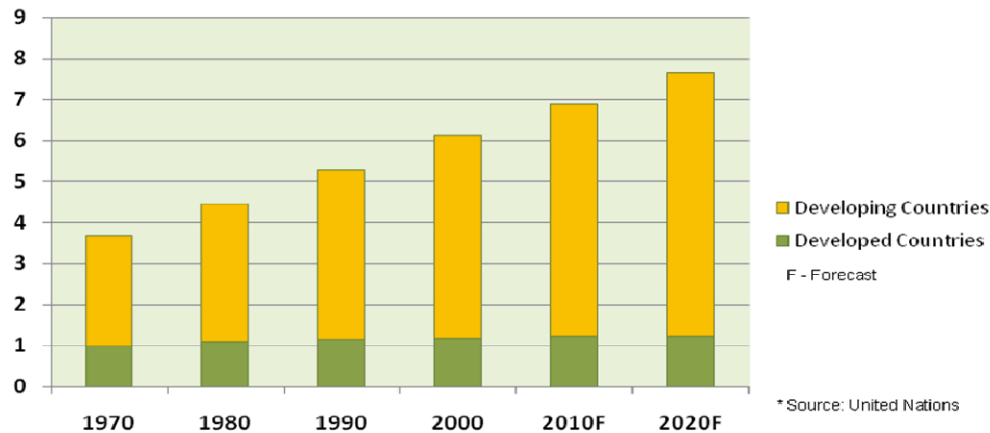
The main drivers of potash demand are:

- ▶ **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

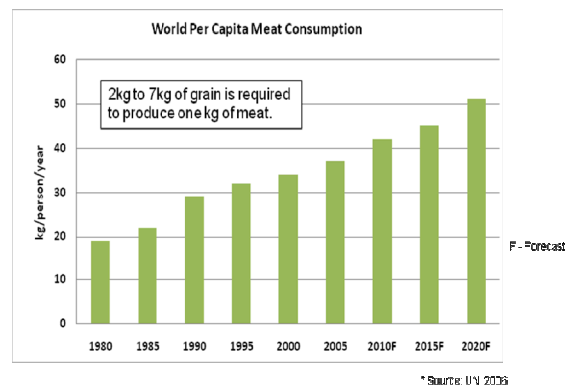
Global population growth is the underlying demand driver for fertilizer growth. Increased world population results in increased demand for food and consequently drives the need to maximize crop yields. In order to increase yields, an increase in fertilizer use is required.

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.



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 potash 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.
- *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.

Supply/Demand Balance

Prior to the 2009 downturn in prices, potash supply did 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. Production curtailments were evident during 2012 in an effort by producers to maintain pricing by balancing supply against apparent demand. Efforts to balance supply against demand were largely born by Canadian producers in 2013 with the breakdown of the marketing partnership BPC, following which former partners Belaruskali and Uralkali appeared to follow volume over price strategies.

Fertecon has estimated that global potash capacity will increase from approximately 43.4 million tonnes/year K₂O in 2010 to 70.5 million tonnes/year K₂O by 2025, an increase of 27 million tonnes/year K₂O, representing a 62% increase. By comparison, in the preceding 15 year period, global potash capacity rose from 24.2 million tonnes/year K₂O in 1995 to 43.4 million tonnes K₂O by 2010, representing an increase of about 19 million tonnes K₂O. However, in the 1995-2005 period there had been a clear lack of investment in new potash capacity and utilisation rates began to creep up as demand for potash grew, providing the incentive to build new capacity. That new capacity has the potential to create an over-supply situation as demand growth has not met recent projections.

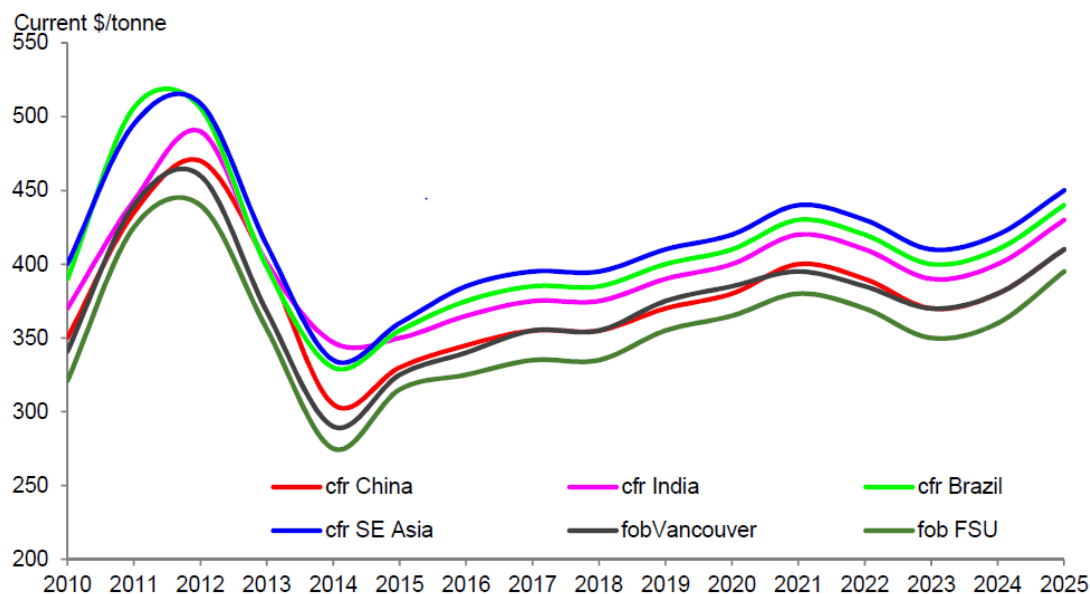
With the weak pricing environment evident in 2013 some potash capacity expansion projects have been deferred, scaled back or cancelled. Nonetheless, the outlook is for growth in global potash capacity to continue.

Fertecon forecasts that world potash consumption (in all forms, both fertilizer and non-fertilizer) will grow by 17.8 million tonnes K₂O over the period to 2025 to reach a projected 50.2 million tonnes K₂O by 2025. In 2013 total consumption is estimated at 32.4 million tonnes K₂O. The substantial growth will be in fertilizer consumption of potash which is projected to expand by close to 60% from current levels to a projected 46.7 million tonnes K₂O. The biggest growth in consumption will be seen in Asia, followed by Latin America.

Pricing

In view of the possibility of potash over-capacity globally up to 2025, Fertecon does not see stimulus for major price increases. , Without further curtailment of capacity expansion plans the strong demand growth anticipated to 2025 will still not keep pace with supply growth. Over the forecast period utilisation rates are expected to move above 70%. However, historically utilisation rates of near 85% have been necessary to stimulate significant price growth. This could happen, for example if certain expansions or mines anticipated by new entrants to the industry do not ultimately go ahead.

POTASH PRICE FORECAST TO 2025



(Fertecon price projections, Potash Outlook Issue 2013/03, published March 2014)

Potash Mining Techniques

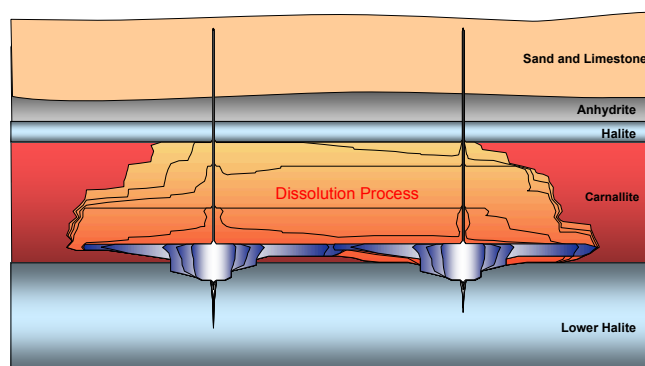
Solution mining of potassium salts is a technique that has been developed over the last 30 years as an alternative to conventional mining. The principle of solution mining involves drilling large-diameter boreholes to the bottom of the lowest carnallite layer. Water heated to a temperature significantly 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 rights. 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 began construction of the Project in mid-year 2013. 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 November 2013 Technical Report which is summarized herein. See "*The Property*".

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.

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 2015 and a low cost producer to other markets. The principal elements of MagMinerals' strategy are:

- *Finalize financing* – Complete the agreements necessary to fund the construction of the Project. The total capital cost as described in the November 2013 Technical Report is expected to be approximately \$1.3 billion, which may be funded through project financing. This financing is being sought with banks in China.
- *Construct Project* – The Project is now in construction with completion expected by year-end 2015 followed by a two year ramp up to full name plate capacity of 1.2 mtpy. The timing of completion of project finance arrangements may impact the construction schedule.
- *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.

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 of 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 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. Given the change in plans to complete the Project in one phase, the Company has completed and obtained approvals for supplemental environmental and social impact studies associated with the full 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. An amendment to the 2008 PIA is currently in process to reflect the revised design of the Project with an initial capacity of 1.2 mtpy rather than 600,000 tpy and the location of drying and compaction operations proximate to a new bulk commodity terminal.

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 November 2013 Technical Report in respect of a 25 km² area within the 136 km² Mengo Permit Area reported that the following amounts of KCl can be mined: 25.88 Mt (proven) and 7.89 Mt (probable) totaling 33.77 Mt, which compares well

with the Mineral Reserve estimate from 2009, which stated a 33.23 Mt of KCl can be mined from the Probable and Proven Mineral Reserves. Based on the design work done by CDI and the brine field layout, ERCOSPLAN estimates that about 31.7 million tonnes of muriate of potash product can be generated from Proven and Probable Mineral Reserves in the Mengo Permit Area. With a planned capacity of 1.2 mtpy and a ramp up over two years with annual production of 480,000 and 960,000 tpy, the Project lifetime is 27.2 years. ERCOSPLAN noted in the November 2013 Technical Report that 2D and 3D seismic surveys and rock mechanical work that could have the effect of increasing or re-categorizing mineral resources and mineral reserves within the study area.

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 and sustaining capital costs, are estimated by Changsha Institute, as reported in the November 2013 Technical Report to be \$114/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 of a new dedicated bulk commodity port planned at Pointe Indienne, approximately 15 km north of Pointe Noire. 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. The short shipping distance 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.

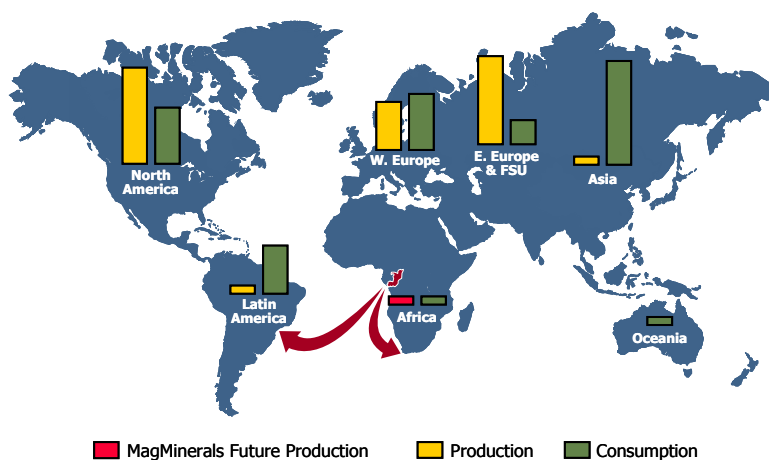
Proximity to Growing Brazilian Agriculture Market

Brazil is expected to be a major end market for MagMinerals' potash production, along with China and other Asian markets. Fertecon projects that Brazil will become the world's largest potash importer by 2016 as Brazil 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.

Brazil's limited domestic potash production has created a significant supply-demand imbalance, with domestic production capacity of only 0.5 million tonnes (K₂O) per year, thereby requiring imports of 4.2 million tonnes (K₂O) in 2012, according to Fertecon. Furthermore, Fertecon anticipates that Brazil's K₂O import demand will grow at a rate of 6.6% per year from 2012 to 2020.

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 4 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 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, the largest non-government employer in the ROC with approximately 1,800 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 Service Providers

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

- *Changsha Design and Research Institute* – An engineering and design contract has been entered into with the Changsha Institute, People's Republic of China. This contract is for the full design, engineering services and procurement assistance associated with the construction of the Project, including brine extraction,

transfer, processing plant, waste brine transmission, brine effluent handling, thermal power station, offices and housing, public utility interfaces, auxiliary engineering and the external transportation, external engineering work (including supply of water, natural gas, electricity supply and access roads) and the water supply and pumping.

- *Ercosplan* – Ercosplan has been selected for assistance in 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.
- *China Shipbuilding NDRI Engineering Co., Ltd. ("NDRI")* – The Company has entered into a port facility design contract to further the development of the Project. The contract is with NDRI and calls for the design of all necessary facilities for the operation of a potash export terminal in the New Port area of Point-Noire, ROC. This contract is for the full design services for an export facility suited to load potash bulk carriers including a jetty and trestle, a breakwater, a 150,000-tonne storage facility, transfer stations, ancillary facilities and transportation corridors.
- *East China Engineering Science and Technology Co., Ltd.* – The Company entered into a "Framework Agreement" with ECEC under which ECEC will provide a range of services related to the engineering, planning, construction and performance of the Project. The Framework Agreement took effect immediately on its signing on March 16, 2013 and it is anticipated that the Framework Agreement will be replaced by a general contract, currently under negotiation, when certain contract specifics of the scope of services have been finalized. The main indicative terms of the Framework Agreement entrust ECEC with general contracting work of the Project, that is: ECEC shall be responsible for the overall planning, project management, design management and coordination; procurement, construction, installation, testing of equipment, materials and integrated systems and commissioning.

THE PROPERTY

The following disclosure relating to the Makola Permit Area has been derived from the November 2013 Technical Report. The summary from the November 2013 Technical Report is reproduced herein for the purposes of the disclosure of the Makola Permit Area required under Item 5.4 of Form 51-102F2 of National Instrument 51-102 – Continuous Disclosure Obligations. The detailed disclosure contained in the November 2013 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 November 2013 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 the Company. The November 2013 Technical Report is available for inspection during normal business hours at MagIndustries' head office at 33 Yonge Street, Suite 820, Toronto, Ontario, Canada and may also be reviewed under MagIndustries' profile on the SEDAR website at www.sedar.com.

The technical information contained below is summarized or extracted from the November 2013 Technical Report which can be reviewed in its entirety by accessing the SEDAR database at www.sedar.com and which qualifies the following disclosure. The following summary is not exhaustive. The November 2013 Technical Report is intended to be read as a whole and sections should not be read or relied upon out of context. The November 2013 Technical Report contains the expression of the professional opinions of the Qualified Person based upon information available at the time of preparation of the November 2013 Technical Report. The disclosure contained below, which is derived from the November 2013 Technical Report, is subject to the assumptions and qualifications contained in the November 2013 Technical Report. The capitalized terms used in the below summary are defined in the November 2013 Technical Report and may not correspond with the defined terms used elsewhere in this AIF.

Summary

MagIndustries Corp. (MAGINDUSTRIES) requested ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH (ERCOSPLAN) to provide an update of the independent Technical Report (ERCOSPLAN, 2009, /20/) on the

potash mineral reserves in the Mengo area of the company's Mengo Exploitation Permit, Kouilou Region, Republic of Congo ("the Property"). The update has become necessary as significant changes to the 2008 Feasibility Study by the SNC Lavalin International Inc. (SNC) (/60/) have been made and additional geological information has become available as a result of the drilling of first production wells. The basis for the description of mining, brine processing, product transportation as well as supplementary infrastructure for the operation is the preliminary design by the Changsa Design and Research Institute of Ministry of Chemical Industry (CDI), (CHONFAR, 2013a, /5/), which also provides estimates for Capital and Operating Expenditures (CAPEX and OPEX).

The information this Technical Report is based upon is from the Preliminary Design Documentation (CHONFAR, 2013, /5/) as well as exploration, drilling and design studies. The exploration, drilling and design studies included:

- Data collected and processed from a 2D seismic survey run and 2 VSP surveys specifically for the project,
- Geological and geophysical evaluation, with sampling and assaying of potash sections from 12 exploration drill holes and 1 production hole, geophysical evaluation of 22 production holes,
- Dissolution test work on core samples selected from different deposit horizons of 2 drill holes,
- Rock mechanical strength and creep property tests on core material from 2 drill holes,
- Bench scale test work on crystallization of Carnallite, Sylvite and Halite using brine obtained from dissolution test work.

Location of the Property and Mine Tenure

The Mengo Exploitation Permit area (the "Mengo Permit Area") is located about 500 km west of Brazzaville, Republic of Congo (RoC), and about 15 km northeast of the port city Pointe Noire. The Mengo Permit lies in the Kouilou province and 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, MAGINDUSTRIES exploration efforts were concentrated on an area of approximately 25 km² near the village of Mengo, where the brine field will be located.

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 MAGINDUSTRIES. 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 12 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 on the former Makola Exploration Permit (2,265 km²). MAGINDUSTRIES has been granted a new Makola Exploration Permit for a smaller area (~ 1,111 km²), because the original Makola Exploration Permit expired as the Mengo Exploitation 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, /27/). 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.

Within the Congo coastal basin several evaporate cycles have been identified, which all have resulted in deposition of variable amounts of potash in the form of carnallite.

The carnallite rock consists of an interlayering of Carnallite (KMgCl₃ 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.

In the Mengo area, four potentially economic extractable carnallite horizons have been identified in depths between 500 and 1,000 m below the surface. Thickness and grade of these horizons are:

Horizon 1 Carnallite: 19.1 m thick at 17.0% KCl present as Carnallite;

Horizon 2 Carnallite: 12.5 m thick at 11.7% KCl present as Carnallite;

Horizon 3 Carnallite: 9.6 m thick at 23.9% KCl present as Carnallite;

Horizon 4 Carnallite: 25.1 m thick at 17.9% KCl present as Carnallite.

Exploration

For the Mengo area, which is part of the Mengo Exploitation Permit area, the carnallite mineralization has been investigated by MAGINDUSTRIES in more detail, with 14 exploration drill holes and 23 km of 2D seismic survey as well as 20 production wells penetrating the evaporate section. 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 and resource estimation area.

14¹ exploration drill holes and the 20 production holes completed in the Mengo area have all intersected multiple carnallite horizons.

- 1 hole completely penetrated the evaporite sequence and all the carnallite beds;
- 31 holes penetrated the upper part of the evaporite sequence, where the thick carnallite horizons, suitable for solution mining are located;
- 2 holes penetrated only the uppermost carnallite beds, which are partly suitable for solution mining.

Mineral Resource and Mineral 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

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

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 mineral resources. Horizons 2, 3 and 4 have mineral resources categorized depending on the distance from the 12 new drill holes and 1 cored and assayed production hole.

The mineral 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 mineral resources are as follows:

measured: 750 m radius if a correlation is possible on 2 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 2 sides to other drill hole with a comparable potash section, otherwise a 500 m radius is used, minus the area of measured mineral resources,

inferred: 3,000 m radius is used minus the area of measured and indicated mineral resources.

On the basis of the diameters discussed above, polygons were constructed around the drill holes. The measured and indicated mineral 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, from the updated Land Use and Occupation Survey (LUOS, MPC, 2009, /42/). For the inferred mineral resources an overall 35% area reduction for these factors was used. Furthermore, mining losses due to safety pillars around caverns and non perfect cavern recovery were accounted for in the mineral resource estimate. This mineral resource estimate does not take into account any of the several relatively thin (< 5 m) and high grade carnallite horizons, which together have a combined thickness in the order of 20 m within the investigated evaporate section, as they are only marginally mineable by solution mining. The estimated mineral resources for each category are given in the following table.

These mineral resources can be solution mined and the resulting brine can be economically processed to a saleable product (see next section). Therefore the Measured and Indicated Mineral Resources can be transformed to Proven and Probable Mineral Reserves.

	Horizon 1	Horizon 2	Horizon 3	Horizon 4
Measured Mineral Resources				
Millions of Tonnes of Mineralized Material		46.9	33.3	95.5
Average KCl Grade (%)		11.9	24.1	17.8
Indicated Mineral Resources				
Millions of Tonnes of Mineralized Material		11.1	8.0	25.8
Average KCl Grade (%)		12.0	23.8	18.1
Inferred Mineral Resources				
Millions of Tonnes of Mineralized Material	406.2	235.2	169.4	494.8
Average KCl Grade (%)	17.0	11.6	23.9	17.9

The Measured and Indicated Mineral Resources for the Horizons 2 to 4 have been transformed to Proven and Probable Mineral Reserves by superimposing a brine field layout showing positions of the single caverns on the areas within the Measured and Indicated Mineral Resources. Mineral Reserves are estimated to be as follows:

Proven Mineral Reserves:

- Horizon 2: 39.1 million tonnes of carnallite at 11.9% KCl
- Horizon 3: 27.1 million tonnes of carnallite at 24.0% KCl
- Horizon 4: 82.6 million tonnes of carnallite at 17.8% KCl

Probable Mineral Reserves:

- Horizon 2: 10.8 million tonnes of carnallite at 12.0% KCl
- Horizon 3: 7.8 million tonnes of carnallite at 23.8% KCl
- Horizon 4: 26.3 million tonnes of carnallite at 18.1% KCl

From the Probable and Proven Mineral Reserves, the following amounts of KCl can be mined: 25.88 Mt (proven) and 7.89 Mt (probable) totalling 33.77 Mt, which compares well with the Mineral Reserve estimate from 2009 (ERCOSPLAN, 2009, /20/), which stated a 33.23 Mt of KCl can be mined from the Probable and Proven Mineral Reserves. The amount of Carnallite amounts accordingly to 96.46 Mt (proven) and 29.42 Mt (probable) totalling 125.88 Mt, compared to 123.80 Mt of Carnallite from the 2009 report (ERCOSPLAN, 2009, /20/).

Mining and Processing

This mineral reserve will be mined using hot leaching in double well caverns. The brine produced is 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 using hot leaching and KCl crystallisation to produce a K60 product. The K60 product is transported as slurry to the port site, where it is dried and compacted to a marketable K60 material. The brine from the Carnallite decomposition is evaporated to produce Carnallite, which is recycled to the Carnallite decomposition stage. Remaining MgCl₂ brine and solid NaCl will be disposed of in the sea or mined out caverns.

The process has a conservative recovery ratio of 89.2% of KCl from the incoming brine, transformed to product.

Economic Evaluation

CAPEX and OPEX estimates were generated based on a detail project design and in the opinion of the authors reach an accuracy of $\pm 15\%$ by CHONFAR (2013a, /5/). The estimates are based on CDI's database, experience with other potash projects and from quotations received from suppliers of key equipment, materials and services. The initial CAPEX estimate is 1,270 million USD and includes costs for the brine field, evaporation and crystallisation plant including all related utilities, gas and water supply, product transportation to port site, compaction, drying and product storage and ship loading facility on a dedicated jetty.

The OPEX for full production have been estimated at 131.8 million USD annually for the production of 1.2 mtpy of a K60 product. This equates to approximately USD 110/tonne of KCl. These operating costs include estimates for labour, maintenance power generation, consumables, diesel, product transport and electricity.

Sustaining CAPEX have been estimated for the operation at annually 4.6 million USD.

Assuming a nominal discount rate of 10%, the economic analysis yielded an after-tax project NPV of 1,002 million USD with an IRR of 20.6% and a payback period within 10 years of project start, based on potash prices of 380 USD/tonne FOB.

Conclusions and Recommendations

Based on the design work done by CDI (CHONFAR, 2013a, /5/) and the brine field lay out presented in this report, the authors of the Technical Report estimate that about 31.7 million tonnes of MOP product can be generated from Proven and Probable Mineral Reserves in the Mengo Mining Permit area. With a planned annual capacity of 1.2 mtpy and a ramp up over two years with annual production of 480,000 and 960,000 tpy, the project lifetime is 27.2 years.

3D rock mechanical modeling could be done to optimize pillar size between caverns to try to increase area recovery on the brine field and in this way probably increase reserves. The timeframe of such study is approximately 9 months and costs should be around USD 90,000.

A further increase in the mineral resources and reserves or a reclassification within the investigated area, without additional exploration drilling can be established in 2 ways:

1. 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 eventually be reduced further. A potential option to achieve this would be 3D seismic investigations in selected parts of the Mengo brine field area.

Time frame for such investigations would be in the order of 18 months and costs are estimated at about 2 million USD. With about 100,000 tonnes of product that can be obtained from a single cavern in the regions near the geological exclusion zones, detail investigation of the fault zones and dissolution structures could be worthwhile.

2. Transform part of the Inferred Mineral Resource from Horizon 1 carnallite to Indicated or Measured Mineral Resources.

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 modeling 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.

The time frame for these investigations would be approximately 12 months and costs are estimated in the range of 200,000 USD. If these studies show that it is technically feasible to mine at least a part of Horizon 1, the concept should be tested in an active cavern, which should be monitored for potential changes in setting regime, before implementing Horizon 1 mining on other parts of the brine field. The time frame to mine brine and produce product from Horizon 1, therefore, is about at least 4 years.

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 concession from a division of Shell Oil International, Shell Renewables in 2005. The concession, which expires in 2076, 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 500,000 tonne per year (capacity) wood chip plant built by EFC.

MagForestry delivers on sales contracts for the supply of eucalyptus wood chips to European and North African 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 2011 EFC was able to achieve improvements in harvesting and chip mill through-put. Some specific areas of investment made to date include tree harvesting, de-barking, and log transportation equipment in addition to a substantial upgrade of the nursery operation to support re-planting. In 2012 some improved techniques were tested in the plantation and the results showed improved plant growth with reduced fire risk. In 2013 these procedures will be implemented in the whole forest.

Employment in ROC

MagForestry is one of the largest non-government employers in the ROC, with approximately 300 direct employees and up to 1,500 workers under contract.

Customers

MagForestry's revenue is generated from the sale of wood chips. Wood chip production is partially contracted at fixed prices for the next two years to leading customers in the global pulp and paper and fiberboard industry

Distribution Method

After the logs are cut and debarked, they are transported from the plantation to the port by truck. The logs are then fed 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.

Chip Mill

MagForestry's chip mill has the design 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 expected Mean Annual Increment (MAI) averages 12 m³/ha/year, although one of the clones (UG) being used yields up to MAI of 25 m³/ha/yr in ideal conditions, indicating the potential for significant yield improvements in the future. The trees are harvested on a seven year rotation cycle and yield approximately 83 m³/ha at clear-felling (approximately 175 m³/ha using the 25 m³/ha/yr). The current annualized harvest rate is 200,000 tpy. With Improvements in plantation husbandry, including maintenance and fertilisation techniques it is expected that in 2018 the production can reach 1.0 million tpy.

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.

EFC holds a one third interest in CRDPI (Centre de recherches sur la durabilité et la productivité des plantations industrielles) formerly known as UR2PI - 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 Republic of Congo. CRDPI's mandate is the study of all facets of the regions forestry plantations – creation of new forestry related businesses, forestry improvement and long-term management. It combines work with different partners – scientific, technical, or economic – with the help of joint agreements. CRDPI works principally in four programs: new tree varieties, forestry and environment, long-term plantation management and forestry restoration. CRDPI's principal value to EFC is its expertise as a world leader in the research and development of clonal eucalyptus species. CRDPI 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 CRDPI, 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 main customers located in Portugal, Spain and Morocco it competes in the latter of these two markets.

According to Wood Resource Quarterly (WRQ), global trade of wood chips has increased on average four percent per year from 2004 to 2008 reaching a record 32 million tonnes in 2008. This upward trend was broken in 2009 with trade being down 26% as compared to 2008, and a rebound to more normal levels in 2010 and into the second quarter of 2011, when a drop in pulp prices and trading volumes emerged and continued into 2012. The second quarter of 2013 saw a trend of higher market pulp prices and lower wood fiber costs in a variety of regional pulp markets, suggesting an improvement in profitability. The ratio of wood costs to market pulp prices declined for the third consecutive quarter across major pulp grades in the second quarter of 2013, most significantly for eucalyptus pulp: down from 36% to 24.4% during the first half of 2013 according to the WRQ. Improvement in the pulp sector will most likely drive up demand for wood chips.

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.

Global Wood Fibre Prices

The Global Average Wood Fibre Price Index is a weighted average of delivered wood fibre 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 fibre prices have been declining during most of the 1990's and early 2000, followed by a substantial increase from 2002 to 2008. In 2009 and 2010, wood fibre costs for pulp mills worldwide increased. Prices in 2010 continued to be stable until mid-2011 when a global slowdown in trade hit pulp prices. Low prices continued until an improvement noted in March of 2012. However, in 3Q/2013 hardwood fibre prices fell for the fourth consecutive quarter to the lowest level since 2Q/2009, most noticeably in Asia and Latin America, while prices in Europe, Russia, and North America remained relatively stable throughout 2013.

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

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. As noted under the section “*Three Year History – Events of 2014*”, MagMinerals has approximately \$79 million of advances owing to Evergreen Resources Holdings (BVI) Ltd. These advances currently do not bear interest and have no set maturity date. However, if Evergreen Resources Holdings (BVI) Ltd. decides to call such advances and or is unable to make further advances this may have an adverse affect on MagMinerals and the Company.

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 herein, 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 sales are 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 may 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.

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' fails to anticipate regional and seasonal demand properly, it 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 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 November 2013 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 November 2013 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.

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 and 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

Going Concern

The Company is presently reporting losses and relying on loans from Evergreen to fund operations. Management's plan to continue development of the MagMinerals Project and ultimately to bring the Project to production is heavily dependent on the successful completion of project financing. Should the Company not be able to successfully complete these initiatives then it will become necessary to secure additional sources of financing. There can be no assurances that any such additional sources of financing will be available to the Company or that such funds will be available on acceptable terms. If the Company is not able to successfully execute on any of the initiatives described above, then it may not be able to continue to develop the Project or continue as a going concern.

Concentrated Ownership

The ownership by Evergreen of approximately 86% of the Common Shares results in various impediments on the ability or desire of a third party to acquire control of the Company. This may discourage, delay or prevent a change of control of the Company or an acquisition of the Company at a price that shareholders may find attractive. The existence of the such concentrated ownership also may discourage proxy contests and make it difficult or impossible for the Company's shareholders to elect directors and take other corporate actions.

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. 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 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 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 2016. Should any government of the ROC amend its favourable position towards foreign investment and ownership of resources change, the business, operations and financial results of MagIndustries 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 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, Chief Financial Officer, Vice President – Mining Development, Chief Engineer, Directors and consultants. The loss of the services of these officers and consultants may 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 and 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 threatens 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, Chinese Yuan and Central African Francs (which is currently pegged to the Euro). The appreciation of the Euro, Chinese Yuan or Central African 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.

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.

Issued and Outstanding Securities

As of the date of this AIF the Company has 755,942,674 issued and outstanding Common Shares.

Options

As of March 31, 2014, no Common Shares were reserved for the exercise of stock options. The Company continues to have a stock option plan, a description of which is contained in the Company's management information circular.

Warrants

As of March 31, 2014 there are no warrants outstanding.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are currently listed for trading through the facilities of the TSX under the symbol "MAA". The following table sets forth the closing market price ranges and the aggregate volume of trading of such shares on the TSX for the periods indicated:

Month	Volume (000s)	High (CAD\$)	Low (CAD\$)
January 2013	495,656	0.125	0.095
February 2013	1,533,008	0.133	0.10
March 2013	2,347,625	0.24	0.115
April 2013	2,472,137	0.22	0.165
May 2013	5,902,837	0.35	0.20
June 2013	2,731,774	0.325	0.22
July 2013	2,149,853	0.30	0.20
August 2013	922,313	0.29	0.22
September 2013	2,664,887	0.27	0.21
October 2013	2,014,661	0.26	0.23
November 2013	2,609,787	0.26	0.10
December 2013	426,052	0.23	0.18

Prior Sales

For a description of all sales of securities of the Company not listed or quoted on a marketplace since January 1, 2012, 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
Xiaolei (Simon) LIANG Shanghai, China	Chairman	Since July 2011	Chairman of Evergreen
Longbo CHEN Beijing, China	Chief Executive Officer, Director	Since July 2011	Vice Chairman and Chief Executive Officer of COMPLANT
Gerry WANG Vancouver, Canada	Lead Independent Director	Since July 2011	Chief Executive Officer, Co-Chairman & Co-Founder of Seaspan Corporation

Name and Address	Official Position Held	Period served as a Director	Principal Occupation During Past Five Years
Qiang JIANG, Shanghai, China	Director	Since September 2011	Vice Chairman of Evergreen; CEO of Evergreen
Weiguo, HE Vancouver, Canada	Director	Since November 2012	Partner, Davis LLP
Yuan, DING Shanghai, China	Director	Since July 2011	Professor, China Europe International Business School
Anming ZHANG Vancouver, Canada	Director	Since September 2011	Professor at Sauder School of Business, University of British Columbia (UBC)
Fuliang WANG Beijing, China	Vice President - Mining Development	Not applicable	Deputy Chief Engineer of Beijing General Research Institute of Mining and Metallurgy (BGRIMM)
Geoff WOO Toronto, Ontario	Chief Financial Officer	Not applicable	Overseas Financial Officer of Joyson Electronic Corp.

By virtue of his ownership of Evergreen, Mr. Liang controls 653,008,894 Common Shares, representing approximately 86% of the issued and outstanding Common Shares. The other directors and executive officers own or control no Common Shares.

William Burton served as Co-Chief Financial Officer until March 25, 2013. After eleven months as Financial Controller, Geoff Woo was appointed CFO on February 24, 2014.

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: Yuan Ding, Gerry Wang and Anming Zhang, all of whom are independent directors and each of whom is financially literate. For a description of the mandate of the Audit Committee, the background information on the education and experience of each member of the audit committee and the committee's pre-approval policies and procedures, please refer to the Company's management information circular dated May 16, 2013, which is incorporated herein by reference.

External Auditor Service Fees

Audit Fees

The aggregate fees billed by the Company's external auditor for professional services rendered for the audit of the consolidated financial statements of the Company and its subsidiaries were approximately CDN\$395,680 for the fiscal year ended December 31, 2013 and CDN\$360,200 for the fiscal year ended December 31, 2012. The fees for 2013 are an estimate as the final invoice for such fees has not yet been rendered.

Audit-Related Fees

No fees have been billed in either of the last two fiscal years for assurance or related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under the heading "Audit Fees" above.

Tax Fees

The aggregate fees billed by the Company's external auditors for the professional services rendered for tax compliance, tax advice or tax planning were approximately CDN\$130,652-137,552 for the fiscal year ended December 31, 2013 and CDN\$105,500 for the fiscal year ended December 31, 2012. The fees for 2012 are an estimate as the final invoice for such fees has not yet been rendered.

All Other Fees

No other fees have been billed in either of the last two fiscal years for products and services provided by the Company's external auditor.

Corporate Governance, Nominating and Compensation Committee

The Corporate Governance, Nominating and Compensation Committee is currently composed of the following three members: Gerry Wang (Chair), Yuan Ding, Anming Zhang, Simon Liang and Qian Jiang, all of whom are independent directors other than Simon Liang and Qian Jiang due to the fact that they are respectively chairman and vice chairman of Evergreen, the Company's controlling shareholder. The Corporate Governance, Nominating and Compensation 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. The Corporate Governance, Nominating and Compensation Committee also makes recommendations to the Board regarding director and Chief Executive Officer compensation, and the Committee oversees the work of the Chief Executive Officer and his management team in the setting of goals and performance plans for the Company's staff and material changes to the salaries, bonuses and incentive arrangements for the senior management.

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.

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.

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.

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

Other than as set forth below, to the best of the Company's knowledge there are no legal proceedings that the Company is or was a party to, or that any of its property is or was the subject of, during the year ended December 31, 2013. A former Director General of MagAlloy Congo SA left the employ of the Company in 2008 and initiated a claim against the Company in January 2009 for wrongful dismissal. An out of court settlement of \$4 million was reached in 2013. A total amount of \$3 million was paid to the ex-employee during the year and the remaining \$1 million was accrued for as at December 31, 2013 and will be paid in June 2014 as agreed between the parties.

Other than as set forth below, to the best of the Company's knowledge there were (i) no penalties or sanctions imposed against the Company, by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2013, (ii) no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor making an investment decision or (iii) settlement agreements entered into by the Company before a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2013. EFC is currently non-compliant with certain foreign currency and exchange regulations imposed by the Economic and Monetary Community of Central Africa (CEMAC). The regulations can be enforced with fines when contraventions of the regulations are done without just cause or justification. EFC believes its non-compliance is justified given the international nature of its business and practices in its industry. EFC has fully informed the authorities of its activities and the rationale for its practice. Fines for non-compliance can be judged at up to 50% of the total sales or international payments; however, in the Company's experience penalties have been immaterial. While the final outcome with respect to this non-compliance pending at December 31, 2013 cannot be predicted with certainty, in the opinion of management, any liability which may arise from such non-compliance would not have a material adverse effect on the consolidated financial position or the business 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, other (i) than the Shareholder Convertible Loan, and (ii) the \$79 million of advances to Evergreen Resources Holdings (BVI) Ltd. See "*General Development of the Business – Three Year History*".

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, 2011 and March 31, 2014 are listed below. Contracts entered into before January 1, 2013 that are no longer in effect have not been listed below.

- (a) Gas Supply Agreement (see "*MagMinerals – General Development of the Business – Project History*");
- (b) Potash Investment Agreement (PIA) (see "*MagMinerals – General Development of the Business – Project History*")
- (c) Engineering and Design Contract (see "*General Development of the Business - Three Year History; Events of 2012*");
- (d) Port Facility Design Contract (see "*General Development of the Business - Three Year History; Events of 2012*");
- (e) Exploration Well Drilling Contract (see "*General Development of the Business - Three Year History; Events of 2012*");
- (f) General Construction Contract (see "*General Development of the Business - Three Year History; Events of 2013*");

- (g) Framework Agreement (see "*General Development of the Business - Three Year History; Events of 2013*");
- (h) CESC (see "*General Development of the Business - Three Year History; Events of 2013*"); and
- (i) CHCS (see "*General Development of the Business - Three Year History; Events of 2013*").

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 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 November 2013 Technical Report which is incorporated by reference herein and is 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 November 2013 Technical Report which is incorporated by reference herein and is 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, 2011.

Interest of Experts

Neither of the experts named under "Names of Experts" nor Ercosplan or Ernst & Young LLP, 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, 2013.