

# **MAGINDUSTRIES CORP.**

---

## **NOTICE OF ANNUAL AND SPECIAL MEETING AND MANAGEMENT INFORMATION CIRCULAR**

---

March 26, 2009

# MAGINDUSTRIES CORP.

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting (the "Meeting") of the shareholders of **MagIndustries Corp.** (the "Corporation") will be held at **Salon 2, 19<sup>th</sup> Floor**, Fairmont Royal York Hotel, 100 Front Street West, Toronto, Ontario, on Thursday, the 14<sup>th</sup> day of May, 2009 at the hour of **10:00 a.m.** (Toronto time) for the following purposes:

1. **TO RECEIVE** the financial statements of the Corporation for the year ended December 31, 2008, together with the report of the auditors thereon;
2. **TO ELECT** directors for the ensuing year;
3. **TO RE-APPOINT** auditors of the Corporation for the ensuing year and authorize the directors to fix their remuneration;
4. **TO CONSIDER**, and if deemed advisable, to approve, with or without variation, an ordinary resolution approving an amendment to and the ratification of the Corporation's Stock Option Plan, the details of which are contained under the heading "Particulars of Matters to be Acted Upon – Amendment and Ratification of Stock Option Plan" in the accompanying Management Information Circular; and
5. **TO TRANSACT** such other business as may properly come before the Meeting.

A shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must have deposited his duly executed form of proxy not later than 10:00 a.m. (Toronto time) on Tuesday, May 12, 2009 or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays and holidays, preceding the time of such adjourned Meeting, at the offices of Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1.

A form of proxy solicited by management in respect of the Meeting is enclosed herewith. Shareholders who are unable to be personally present at the Meeting are requested to date, sign and return in the envelope provided for that purpose, the enclosed form of proxy for use at the Meeting.

DATED at Toronto, Ontario, this 26th day of March, 2009.

**BY ORDER OF THE BOARD**

*"William B. Burton"*

**WILLIAM B. BURTON**  
President and Chief Executive Officer

## MAGINDUSTRIES CORP.

### MANAGEMENT INFORMATION CIRCULAR

#### SOLICITATION OF PROXIES

This Management Information Circular is furnished in connection with the solicitation of proxies by or on behalf of management of MagIndustries Corp. (the "Corporation") for use at the annual and special meeting of the shareholders of the Corporation (the "Meeting") to be held at Salon 2, 19<sup>th</sup> Floor, Fairmont Royal York Hotel, 100 Front Street West, Toronto, Ontario, on Thursday, the 14<sup>th</sup> day of May, 2009, at the hour of 10:00 a.m. (Toronto time) for the purposes set forth in the annexed notice of the Meeting. Unless otherwise noted, all information set forth herein is given as at March 26, 2009. The cost of solicitation by or on behalf of management will be borne by the Corporation. The Corporation may reimburse brokers, custodians, nominees and other fiduciaries for their reasonable charges and expenses incurred in forwarding the proxy material to beneficial owners of shares. It is expected that such solicitation will be primarily by mail. In addition to solicitation by mail, certain officers, directors and employees of the Corporation may solicit proxies by telephone or personally. These persons will receive no compensation for such solicitation other than their regular salaries.

#### MANNER IN WHICH PROXIES WILL BE VOTED

The shares represented by the accompanying form of proxy (if the same is properly executed in favour of William B. Burton, President, Chief Executive Officer and a director of the Corporation, or failing him, Jeff Swinoga, Chief Financial Officer of the Corporation, the management nominees, and is received at the offices of Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1 not later than 10:00 a.m. (Toronto time) on Tuesday, May 12, 2009, or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays and holidays, preceding the time of such adjourned Meeting) will be voted at the Meeting, and where a choice is specified in respect of any matter to be acted upon, will be voted in accordance with the specifications made. **In the absence of such a specification, such shares will be voted in favour of such matter.**

**The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the annexed notice of Meeting, and with respect to other matters which may properly come before the Meeting.** At the date hereof, management of the Corporation knows of no such amendments, variations or other matters.

#### ALTERNATE PROXY

**Each shareholder has the right to appoint a person other than the persons named in the accompanying form of proxy, who need not be a shareholder, to attend and act for him and on his behalf at the Meeting.** Any shareholder wishing to exercise such right may do so by inserting in the blank space provided in the accompanying form of proxy the name of the person whom such shareholder wishes to appoint as proxy and by duly depositing such proxy, or by duly completing and depositing another proper form of proxy.

## REVOCABILITY OF PROXY

A shareholder who has given a proxy may revoke it at any time insofar as it has not been exercised. A proxy may be revoked, as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by instrument in writing executed by the shareholder or by his or her attorney authorized in writing or, if the shareholder is a body corporate, by an officer or attorney thereof duly authorized, and deposited with the Corporation c/o Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1 at any time up to and including the close of business on May 13, 2009 or thereafter with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, and upon either of such deposits the proxy is revoked. A proxy may also be revoked in any other manner permitted by law.

## ADVICE TO BENEFICIAL HOLDERS OF SECURITIES

The information set forth in this section is of significant importance to many public shareholders of the Corporation, as a substantial number of the public shareholders of the Corporation do not hold shares in their own names. Shareholders who do not hold their shares in their own names (referred to in this Management Information Circular as "Beneficial Shareholders") should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of the shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those shares will not be registered in the shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers/nominees are prohibited from voting shares for their clients. The directors and officers of the Corporation do not know for whose benefit the shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholders how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge"). Broadridge typically applies a decal to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. A Beneficial Shareholder receiving a proxy with a Broadridge decal on it cannot use that proxy to vote shares directly at the Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to have the shares voted.

Since the Corporation does not have access to the names of its non-registered shareholders, if a Beneficial Shareholder attends the Meeting the Corporation will have no record of the Beneficial Shareholder's shareholdings or of its entitlement to vote unless the Beneficial Shareholder's nominee has appointed the Beneficial Shareholder as proxyholder. Therefore, a Beneficial Shareholder who wishes to vote in person at the Meeting must insert its own name in the space provided on the voting instruction form sent to the Beneficial Shareholder by its nominee, and sign and return the voting instruction form by following the signing and returning instructions provided by its nominee. By doing so, the Beneficial Shareholder will be instructing its nominee to appoint the Beneficial Shareholder as proxyholder. The Beneficial Shareholder should not otherwise complete the voting instruction form as its vote will be taken at the Meeting.

## INTEREST OF CERTAIN PERSONS AND CORPORATIONS IN MATTERS TO BE ACTED UPON

No person who has been a director or executive officer of the Corporation since the beginning of the last financial year and no associate or affiliate of any such director or executive officer has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the ability of directors and executive officers to receive options under the Corporation's stock option plan.

## VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at March 26, 2009, the Corporation had 288,079,962 common shares outstanding, each carrying the right to one vote. The record date for the determination of shareholders entitled to receive notice of the Meeting has been fixed as the close of business on March 26, 2009. In accordance with the provisions of the *Canada Business Corporations Act*, the Corporation or its transfer agent will prepare a list of holders of common shares on such record date. Each holder of common shares named in the list will be entitled to vote the shares shown opposite his name on the list at the Meeting.

As of the date hereof, to the knowledge of the directors and senior officers of the Corporation, there are no persons beneficially owning, directly or indirectly, or exercising control or direction over, voting securities of the Corporation carrying more than 10% of the voting rights attached to all voting securities of the Corporation.

## CURRENCY

All reference to dollars or \$ in this document are in United States dollars unless otherwise noted.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### *(1) Financial Statements*

The shareholders will receive and consider the audited financial statements of the Corporation for the fiscal year ended December 31, 2008 together with the auditor's report thereon.

### *(2) Election of Directors*

The articles of the Corporation provide that the number of directors shall be a minimum of one and a maximum of ten. The number of directors is currently fixed at **eight (8) directors**. **Unless the authority to do so is withheld, the persons named in the accompanying form of proxy (if the same is duly executed in their favour and is duly deposited) will vote the shares represented thereby in favour of the election as directors of the persons named below.** If prior to the Meeting any vacancies occur in the slate of nominees listed below, unless the authority to do so is withheld, it is intended that discretionary authority shall be exercised to vote the shares represented by the proxies solicited in respect of the Meeting for the election of such other person or persons as directors in accordance with the best judgment of management. Management is not aware that any of such nominees would be unwilling or unable to serve as a director if elected. The information below as to the number of shares of the Corporation beneficially owned by the proposed nominees, not being within the knowledge of the Corporation, has been furnished by the respective persons individually.

Name, Municipality of Residence and Position and/or Office with the Corporation	Principal Occupation	Period Served as a Director	Common Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised*
Bryan Benitz <sup>(2)</sup> London, England Chairman	Director of various public and private companies	Since April 1999	798,300
William B. Burton Toronto, Canada President, Chief Executive Officer and Director	President and Chief Executive Officer of the Corporation	Since October 1997	6,022,197 <sup>(6)</sup>
Stéphane A. Rigny <sup>(5)</sup> Toronto, Canada Senior Executive Vice-President, Director	Senior Executive Vice-President of the Corporation	Since November 2003	410,000
Gerard Munera <sup>(1)(2)(5)</sup> Greenwich, Connecticut, U.S.A. Director	Director of various public and private companies	Since November 2003	350,000
Victor Wells <sup>(1)(2)(3)</sup> Oakville, Ontario Director	Chief Financial Officer Titanium Corporation Inc.	Since September 2006	2,346
Gary E. German <sup>(1)(3)(4)(8)</sup> Toronto, Ontario Director	President Falcon Strategy & Management Co.	Since May 2003	279,330 <sup>(7)</sup>
Richard John Linnell <sup>(3)(4)(8)</sup> Randburg, South Africa Director	Officer and Director of various public and private companies	Since January 2006	Nil
Moustapha Niasse <sup>(5)</sup> Dakar, Senegal Director	Former Prime Minister of Senegal, Director of various private companies	Since January 2006	Nil

Notes:

- \* Does not include options or other convertible securities.
- (1) Member of the Audit Committee.
- (2) Member of the Human Resources Committee.
- (3) Member of the Corporate Governance and Nominating Committee.
- (4) Member of the Environmental and Health and Safety Committee.
- (5) Member of the Strategic Alliance Committee
- (6) Of the 6,022,197 shares, 1,785,715 are held directly and 4,234,136 shares are held indirectly by Bedford Resource Management Inc., and 2,346 shares are held by 1979447 Nova Scotia Limited each companies controlled by Mr. Burton.
- (7) Of the 279,330 shares 250,000 shares are held directly and 29,330 shares are held indirectly
- (8) Members of the MagMinerals Potash Committee

Each of the foregoing individuals has held his present principal occupation or other office or position with the same company or firm set out opposite his name for the past five years, except as previously disclosed in an information circular of the Corporation.

*Cease Trade Orders and Sanctions*

To the best of the Corporation's knowledge, no proposed director of the Corporation 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 Corporation) that, while that person was acting in that capacity:

- (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; 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 proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Other than as set forth below, to the best of the Corporation's knowledge, no proposed director of the Corporation is at the date hereof, or within the ten years prior to the date hereof has been, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Munera was a Director of SiVault Systems Inc. ("SiVault") until October 20, 2006, when he resigned from the Board. SiVault subsequently started bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code in July 2007.

#### *Bankruptcies*

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

#### *Penalties and Sanctions*

No proposed director 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.

#### **(3) *Re-appointment of Auditors***

Ernst & Young LLP, Chartered Accountants were appointed as auditors of the Corporation on October 23, 1997.

**The persons named in the enclosed form of proxy intend to vote the common shares represented by such proxy in favour of a resolution re-appointing Ernst & Young LLP, Chartered Accountants as auditors of the Corporation, to hold office until the next annual meeting of shareholders and authorizing the directors to fix the remuneration of the auditors, unless the shareholder who has given such proxy has directed that the common shares be withheld from voting in respect of the appointment of auditors.**

#### **(4) *Amendment and Ratification of Stock Option Plan***

##### *Amendment of Option Plan*

The TSX Venture Exchange (the "Exchange") recognizes that for good corporate governance reasons many public issuers have internal policies prohibiting certain employees from buying or selling the issuer's securities or exercising options during specific periods. The times that these employees are not permitted to trade in an issuer's securities are often called "blackout periods." Trading restriction policies are not only a component of good corporate governance, they also assist in fostering compliance with legal requirements that prohibit people from trading in a public issuer's securities when they have material information about the issuer that has not been released to the public. A blackout period is designed to prevent a person from trading on material information that is not yet available to other securityholders. For example, a blackout period occurs during a specified period before and after the day that an issuer announces its quarterly or annual earnings. A blackout period might also arise during the time that an issuer has material undisclosed information about an important potential transaction it might be considering, such as a significant merger or acquisition.

The Exchange recognizes these blackout periods might result in an unintended penalty to employees who are prohibited from exercising expiring options during that period because of their issuer's internal trading policies. As a result, the Exchange now provides a framework for extending options that would expire during a blackout period. The Corporation proposes adopting the Exchange framework so that options issued under the Corporation's stock option plan (the "Option Plan") expire at the later of (i) the expiry date set for the option or, (ii) if that date occurs during a blackout period or within ten business days after the expiry of the blackout period, the term of such option shall be automatically extended to (and such option shall continue to be exercisable under the terms of the Option Plan up to) 5:00 p.m. (Toronto time) on the tenth business day following the expiry of such blackout period. This change has no additional dilutive impact on the Corporation's common shares and no adverse impact on the Corporation or its shareholders.

##### *Ratification of Plan*

The policies of the Exchange were amended in August, 2002, to require that all listed companies adopt either a "rolling" stock option plan or a "fixed number" stock option plan. On August 5, 2005, the Board of Directors (the "Board") amended, subject to approval by the shareholders and acceptance by the Exchange, the Stock Option Plan by converting it from a "fixed number" plan to a "rolling plan". The shareholders of the Corporation most recently approved the Option Plan at the annual and special meeting of shareholders held on June 4, 2008. The Exchange requires that the Option Plan be submitted for approval and ratification by the shareholders at each annual meeting of shareholders of the Corporation. Accordingly, management is seeking further approval and ratification of the Rolling Plan by the shareholders.

##### *Purpose of the Option Plan*

The purpose of the Option Plan is to provide an incentive to the Corporation's directors, senior officers, employees and consultants to continue their involvement with the Corporation and to increase their efforts on the Corporation's behalf.

##### *General Description of the Option Plan*

A "rolling" stock option plan is one under which options may be granted equal in number to up to 10% of the issued capital of the Corporation at the time of the grant of the stock option. A "fixed number" stock option plan is a plan under which a fixed number of shares are reserved for the granting of stock options up to a maximum of 20% of the issued capital of the Corporation at the time of the establishment of the plan. "Rolling" stock option plans are required to be approved by the shareholders at each annual

general meeting on a yearly basis and "fixed number" stock option plans are required to be approved by shareholders upon establishment of the stock option plan and, thereafter when the number of shares reserved under the "fixed number" stock option plan is increased.

The Option Plan is administered by the Board or, if applicable, by the Human Resources Committee (the "HR Committee"). A full copy of the Option Plan is available to shareholders of the Corporation upon request and will be available at the Meeting.

The following is a brief description of the principal terms of the Option Plan, which description is qualified in its entirety by the terms of the Option Plan:

1. The aggregate number of common shares which may be issued and sold under the Option Plan will not exceed 10% of the issued and outstanding shares at the time of grant of any option under the Option Plan.
2. The option price of any common shares in respect of which an option may be granted shall be fixed by the Board provided that the minimum exercise price shall not be less than the market price of the common shares at the time the option is granted, less the discounts permitted by the Exchange, and in any event shall not be less than CDN\$0.10 per share.
3. Stock options under the Option Plan may be granted by the Board or the HR Committee to directors, senior officers, employees or consultants of the Corporation, collectively known as the "Participants".
4. Options granted under the Option Plan are exercisable over a period not exceeding ten years, subject to the blackout provisions described above and the amendments to option terms described above.
5. At the discretion of the Board or the HR Committee, options granted may vest immediately on the date of grant or in stages.
6. The aggregate number of shares that can be issued under the Option Plan is restricted as follows:
  - (a) the maximum number of common shares which may be reserved for issuance to any one individual in a 12 month period under the Option Plan shall not exceed 5% of the issued shares of the Corporation at the time of granting;
  - (b) the maximum number of options which may be granted to any one consultant in a 12 month period shall not exceed 2% of the issued shares of the Corporation at the time of granting; and
  - (c) the maximum number of options which may be reserved for issuance to individuals engaged in investor relations activities in a 12 month period shall not exceed, in the aggregate, 2% of the issued shares of the Corporation at the time of granting.
7. Should the Board or the HR Committee approve a reduction in the exercise price of an option held by a Participant who is an insider at the time of the proposed reduction, such reduction would require the approval of the disinterested shareholders of the Corporation.

8. No option is transferable or assignable by the Participant other than by will or the laws of descent and distribution and an option shall be exercisable during his or her lifetime only by the Participant.

Shareholders of the Corporation will be asked at the Meeting to approve an ordinary resolution in the form attached hereto as Schedule "A" to approve the amendment to the Option Plan to add the provisions relating to the extension of the term of the options in respect of blackout periods and to ratify the Option Plan with such amendments.

Such resolution must be approved by a majority of the Corporation's shareholders.

**The persons named in the enclosed form of proxy intend to vote the common shares represented by such proxy in favour of the ordinary resolution to approve the amendment to and ratification of, the Option Plan, unless the shareholder who has given such proxy has directed that the common shares be voted against such resolution.**

## **STATEMENT OF CORPORATE GOVERNANCE MATTERS**

Corporate governance relates to the activities of the Board, the members of which are elected by and accountable to the shareholders, and accounts for the role of management who are appointed by the Board and charged with the day to day management of the Corporation. The Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Corporation and the Board has formed a Corporate Governance and Nominating Committee to oversee the Corporation's operations as they relate to corporate governance matters.

The Corporate Governance and Nominating Committee is currently composed of the following three members: Gary German, Richard Linnell and Victor Wells, all of whom are independent directors. Gary German is Chair of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is responsible for: (i) developing the Corporation's approach to Board governance issues and the Corporation'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 Corporation, by applicable laws, and by the Board, the powers of the Board for the management and direction of the affairs of the Corporation 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.

National Policy 58-201 of the Canadian Securities Administrators has set out a series of guidelines for effective corporate governance (the "Guidelines"). The Guidelines address matters such as the constitution and independence of corporate boards and the effectiveness and education of board members. National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("NI 58-101") requires the Corporation to disclose annually in its Management Information Circular certain information concerning its corporate governance practices.

Set out below is a description of the Corporation's approach to corporate governance in relation to the Guidelines.

### ***Board of Directors***

NI 58-101 defines an "independent director" as a director who has no direct or indirect material

relationship with the Corporation. A "material relationship" is in turn defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with such member's independent judgment. The Board is currently comprised of eight members; the majority of whom the Board has determined are "independent" directors within the meaning of NI 58-101.

Messrs. Burton and Rigny are not considered "independent" as the result of their positions as the President and Chief Executive Officer and as Senior Executive Vice-President, respectively of the Corporation. The remaining directors are considered to be independent directors since they are all independent of management and free from any material relationship with the Corporation. The basis for this determination is that, since the beginning of the fiscal year ended December 31, 2008, none of the independent directors has worked for the Corporation, received remuneration from the Corporation or had material contracts with or material interests in the Corporation which could interfere with their ability to act with a view to the best interests of the Corporation.

The Board believes that it functions independently of management. To enhance its ability to act independently of management, the members of the Board may meet in the absence of members of management and the non-independent directors or may excuse such persons from all or a portion of any meeting where a potential conflict of interest arises or where otherwise appropriate. The Board held four meetings of the independent directors during the fiscal year ended December 31, 2008.

***Directorships***

Certain of the directors of the Corporation are also directors of other reporting issuers (or the equivalent) as set forth below:

<b>Director</b>	<b>Issuer</b>
Bryan Benitz	Monroe Minerals Inc. Island Oil & Gas Limited
William B. Burton	Erdene Gold Inc. Adex Mining Inc.
Gary E. German	Nevsun Resources Ltd. Jaguar Mining Inc. Solex Resources Corp.
Moustapha Niasse	None
Stephane Rigny	None
Victor Wells	Northstar Healthcare Inc. Student Transportation of America Ltd.
Richard Linnell	Coal of Africa Ltd and its subsidiaries/associates, New Kush Exploration & Mining, Chrome Corporation, Sacoil Holdings Limited, Brinkley Mining Company, Maghreb Minerals Plc, GRD Minproc Ltd, GRD Minproc SA Ltd., Centebale Resources Ltd., Cuco Resources Ltd., Moydow Mines International Inc., VML Resources, GMA Resources Ltd., Nimag Pty Ltd., New Africa Mining Fund
Gerard Munera	Nevsun Resources Ltd. Dynamic Materials Corporation

***Orientation and Continuing Education***

The Corporate Governance and Nominating Committee is responsible for producing and updating a director's manual to use in the orientation program for new Board members. In addition, information such as recent annual reports, prospectuses, proxy solicitation materials, various other operating and budget reports and board and committee mandates are provided to new Board members to ensure that

they are familiar with the Corporation's business and the procedures of the Board. In addition, directors are encouraged to visit and meet with management on a regular basis. The Corporation also encourages continuing education of its directors and officers where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to the Corporation.

### ***Ethical Business Conduct***

Ethical business behaviour is of great importance to the Board and the management of the Corporation. The Corporation has instituted policies on disclosure, insider trading as well as a whistleblower policy for all staff and personnel to report any fraudulent or illegal acts on an anonymous basis directly to the Audit Committee chair. A copy of the Corporation's Code of Ethics can be found on the Corporation's website and on SEDAR at [www.sedar.com](http://www.sedar.com).

In addition, as some of the directors of the Corporation also serve as directors and officers of other companies engaged in similar activities, the Board must comply with the conflict of interest provisions of the *Canada Business Corporations Act*, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Each director is required to declare the nature and extent of his interest and is not entitled to vote at meetings which involve such conflict.

### ***Nomination of Directors***

The Corporate Governance and Nominating Committee is responsible for reviewing the composition, compensation and contribution of the Board and its members and recommending Board nominees.

While there are no specific criteria for Board membership, the Corporate Governance and Nominating Committee attempts to attract and maintain directors with business knowledge, such as legal, accounting and finance, which provide knowledge which assists in guiding management of the Corporation. As such, nominations tend to be the result of recruitment efforts by management of the Corporation and discussions among the members of the Corporate Governance and Nominating Committee prior to the consideration of the Board as a whole.

### ***Compensation***

The Corporation has established the HR Committee which is composed of three directors, Gerard Munera, Victor Wells and Bryan Benitz, being directors who are independent of management. Victor Wells is Chair of this committee. The HR Committee meets at least four (4) times each year and is responsible for making recommendations to the Board regarding: (a) human resources policies and practices; (b) compensation policies and guidelines; (c) management incentive and perquisite plans; (d) senior management and officer appointments and compensation; (e) management succession and development plans and termination policies and arrangements; and (f) the human resources structure.

The HR Committee makes recommendations to the Board regarding director and CEO compensation, and various other matters, and the Board then determines whether to adopt such recommendations as submitted or otherwise.

### ***Committees***

In addition to the Corporate Governance and Nominating Committee and HR Committee, the Board also has an Audit Committee, an Environmental, Health and Safety Committee, a Strategic Alliance Committee and a MagMinerals Potash Committee.

The Audit Committee is currently composed of the following three members: Gary German, Gerard Munera and Victor Wells, all of whom are independent directors and each of whom is financially literate. Victor Wells is Chair of the Audit Committee. In addition to other duties, the Audit Committee reviews all

financial statements, annual and interim, intended for circulation among shareholders and reports upon these to the Board. In addition, the Board may refer to the Audit Committee other matters and questions relating to the financial position of the Corporation and its affiliates. There were 4 meetings of the Audit Committee during fiscal 2008. The full text of the Audit Committee's charter is attached as Schedule "B".

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

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

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

#### ***Audit Committee Member Information***

Mr. German has over 35 years experience in the operation and management of natural resource companies. His senior positions with Noranda, TVX, Saudi Arabian Mining Co. and Kingsdale Capital all required a thorough understanding of operating financial accounts and financial reporting. Mr. German currently serves on the audit committees of several listed companies.

Mr. Munera has over 40 years experience in the non-ferrous metals industry having held senior executive positions with Minorco, Rio Tinto Zinc and Union Minere. These positions, amongst others, have provided Mr. Munera with an extensive understanding of financial accounting and financial management.

Mr. Wells has over 30 years of finance and accounting experience. Mr. Wells is currently Chairman of the Committee on Corporate Reporting of Financial Executives International and was a member of the Accounting Standards Board from 1991 to 1995. His experience includes a period as Chief Financial Officer of three companies listed on the Toronto Stock Exchange. In each of these positions, he was responsible for all finance, treasury and accounting functions. Mr. Wells obtained his Chartered Accountant designation with Ernst and Young in Toronto and was elected a Fellow of the Institute of Chartered Accounts of British Columbia in 1990 and of the Ontario Institute in 2006.

#### ***Audit Fees***

The aggregate fees billed by the Corporation's external auditor for professional services rendered for the audit of the consolidated financial statements of the Corporation and its subsidiaries were CDN\$352,000 for the fiscal year ended December 31, 2008 and CDN\$300,000 for the fiscal year ended December 31,

2007.

### ***Audit-Related Fees***

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

### ***Tax Fees***

The aggregate fees billed by the Corporation's external auditors for the professional services rendered for tax compliance, tax advice or tax planning were CDN\$72,000 for the fiscal year ended December 31, 2008 and nil for the fiscal year ended December 31, 2007.

### ***All Other Fees***

The aggregate fees billed by the Corporation's external auditors for the professional services rendered for the prospectus of MagMinerals Potash Corp., a subsidiary of the Corporation was \$70,000 for the fiscal year ended December 31, 2008 and nil for the fiscal year ended December 31, 2007. No other fees have been billed in either of the last two fiscal years for products and services provided by the Corporation's external auditor, other than services reported under the heading "Audit Fees" above.

### ***Pre-Approval Policy for Services of Independent Auditors***

As part of its duties, the Audit Committee is required to pre-approve audit and non-audit services performed by the independent auditors in order to assure that the provision of such services does not impair the auditors' independence. In considering the appointment of the auditor for non-audit services, the Audit Committee will consider the compatibility of the service with the auditor's independence. The Audit Committee may delegate to the Chair of the Audit Committee the responsibility for pre-approval of non-audit services that do not exceed \$10,000 in fees, provided that any such pre-approval is reported to the full Audit Committee at its next scheduled meeting. The Audit Committee does not delegate to management its responsibilities to pre-approve services performed by the independent auditors.

### ***Assessments***

As noted above the Corporate Governance and Nominating Committee is responsible for reviewing the contribution and effectiveness of the Board, its committees and its members. The Committee:

- (1) reviews and reports to the Board annually on the size, composition and profile of the Board (age, geographical representation, disciplines, related vs. unrelated, etc.). In its review of the size of the Board, the Committee evaluates the impact of the number of Board members upon its effectiveness and, if required, will implement a program to modify the number of directors to facilitate more effective decision-making;
- (2) reviews annually the continued compliance by nominees to the Board to be named in the management proxy circular for re-election with the criteria underlying the appointment of each director;
- (3) reviews annually: (i) compliance by Board members with the Corporation's policy on conflicts of interest; (ii) the status and contribution of members of the Board and committees of the Board; and (iii) the performance of the Board and its committees, and reports to the Board thereon. This report, where appropriate, will include an assessment of the areas in which the Committee believes a better contribution could be made and recommendations to improve the performance of the Board, its members and its committees; and

- (4) reviews annually the Board/management relationship and recommends to the Board structures and procedures to ensure that the Board can function independently of management.

## **STATEMENT OF EXECUTIVE COMPENSATION COMPENSATION DISCUSSION AND ANALYSIS**

This section of the Management Information Circular explains how the Corporation's executive compensation program is designed and operated with respect to its President and Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and the three other most highly compensated executives in the year ended December 31, 2008 year (collectively referred to as the "Named Executive Officers"). This section also identifies the objectives and material elements of compensation awarded to the Named Executive Officers and the reasons supporting such awards. For a complete understanding of the Corporation's executive compensation program, this Compensation Discussion and Analysis should be read in conjunction with the Summary Compensation Table and other executive compensation-related disclosure included in this Management Information Circular.

### **SUMMARY FOR 2008**

The HR Committee utilizes a pay-for performance philosophy to determine market competitive Total Direct Compensation for the Named Executive Officers that is commensurate with results generated by the Corporation for its shareholders. Total Direct Compensation represents the combined value of fixed compensation and performance-based variable incentive compensation. To attract and retain top talent, fixed compensation is generally targeted at slightly above the median of our Comparator Group (as defined herein) to recognize the entrepreneurial skill sets required of the Named Executive Officers to develop the Corporation's assets market and performance recognition occurs through the delivery of variable short and long-term incentive compensation. In evaluating 2008 corporate performance, the HR Committee considered a number of qualitative and quantitative factors including equity financing achievements, execution of on-going projects and transactions and progress on key growth initiatives. For 2008, the HR Committee determined the overall corporate performance to be on-target. This evaluation did not trigger any specific awards but rather served to provide general context for the HR Committee's subsequent review of the Named Executive Officers' individual performance. The Total Direct Compensation decisions made by the HR Committee in 2009 following the assessment of performance in 2008 are noted in the section entitled "Compensation Decisions Made for 2008 – Total Direct Compensation Awards", below.

### **COMPENSATION PHILOSOPHY**

The Corporation seeks to recruit and retain qualified, high performing, and motivated employees to fulfill the organization's mission and support the organization's strategies and values. Market competitive and fair compensation of employees is integral to this goal. The compensation philosophy of the Corporation is designed to maximize shareholder value and serve the best interests of shareholders and employees, by working towards the following objectives for executive compensation:

- attract and retain highly qualified employees and stimulate their useful and profitable efforts and proportionally reward individual contributions in light of overall business results;
- be internally equitable and externally competitive with the relevant talent market;
- be guided by, aligned with, and seek to promote, the best interests of the Corporation and its shareholders; and

- promote a commitment to the professional development of the Corporation's executives.

## Market Benchmarking

Market competitive compensation is a key objective of the executive compensation program. During compensation deliberations, the HR Committee considers comparable market data from Canadian and internationally-based mining and resource companies that are generally of similar size and scope to the Corporation, and represent the market in which the Corporation may compete for human capital (the "Comparator Group"). The composition of the Comparator Group is reviewed annually by the HR Committee for its on-going business relevance to the Corporation. An overview of the 2008 characteristics of the Comparator Group, as compared to the Corporation's 2008 characteristics, is provided in the following table:

As at December 31, 2007	<b>MagIndustries</b>	<b>Comparator Group<sup>c</sup></b>			
<b>Industry</b>	Mining, Natural Resources, Power	Mining, Natural Resources, Power Utilities			
<b>Location</b>	Toronto, Republic of Congo, Democratic Republic of Congo	North America, International			
		Median	75 <sup>th</sup> Percentile	25 <sup>th</sup> Percentile	Average
<b>Revenue (CDN\$Millions)</b>	\$15	45	125	0	123
<b>Market Capitalization (CDN\$Millions)</b>	\$378 <sup>(1) (2)</sup>	294	430	188	378

Notes:

- (1) Closing price December 31, 2007 was CDN\$1.95 for a market cap of CDN\$378,151,831  
(2) Comparator Group data refers to 2007 fiscal year end

The members of the Compensation Comparator Group for 2008 compensation decisions were as follows:

Americo Resources Ltd  
Cardero Resource Copr  
Central Vermont Pub Serv  
Coal Corp Mining Inc  
Compass Minerals Intl Inc  
Deltic Tiber Corp  
Empire district electric Cp  
Excellon Resources Inc  
Fronteer Development Grp Inc  
General Moly Inc  
Innergex Power Income Fund

Ivernia Inc  
Main & Maritimes Corp  
Maxim Power Corp  
Maxxam Inc  
Pacific Booker Minerals Inc  
Plutonic Power Corp  
Polymet Corp  
Pope Resource/DE-LP  
PPRT Forst Regeneration Income Fund  
Stella Jones Inc  
Unitil Corp  
Athabasca Potash Inc.

The compensation data from the Comparator Group (the "Comparator Market Data") provides the initial reference point for the HR Committee. The annual Total Direct Compensation value a Named Executive Officer is awarded will vary based on an assessment of their individual performance (as described below) and in accordance with the following guidelines:

<b>If performance</b>	<b>Total Direct Compensation</b>
>meets all objectives	will be comparable to slightly above median Comparator Market Data
>exceeds all objectives	will be comparable to above-median Comparator Market Data

## **COMPENSATION DECISION-MAKING PROCESS**

### **The Role of the HR Committee**

The HR Committee approves, or recommends for approval, all remuneration to be awarded through the executive compensation program to the Named Executive Officers. For the CEO, the HR Committee directly requests market based performance compensation data for review, based on this information the HR Committee then provides initial analysis and commentary for review. The HR Committee reviews this material along with other information received from its external advisor in its deliberations before considering or rendering decisions. The HR Committee's independent advisor reviews the Comparator Group with the Board, reviews comparative compensation by compensation component, reviews performance of the Corporation, compared to its Comparator Group, then comments on performance-based compensation and compensation component payout versus internal and external targets. The HR Committee has full discretion to adopt or alter management recommendations or to consult its own external advisors.

Compensation of all other Named Executive Officer is set annually by the CEO in consultation with the HR Committee, human resource management and external advisors. The HR Committee is consulted and informed of all significant executive compensation decisions and has the ability to make changes to any proposed compensation. See "The Role of Management" below.

The HR Committee recognizes the importance of maintaining sound governance practices for the development and administration of executive compensation and benefit programs, and has instituted processes that enhance its ability to effectively carry out its responsibilities. Examples of processes that the HR Committee uses include:

- holding in-camera sessions without management present following every regularly scheduled HR Committee meeting;
- hiring external consultants and advisors;
- annually approving a workplan that sets out the timetable of all regularly occurring accountabilities for the HR Committee which provides context for the discussion of related items; and
- using a two-step review process where items are provided for the HR Committee's initial review at a meeting prior to the approval meeting.

### **The Role of Management**

The CEO plays an important role in the Corporation's executive compensation decision-making process for his direct involvement in and knowledge of the business goals, strategies, experiences and performance of the Corporation and its various key business areas. The HR Committee engages in active discussions with the CEO concerning the determination of performance objectives, including individual goals and initiatives for Named Executive Officers who directly report to the CEO. Further discussions consider whether, and to what extent, criteria for the previous year have been achieved for those individuals. The CEO may also provide a self-assessment of his own individual performance objectives and/or results achieved, if requested by the HR Committee. The CEO makes recommendations to the HR Committee regarding the level and form of compensation awards for his direct reports. The CEO does not engage in discussions with the HR Committee regarding his own Total Direct Compensation. Human resources management provides the HR Committee and the Chair of the Board with relevant market data and other information as requested, in order to support the HR Committee's deliberations regarding the CEO's Total Direct Compensation and subsequent recommendation to the Board.

### **The Role of the External Compensation Consultant**

The HR Committee engages the services of 3XCD to provide executive compensation consulting services. In 2008, 3XCD provided executive and non-executive compensation analysis to the HR Committee and

management. Fees paid for these services were approximately CDN\$42,485. All service fees and related expenses paid to 3XCD are reviewed by the HR Committee. Under the service arrangement with 3XCD, 3XCD could also provide advice to management on significant changes to compensation philosophy or programs, or other compensation matters of the Corporation if the work was directed or approved by the Chair of the HR Committee. Some of these additional services were provided to the Corporation in 2008.

## **Performance Assessment**

For Named Executive Officers, the annual performance evaluations are completed by the CEO based on current objectives and position mandates. The HR Committee has not used formulas and weightings applied to forward-looking annual and longer-term performance objectives. For this reason, there are no pre-established weightings applied to objectives or formulaic calculations used to determine compensation awards for Named Executive Officers. The HR Committee's comprehensive assessment of the overall business performance of the Corporation, including corporate performance against objectives (both qualitative and where possible, quantitative), business circumstances and, where appropriate, relative performance against peers, provides the context for individual Named Executive Officer evaluations for all direct compensation awards.

### *Corporate Performance*

The Board approves annual corporate objectives aligned with achieving the annual results required to deliver on the Corporation's key longer-term strategies for growth and value creation. These qualitative, and where possible, quantitative objectives are captured, at a high level, in a corporate objectives summary document which is utilized by the HR Committee as a reference for compensation decision-making. The corporate objectives summary includes specific corporate financial and operational objectives and captures the general qualitative objectives for key business areas. At the end of each year, the HR Committee reviews the results achieved and discusses them with management. For the purposes of Total Direct Compensation deliberations, the HR Committee then determines an overall assessment for actual corporate performance relative to an expected level of performance. This overall corporate performance assessment provides general context for the HR Committee's review of the CEO's performance and the CEO's review of individual performance by the Named Executive Officers.

A summary of the 2008 corporate performance results are noted in the section "Compensation Decisions Made for 2008 – Overall Corporate Performance", below.

### *Individual Performance*

The HR Committee approves annual individual performance objectives proposed by the CEO for the Named Executive Officers other than the CEO that are intended to align with the corporate objectives and reflect "key performance areas" for each executive relative to their specific role. As with the corporate objectives, individual Named Executive Officer's performance objectives may include a combination of qualitative and where possible, include quantitative measures with no pre-determined weightings. The CEO reviews the achievements and overall contribution of each individual executive officer who reports to the CEO and the CEO reports his assessments to the HR Committee and recommends any changes to Total Direct Compensation. The Board Chair and HR Committee have in-camera discussions to complete an independent assessment of the performance of the CEO. The CEO determines an overall individual performance rating for each individual Named Executive Officer other than himself. The HR Committee then approves or amends the CEO's recommendations for changes to their Total Direct Compensation.

## **Internal Equity and Retention Value**

Executive officer pay relative to other executives ("internal equity") is generally considered in establishing compensation levels. The difference between the CEO's compensation and that of the other Named Executive Officers reflects, in part, the difference in their relative responsibilities. The HR

Committee also considers the retentive potential of its compensation decisions as retention of the Named Executive Officers is critical to business continuity and succession planning.

### Previously Awarded Compensation

The HR Committee approves or recommends compensation awards which are not contingent on the number, term or current value of other outstanding compensation previously awarded to the individual. The HR Committee believes that reducing or limiting current stock option grants, or other forms of compensation because of prior gains realized by an executive officer would unfairly penalize the officer and reduce the motivation for continued high achievement. Similarly, the HR Committee does not purposefully increase long-term incentive award values in a given year to offset less-than-expected returns from previous grants. During the annual Total Direct Compensation deliberations, the HR Committee is provided with summaries of the history of each executive officer’s previously awarded Total Direct Compensation. These summaries help the HR Committee to track changes in an executive officer's Total Direct Compensation from year to year and to remain aware of the historical compensation for each individual.

To ensure that the Corporation's longer-term compensation programs are effective in delivering on the objectives of the compensation philosophy, the HR Committee annually reviews the impact of various corporate performance outcomes on previously awarded and outstanding compensation. Following their review of this material in 2008, the HR Committee found that the relationship between pay and corporate performance was appropriate for all of the executives and that, in aggregate, the resulting compensation modeled under various corporate performance scenarios was reasonable and delivered the intended differentiation of compensation value based on performance.

### ELEMENTS OF COMPENSATION

Total Direct Compensation represents the combined value of fixed compensation and performance-based variable incentive compensation. Once determined, the value of Total Direct Compensation is allocated to three direct compensation components: base salary, short-term incentive in the form of an annual cash bonus, and long-term incentives in the form of stock options. The allocation of Total Direct Compensation value to these different compensation components is not based on a formula, but rather is intended to reflect market practices as well as the HR Committee’s discretionary assessment of a Named Executive Officer’s past contribution and ability to contribute to future short, medium and long-term business results.

#### Overview of Compensation Elements

Component of Total Direct Compensation	Type of Compensation Element Form Performance Period	Element	Form	Performance Period
Fixed	Annual	Base Salary	Cash	1 Year
Variable	Annual	Short Term Incentive	Annual Cash Bonus	1 Year
Variable	Longer Term	Long Term Incentive	Stock Options	Vesting Quarterly (16.67/quarter over 18 months)

#### *Base Salary*

Base salary is the fixed portion of Total Direct Compensation and is designed to provide income certainty and to attract and retain executives. Base salaries for Named Executive Officers are reviewed annually and typically are positioned to align at slightly higher than the median of the Comparator Market Data to recognize the entrepreneurial skill sets required of the Named Executive Officers to develop The Company’s assets, as outlined above. Variances from the median are determined by the HR Committee and may be based on individual performance, the scope of the executive’s role within the Corporation, retention considerations and/or material differences in a Named Executive Officer’s responsibilities compared with similar roles in the Comparator Group.

### *Short-term Incentives*

The annual cash bonus is a short-term incentive that is intended to reward each Named Executive Officer for their yearly individual contribution and performance of personal objectives in the context of overall annual corporate performance. Target payout values are not pre-established but consideration is given to Comparator Market Data when determining the payout amount. The annual cash bonus is designed to motivate executives to annually achieve personal business objectives, to be accountable for their relative contribution to the Corporation's performance, as well as to attract and retain executives.

### *Long-term Incentives*

Long-term incentive compensation is provided through the granting of stock options. This incentive arrangement is designed to motivate executives to achieve longer-term sustainable business results, align their interests with those of our shareholders and to attract and retain executives. Participants benefit only if the market value of the Corporation's common shares at the time of stock option exercise is greater than the exercise price of the stock options at the time of grant. Unless otherwise specified by the HR Committee at the time of grant, stock options vest quarterly over 18 months with a term of 5 years, although shareholders are being asked at the Meeting to extend the term for future option grants to 10 years, see "Particulars of Matters to be Acted Upon – Amendment and Ratification of Stock Option Plan" above.

## **Stock Option Plan Information**

### *Stock Option Granting Process*

Generally, stock option grants are determined as part of the annual deliberation regarding Total Direct Compensation. The CEO makes recommendations to the HR Committee regarding individual stock option awards for all recipients. The CEO does not engage in discussions with the HR Committee regarding his own stock option grants. Human resources management provides the HR Committee and the Chair of the Board with relevant market data and other information in order to support the HR Committee's deliberation regarding the CEO's stock option grant recommendation to the Board. The HR Committee reviews the appropriateness of the stock option grant recommendations from the CEO for all eligible employees and accepts or adjusts these recommendations. The HR Committee is responsible for approving all individual stock option grants, including, on rare occasions, grants that are awarded outside the annual compensation deliberation process for such things as promotions or new hires. The HR Committee approves or recommends compensation awards, including stock option grants, which are not contingent on the number, term or current value of other outstanding compensation previously awarded to the individual.

## **Other Compensation**

Named Executive Officers receive other limited benefits that the Corporation believes are reasonable and consistent with its overall executive compensation program. These benefits, which are based on competitive market practices, support the attraction and retention of Named Executive Officers. Universal benefits to all employees include traditional health and welfare programs, but no other benefits are provided to the Named Executive Officers.

The Corporation has no perquisite policy and provides only a limited number of perquisites to the Named Executive Officers. The aggregate value of perquisites for each Executive Officer is less than \$50,000 or 10% of salary and as such, has been excluded from the separation payment calculations.

## **COMPENSATION DECISIONS MADE FOR 2008**

## Overall Corporate Performance

For the purposes of Total Direct Compensation deliberations, the HR Committee reviewed the 2008 corporate performance results, including the information noted below. The HR Committee used this information to determine an overall corporate performance assessment to provide general context for the review of individual performance by the Named Executive Officers.

Further information regarding the Corporation's corporate financial and business performance can be found in the "2008 Management Discussion and Analysis" disclosure document and financial statements from the year ended December 31, 2008.

The HR Committee noted that the Corporation had demonstrated a strong performance with regard to the equity financing completed in 2008 which was required to develop the Corporation's resource assets. The HR Committee further noted that there was strong performance in the development of the resource assets including operational, strategic and pre-construction achievements. After considering these performance results, the HR Committee determined that overall strong corporate performance in 2008 and that this assessment would serve to provide context for the review of compensation for the Named Executive Officers. Individual performance of the Named Executive Officers is assessed based on the individual Named Executive Officer's contribution to the overall corporate performance level, relative to their specific role. There are no specific weightings or formulas used in the assessment of individual performance of the Named Executive Officers. Although The Corporation demonstrated strong operational, strategic, development and pre-construction performance in 2008, the uncertainties in the global economy and volatility in the world stock markets present challenges for many companies, including the Corporation.

In consideration of these market conditions, the HR Committee decided to use the following guiding principles during its Total Direct Compensation deliberations:

- no increases in base salaries for the Named Executive Officers;
- no annual cash bonus;
- no increase in overall long-term incentive awards, except in cases where an increase is deemed warranted by the HR Committee.

## MagIndustries Achievements

Notable accomplishments reviewed by the HR Committee included:

### *MagMinerals:*

- Completed independent feasibility study
- Received NI 43-101 compliant report indicating proven and probable reserves of 33.5 million tonnes of potassium chloride (KCl), with a reserve life of more than 54 years at a production rate of 600,000 tpy
- Received 25-year mining license covering all aspects of the project development
- Raised CDN\$183 million in equity financing
- Signed 25 year Potash Investment Agreement and three supporting agreements with government of Republic of Congo
- Proceeded to late stages of debt financing, of \$840 million from banking consortium for 70% of total \$1.2 billion capital cost of potash project
- Negotiated off-take agreement with Ameropa AG for marketing and sales of 100% of potash production from first phase

### *MagForestry:*

- Significant Milestones to Date:
  - Chip mill commissioned and achieved commercial production
  - Signed contract pre-selling the bulk of wood chip production through 2009

- o Signed shipping contracts fixing the transportation costs related to new supply agreements.
- o Achieved targeted harvesting volumes

*MagMetals:*

- Significant Milestones to Date:
  - o Successfully evaluated the application of Norsk Hydro magnesium metal extraction technology to the magnesium chloride brine output from the MagMinerals potash plant
  - o Signed license agreement to acquire the Norsk Hydro technology, including key technical equipment

*MagEnergy:*

- Significant Milestones to Date:
  - o Investment and 90% of work completed to refurbish the initial G23 turbine at the facility, expecting revenues from sale of 84MW annually beginning in late 2009
  - o Negotiating agreement for the refurbishment of four additional turbines at the Inga facility

## EXECUTIVE COMPENSATION TABLES

All compensation values disclosed in this section, unless otherwise noted, are expressed in US dollars and are generally derived from compensation plans and programs that are described in detail under the section "Compensation Discussion and Analysis" or from compensation tables reported elsewhere in this Management Information Circular.

Name and principal position	Year <sup>(5)</sup>	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
William B. Burton President & Chief Executive Officer <sup>(6)</sup>	2008	312,733	Nil	2,872,501	188,820	Nil	Nil	Nil	501,553
	2007	250,000	Nil	493,222	200,000	Nil	Nil	Nil	450,000
	2006	187,500	Nil	90,892	Nil	Nil	Nil	Nil	187,500
Jeff Swinoga Senior. Vice President & C FO <sup>(1)(6)</sup>	2008	64,442	Nil	77,135	Nil	Nil	Nil	Nil	64,442
	2007	Nil	Nil	Nil	Nil	Nil		Nil	Nil
	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
J. Errol Farr Chief Financial Officer <sup>(2)(3)(4)(6)</sup>	2008	165,561	Nil	193,399	Nil	Nil	Nil	443,727	609,288
	2007	200,000	Nil	144,775	25,000	Nil	Nil	Nil	225,000
	2006	152,500	Nil	18,074	Nil	Nil	Nil	Nil	152,500
Stéphane A. Rigny, Senior Executive Vice President, <sup>(6)</sup>	2008	253,206	Nil	2,364,273	Nil	Nil	Nil	Nil	253,206
	2007	250,000	Nil	468,223	75,000	Nil	Nil	Nil	325,000
	2006	187,500	Nil	90,892	Nil	Nil	Nil	Nil	187,500
Mike Edwards Vice President, Projects	2008	181,527	Nil	492,631	100,000	Nil	Nil	Nil	281,527
	2007	174,282	Nil	145,901	100,000	Nil	Nil	Nil	274,282
	2006	148,360	Nil	36,149	Nil	Nil	Nil	Nil	148,360
Achim Strauss Vice President, Engineering & Development	2008	200,000	Nil	413,377	50,000	Nil	Nil	Nil	250,000
	2007	175,000	Nil	109,751	Nil	Nil	Nil	Nil	175,000
	2006	112,500	Nil	18,334	35,000	Nil	Nil	Nil	147,500

Notes

(1) Jeff Swinoga joined the Corporation on Sept. 28, 2008

(2) Errol Farr left the Corporation on Sept. 12, 2008

(3) Errol Farr's 2008 salary includes \$5,363 in vacation payment

(4) Errol Farr was paid \$443,727 as a retirement allowance

(5) The Corporation's former fiscal year end was March 31. The information set forth in this table for 2006 relates to the fiscal period April 1 to December 31, 2006

(6) Messrs. Burton, Farr were paid in Canadian dollars for 2006, 2007, 2008. Mr. Rigny was paid in Canadian dollars from September 2008. Mr. Swinoga was paid in Canadian Dollars from October 2008. The salaries were converted to US dollars using the average exchange rate of 0.94410 for 2008 or 0.93565 for 2007 or 0.88724 for 2006.

**INCENTIVE PLAN AWARDS – OUTSTANDING OPTION-BASED AWARDS OUTSTANDING AT THE END OF THE MOST RECENTLY COMPLETED FINANCIAL YEAR**

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise prices (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
William B. Burton President & Chief Executive Officer	200,000	0.85	March 14, 2010	Nil
	150,000	0.85	February 15, 2011	Nil
	200,000	CDN\$ 1.00	December 3, 2011	Nil
	1,000,000	CDN\$ 1.30	June 28, 2012	Nil
	800,000	CDN\$ 1.96	February 14, 2013	Nil
	800,000	CDN\$ 3.28	June 4, 2013	Nil
	1,750,000 <sup>(1)</sup>	CDN\$ 4.00	June 19, 2013	Nil
Jeff Swinoga Sr. Vice President & Chief Financial Officer	500,000	CDN\$ 0.91	October 1, 2013	Nil
J. Errol Farr Chief Financial Officer	Nil	Nil	Nil	Nil
Stéphane A. Rigny Senior Executive Vice President	150,000	CDN\$ 1.00	December 3, 2011	Nil
	1,000,000	CDN\$ 1.30	June 28, 2012	Nil
	500,000	CDN\$ 1.96	February 14, 2013	Nil
	500,000	CDN\$ 3.28	June 4, 2013	Nil
	1,400,000 <sup>(1)</sup>	CDN\$ 4.00	June 19, 2013	Nil
Mike Edwards Vice President, Projects	100,000	0.85	February 15, 2011	Nil
	50,000	CDN\$ 1.00	December 3, 2011	Nil
	250,000	CDN\$ 1.30	June 28, 2012	Nil
	100,000	CDN\$ 1.96	February 14, 2013	Nil
	75,000	CDN\$ 3.28	June 4, 2013	Nil
	300,000 <sup>(1)</sup>	CDN\$ 4.00	June 19, 2013	Nil
Achim Strauss Vice President, Engineering & Development	100,000	0.85	March 14, 2010	Nil
	50,000	CDN\$ 1.00	December 3, 2011	Nil
	250,000	CDN\$ 1.30	June 28, 2012	Nil
	100,000	CDN\$ 1.96	February 14, 2013	Nil
	250,000 <sup>(1)</sup>	CDN\$ 4.00	June 19, 2013	Nil

Notes:

(1) Stock options granted by MagMinerals Potash Corp., a 100% owned subsidiary of the Corporation to certain directors, officers, employees and consultants on June 19, 2008. It is intended that all such options will be forfeited without the payment of any additional consideration

## INCENTIVE PLAN AWARDS – VALUE VESTED DURING THE MOST RECENTLY COMPLETED FISCAL YEAR

Name	Option-based awards - Value vested during the year (\$) <sup>(1)(2)</sup>	Non-equity incentive plan compensation - Value earned during the year (\$)
William B. Burton, President & Chief Executive Officer	697,064	Nil
Jeff Swinoga, Senior Vice President & Chief Financial Officer	Nil	Nil
J. Errol Farr, Chief Financial Officer	177,883	Nil
Stéphane A. Rigny, Senior Executive Vice President	630,581	Nil
Mike Edwards, Vice President, Projects	161,581	Nil
Achim Strauss, Vice President, Engineering & Development	132,961	Nil

Notes:

(1) Based on, Canadian dollars to US dollars exchange rate of 0.94410 being the average rate of exchange for 2008.

(2) Based on the difference between the market price of the underlying Common Shares on the vesting date and the exercise price of the options.

Details regarding the terms of the stock option plan in addition to that provided in the above tables can be found in the sections entitled "Particulars of Matters to be Acted Upon – Amendment and Ratification of Stock Option Plan" above and "Equity Compensation Plan Information" below.

### EMPLOYMENT CONTRACTS AND TERMINATION AND CHANGE OF CONTROL BENEFITS

The Corporation has entered into employment agreements dated January 31, 2006 with each of Messrs. Burton and Rigny, and employment agreements dated March 31, 2006, September 29, 2006, and September 28, 2008 with Messrs. Strauss, Edwards, and Swinoga, respectively. These contracts encompass the compensation arrangements noted above. Each officer's annual salary is reviewable annually and bonuses and stock option grants are subject to the discretion of the HR Committee.

The employment agreements for each of Messrs. Burton, Rigny, Edwards, Swinoga and Strauss are for indefinite terms. Such agreements may be terminated at any time by such officers upon the provision of at least one months notice. Each of the agreements also provide for termination by the Corporation. In the case of Messrs. Burton, Rigny, Strauss and Swinoga termination is effected by the payment of four months salary per year of service or portion thereof to a maximum of 24 months with the exception of Mr. Burton who is subject to a maximum of 36 months. Mr. Edwards' agreement can be terminated on the payment of two months salary per year of service to a maximum of six months salary.

Each of the employment agreements also provides that in the event that Messrs. Burton, Rigny, Strauss or Swinoga's employment is terminated within 90 days following a "change of control" they are entitled to receive four months base pay per year of service up to a maximum of two years and in addition, Messrs. Burton, Rigny, and Swinoga are entitled to receive a payment equal to the average of the total of their last three years' bonuses. For the purposes of each of these agreements a change of control is defined as an

event where a minimum of 40% of the voting stock of the Company is acquired by an individual, corporation and its related parties.

### Termination or Change of Control Payment Table

Name and principal position	Estimated Incremental Payments, Payables & Benefits upon Termination	Estimated Incremental Payments, Payables & Benefits upon Change of Control	Sharing Based Awards	Options Based Awards (\$0.26)
William B. Burton President & Chief Executive Officer	991,305	1,120,911	Nil	Nil
Jeff Swinoga Sr. Vice President & Chief Financial Officer	125,093	125,093	Nil	Nil
J. Errol Farr Chief Financial Officer	400,000	400,000	Nil	Nil
Stéphane A. Rigny Senior Executive Vice President,	519,255	544,255	Nil	Nil
Mike Edwards Vice President, Projects	100,000	166,667	Nil	Nil
Achim Strauss Vice President, Engineering & Development	400,000	428,333	Nil	Nil

### Stock Option Valuation

The fair value of the options granted under the Option Plan during the year was estimated at the grant date using the Black-Scholes pricing model with the following weighted average assumptions: risk-free interest rate of 3.30% (2007 – 4.0%, 2006 – 4.2%), expected dividend yield of nil (2007 – nil, 2006 – nil), expected volatility of 66% (2007 – 99%, 2006 – 131%) an expected term of 3.6 years (2007 – five years, 2006 – five years).

### Equity Compensation Plan Information

The Option Plan is the only compensation arrangement under which equity securities of the Corporation have been authorized for issuance. Stock options may be granted to officers, directors, employees and consultants of the Corporation as approved by the HR Committee as described under the section, “Elements of Compensation – Long-term Incentives” above. The following provides key information regarding the Option Plan:

- the Option Plan was last approved by shareholders on June 4, 2008;
- as of March 26, 2009, there were 20,880,000 common shares issuable upon the exercise of outstanding stock options; this represents 7.25% of issued and outstanding common shares;
- 7,927,999 common shares remain available for issuance under the Option Plan, which represents 2.75% of issued and outstanding common shares;
- 3,670,000 common shares have been issued upon the exercise of stock options in the most recently completed fiscal year representing 1.27% of issued and outstanding common shares; and

- the exercise price for unexercised issued stock options ranges from CDN\$0.24 to CDN\$3.28 with expiry dates ranging from March 2010 to February 2014.
- MagMinerals Potash Corp., a 100% owned subsidiary of the Corporation issues 10,500,000 stock options at an exercise price of CDN\$4.00 for a term of five years to certain officers, directors, employees and consultants of MagMinerals Potash Corp. It is intended that all such options will be forfeited without payment of any additional consideration.

Set out below is information as of December 31, 2008 with respect to compensation plans under which equity securities of the Corporation are authorized for issuance.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders	36,430,874	US\$1.62	23,122,875
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	36,430,874	US\$1.62	23,122,875

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

### *Aggregate Indebtedness*

Purpose (a)	To the Corporation or its Subsidiaries (b)	To Another Entity (c)
Share purchases	Nil	Nil
Other	\$236,025 <sup>(1)</sup>	Nil

Notes:

(1) Based on, Canadian dollars to US dollars exchange rate of 0.94410 being the average rate of exchange for 2008.

### *Indebtedness of Directors and Executive Officers Under (1) Securities Purchase and (2) Other Programs*

Name and Principal Position (a)	Involvement of the Company Or Subsidiary (b)	Largest Amount outstanding During Fiscal Year ended December 31, 2008 (c)	Amount outstanding as at March 26, 2009 (d)	Financially Assisted Securities Purchases during Fiscal Year ended December 31, 2008 (#) (e)	Security for Indebtedness (f)	Amount Forgiven During Fiscal Year ended December 31, 2008 (g)
<b>Securities Purchase Programs</b>						
N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Other Programs</b>						
Stephane E. Rigny	Lender	\$236,025 <sup>(1)</sup>	\$98,113 <sup>(2)</sup>	N/A	N/A	N/A

Notes:

(1) Based on, CDN to US exchange rate of 0.94410 being the average rate of exchange for 2008.

(2) Based on, CDN to US exchange rate of 0.80529 being the average rate of exchange for January 1 2009, to March 26, 2009.

Since the beginning of the last completed financial year and up to March 26, 2009, no director, executive officer or employee or former executive officer, director or employee of the Corporation or any of its subsidiaries was indebted to the Corporation except for one relocation loan. The loan was extended to an employee, officer and director of the Corporation and was for the principal amount of CDN\$250,000.00. On September 27, 2008 CDN\$128,807 was repaid. The loan bears interest at 4% per annum, is unsecured and is repayable on April 10, 2009.

## COMPENSATION OF DIRECTORS

### RETAINERS AND FEES PAID TO DIRECTORS

Annual board and committee retainers are paid to each director who is not an employee of the Corporation in quarterly installments, in arrears, and are pro-rated from the date of the director's appointment to the Board and the relevant committees. The Corporation reimburses the directors for travel expenses.

The Corporation's director compensation practices are designed to reflect the goals of the Corporation and to reinforce the emphasis we place on shareholder value and transparency. As a result, directors' compensation consists of annual retainers and meeting fees paid in cash as follows:

- Board Chair retainer \$30,000 per annum (Bryan Benitz)
- Board Chair meeting fee \$1,000 per Chaired Board meeting (Bryan Benitz)
- Board retainer \$20,000 per annum (Bryan Benitz, Gerard Munera, Gary German, Victor Wells, Richard Linnell, Moustapha Niasse)
- Board and Committee meeting fee \$1,000 per meeting
- Audit Committee Chair retainer \$10,000 per annum (Victor Wells)
- HR Committee Chair retainer \$5,000 per annum (Victor Wells)
- Chair of Advisory Board fee of \$2,500 per month from January 1, 2008 to September 30, 2008 (Gary German)

Our goal is to provide total compensation to the directors that is, generally, targeted at the median of our peers in both level and form in order to attract and retain qualified individuals. This goal is reflected in our current compensation paid to directors.

Name	Retainer Fees earned (\$)(4)	Chair Fees(\$)	Meeting Fees(\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Bryan M. Benitz	20,000	30,000	11,000	821,819	Nil	Nil		61,000
Gary German	20,000	22,500 <sup>(2)</sup>	17,000	959,727	Nil	Nil	47,205 <sup>(1)(5)</sup>	106,705
Richard J. Linnell	20,000	nil	14,000	575,973	Nil	Nil	27,532 <sup>(3)</sup>	61,532
Gerard Munera	20,000	nil	17,000	505,467	Nil	Nil		37,000
Moustapha Niasse	5,000	nil	\$3,000	475,344	Nil	Nil		8,000
Victor Wells	20,000	13,750	\$19,000	625,973	Nil	Nil	27,532 <sup>(4)</sup>	80,282

Notes:

(1) Gary German received retainer fees from MagMinerals Potash Corp. as a director, chair of the board of directors, chair of compensation committee, chair of the corporate governance and nominating committees and a member of the audit committee.

(2) Mr. German received retainer fees as Chair of Advisory Board of the Corporation from January 1, 2008 to September 30, 2008.

(3) Richard Linnell received a retainer fees from MagMinerals Potash Corp. as a director, chair of the environmental, health and safety committee and member of the corporate governance and nominating committee.

(4) Mr. Wells received retainer fees from MagMinerals Potash Corp. as a director, chair of the audit committee of MagMinerals Potash

Corp.

(5) All dollar amounts in the foregoing table are expressed in US dollars based on Canadian dollars to US dollar exchange rate of 0.94110 being the average rate of exchange for 2008.

## INCENTIVE PLAN AWARDS – OUTSTANDING OPTION-BASED AWARDS OUTSTANDING AT THE END OF THE MOST RECENTLY COMPLETED FINANCIAL YEAR

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise prices (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Bryan Benitz	125,000	0.85	February 15, 2011	Nil
	50,000	CDN\$ 1.00	December 3, 2011	Nil
	300,000	CDN\$ 1.30	June 28, 2012	Nil
	300,000	CDN\$ 1.96	February 14, 2013	Nil
	150,000	CDN\$ 3.28	June 4, 2013	Nil
	500,000 <sup>(1)</sup>	CDN\$ 4.00	June 19, 2013	Nil
Gary German	200,000	0.85	March 14, 2010	Nil
	50,000	CDN\$ 1.00	December 3, 2011	Nil
	250,000	CDN\$ 1.30	June 28, 2012	Nil
	100,000	CDN\$ 1.96	February 14, 2013	Nil
	150,000	CDN\$ 3.28	June 4, 2013	Nil
	900,000 <sup>(1)</sup>	CDN\$ 4.00	June 19, 2013	Nil
Richard Linnell	150,000	0.85	March 14, 2010	Nil
	50,000	CDN\$ 1.00	December 3, 2011	Nil
	100,000	CDN\$ 1.30	June 28, 2012	Nil
	100,000	CDN\$ 1.96	February 14, 2013	Nil
	150,000	CDN\$ 3.28	June 4, 2013	Nil
	500,000 <sup>(1)</sup>	CDN\$ 4.00	June 19, 2013	Nil
Victor Wells	250,000	CDN\$ 1.00	December 3, 2011	Nil
	100,000	CDN\$ 1.30	June 28, 2012	Nil
	100,000	CDN\$ 1.96	February 14, 2013	Nil
	150,000	CDN\$ 3.28	June 4, 2013	Nil
	500,000 <sup>(1)</sup>	CDN\$ 4.00	June 19, 2013	Nil
Gerard Munera	150,000	0.85	14-Mar-10	Nil
	50,000	CDN\$ 1.00	December 3, 2011	Nil
	100,000	CDN\$ 1.30	June 28, 2012	Nil
	100,000	CDN\$ 1.96	February 14, 2013	Nil
	150,000	CDN\$ 3.28	June 4, 2013	Nil
	400,000 <sup>(1)</sup>	CDN\$ 4.00	June 19, 2013	Nil
Moustapha Niasse	150,000	0.85	February 15, 2011	Nil
	150,000	CDN\$ 1.00	December 3, 2011	Nil
	100,000	CDN\$ 1.30	June 28, 2012	Nil
	150,000	CDN\$ 3.28	June 4, 2013	Nil
	400,000 <sup>(1)</sup>	CDN\$ 4.00	June 19, 2013	Nil

Notes:

(1) Stock options granted by MagMinerals Potash Corp., a 100% owned subsidiary of the Corporation to certain directors, officers, employees and consultants on June 19, 2008. It is intended that all such options will be forfeited without the payment of any additional consideration.

## INCENTIVE PLAN AWARDS – VALUE VESTED DURING THE MOST RECENTLY COMPLETED FISCAL YEAR

Name	Option-based awards - Value vested during the year (\$) <sup>(1)</sup>	Non-equity incentive plan compensation - Value earned during the year (\$)
Bryan Benitz	210,926	Nil
Gary German	161,697	Nil
Richard Linnell	89,453	Nil
Victor Wells	89,453	Nil
Gerard Munera	89,453	Nil
Moustapha Niasse	134,299	Nil

Notes:

(1) Based on, Canadian dollar to US dollar exchange rate of 0.94410 being the average rate of exchange for 2008.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation provides insurance for the benefit of the directors and officers of the Corporation against liability incurred by them in these capacities. The current annual policy limit is \$10,000,000. Protection is provided to directors and officers for certain wrongful acts or omissions done or committed during the course of their duties as such. Under the policy, the Corporation is reimbursed for payments which it is required or permitted to make to its directors and officers to indemnify them. The current annual premium is CDN\$59,500. No claims have been made under the policy.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth herein, for the fiscal year ended December 31, 2008 and for the period from January 1, 2009 to the date hereof, informed persons (as such term is defined in National Instrument 51-102) of the Corporation, proposed directors and associates and affiliates of any such persons did not have an interest in any transactions or proposed transactions which have materially or would materially affect the Corporation.

## REGISTRAR AND TRANSFER AGENT

Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1, is the registrar and transfer agent for the Corporation's common shares.

## OTHER BUSINESS

Management of the Corporation knows of no amendment, variation or other matter to come before the Meeting other than those set forth in the Notice of Meeting. However, if any other matter properly comes before the Meeting, the common shares represented by the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

## SHAREHOLDER PROPOSAL

The *Canada Business Corporations Act*, the Corporation's governing statute, provides that shareholder proposals must be received by January 15, 2010 in order to be considered for inclusion in the Management Information Circular and the form of proxy for the 2010 annual meeting of shareholders of the Corporation.

## ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Corporation's comparative financial statements and management discussion and analysis. Copies of the Corporation's financial statements and management discussion and analysis may be obtained, without charge, upon request to the Corporate Secretary at MagIndustries Corp., 33 Yonge St., Suite 300, Toronto, Ontario M5E 1G4; Tel: (416) 368-7911; Fax: (416) 368-9879.

## APPROVAL OF DIRECTORS

The contents and the sending of this Management Information Circular have been approved by the directors of the Corporation.

DATED as of the 26<sup>th</sup> day of March 2009.

*"William B. Burton"*

\_\_\_\_\_  
**WILLIAM B. BURTON**

President and Chief Executive Officer

## SCHEDULE "A"

### TEXT OF OPTION PLAN RATIFICATION RESOLUTION

**BE IT RESOLVED THAT**, as an ordinary resolution:

1. the following definition is added to Section 1 of the Corporation's stock option plan (the "Option Plan"):

"Blackout Period" means the time period, commonly referred to as the "blackout period", determined by the Corporation in accordance with its trading policies pursuant to which directors, officers, employees and others are prohibited from trading in the securities of the Corporation (including exercising options granted under the Plan) and, for greater certainty, Blackout Period shall not include any period in which there is a prohibition on trading in securities of the Corporation as a result of a cease trade or other order of any securities commission or regulatory authority;

- (b) subsection 6(c) of the Option Plan is deleted and replaced with the following:

*Term of Option:* Options may be granted under this Plan exercisable over a period not exceeding ten (10) years. Each Option shall be subject to earlier termination as provided in subparagraph 6(e); provided that, notwithstanding the foregoing or anything else to the contrary in the Plan, if the term of any option granted under the Plan ends on a day occurring within a Blackout Period applicable to an Option holder or within ten business days after the expiry of a Blackout Period applicable to an Option holder, the term of such option shall be automatically extended to (and such option shall continue to be exercisable under the terms of the Plan up to) 5:00 p.m. (Toronto time) on the tenth business day following the expiry of such Blackout Period. This subsection 6(c) applies to all options outstanding under the Plan, regardless of the date of grant or issuance.

- (c) subsection 6(e)(i) of the Option Plan is deleted and replaced with the following:

the date of expiration specified in the Option agreement or in the resolution of the Board or the Committee granting such Option, as the case may be, being not more than ten (10) years after the date upon which the Option was granted;

- (d) and certain housekeeping amendments to the Option Plan as approved by the TSX Venture Exchange

2. the Option Plan, as amended, be hereby ratified and approved; and

3. any director or officer of the Corporation be and he or she is hereby authorized and directed, on behalf of the Corporation, to execute and deliver all such documents and to do all such other acts or things as he or she may determine to be necessary or advisable to give effect to this resolution, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.

## SCHEDULE "B"

### AUDIT COMMITTEE CHARTER

The Audit Committee (the "Committee") of MagIndustries Corp ("Mag" or the "Issuer") is established in order to assist the Board of Directors (the "Board") of Mag with its responsibilities for oversight and supervision.

#### Responsibility

Proper financial reporting and disclosure is very important to the Board. Accordingly, it is the objective of the Board that Mag's financial statements are prepared and disclosed in a fair, accurate and timely manner, using appropriate accounting principles. Accordingly, the Committee is responsible for:

- The integrity of Mag's consolidated financial statements
- Mag's compliance with legal and regulatory requirements related to financial reporting
- The qualifications, independence and performance of Mag's auditor
- The adequacy of Mag's internal and disclosure controls
- The review and identification of the principal risks facing the business and the development of appropriate procedures to monitor and mitigate such risks
- The development, implementation and administration of Mag's Whistleblower Policy, and
- Any additional matters delegated to the Committee by the Board.

#### Composition

The Board will select annually the members of the Committee, on the recommendation of the Corporate Governance and Nominating Committee. The Committee will be composed of not less than three directors, and its size may be increased if so determined by the Board.

Each member of the Committee will be both "independent" and "financially literate" as prescribed by Multinational Instrument 52-110, *Audit Committees*. A director, if necessary, may agree to become financially literate within a reasonable period of time following his or her appointment to the Committee.

Financially Literate, as defined in MI 52-110, means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Issuer's financial statements.

#### Duties and Responsibilities

Subject to the powers and duties of the Board, the Board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the Board.

##### *Financial Statements and other Financial Information*

The Committee shall:

1. Review the Issuer's consolidated annual audited financial statements and related documents prior to any public disclosure of such information;

2. Review the Issuer's consolidated interim unaudited financial statements and related documents prior to any public disclosure of such information;
3. Following a review with management and the independent auditor of such annual and interim consolidated financial statements and related documents, recommend to the Board the approval of such financial statements and related documents;
4. Review with management and/or the independent auditor all critical policies and practices used as well as significant management estimates and judgments and any changes in accounting policies or financial reporting requirements that may affect the Issuer's consolidated financial statements;
5. Review with management and/or the independent auditor the treatment in the financial statements of any significant transactions and other potentially difficult matters;
6. Review a summary provided by the Issuer's legal counsel of the status of any material pending or threatened litigation, claims and assessments respecting the Issuer and its subsidiaries;
7. Review the other annual financial reporting documents as well as management's discussion and analysis and earnings press releases of the Issuer prior to any disclosure to the public, and
8. Have the responsibility of reviewing, in advance, any communications between the Issuer and any applicable securities regulators or commissions.

#### *Review of Other Financial and Related Information*

The Committee will review:

1. All earnings press releases and other press releases disclosing financial information, as well as financial information and written earnings guidance, if any, provided to analysts and rating agencies;
2. All other financial statements of the Issuer before they are released to the public, including, without limitation, financial statements for use in the prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities;
3. The effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Issuer's financial statements; and
4. Disclosures made to the Committee by the CEO and the CFO during their certification process for applicable securities law filings about disclosure controls or internal controls over financial reporting.

The Committee will otherwise ensure that adequate procedures are in place for the review of Mag's public disclosure of financial information extracted or derived from Mag's financial statements, and periodically assess the adequacy of those procedures.

#### *Oversight of Internal and Disclosure Controls*

The Committee will periodically review with senior management the adequacy of the internal controls and procedures that have been adopted to ensure accuracy of financial records and to safeguard assets from loss and/or unauthorized loss. The Committee will review any special audit steps taken in light of material control deficiencies or identified weaknesses.

The Committee will review with senior management the controls and procedures that have been

adopted to ensure that material information that is required to be disclosed under applicable law or stock exchange rules is disclosed.

#### *Appointment and Review of the Auditor*

The auditor is ultimately accountable to the Committee and reports directly to the Committee. Accordingly, the Committee will evaluate and be responsible for the Issuer's relationship with the Auditor. Specifically the Committee will:

1. Select, evaluate and recommend an auditor to the Board for appointment or reappointment, as the case may be, by shareholders and make recommendations with respect to the auditor's compensation;
2. Review, after discussion with senior management, the experience, qualifications, performance and independence of the auditor and its engagement partner, with a view to recommending its appointment or reappointment. The review of the auditor's independence will include consideration of whether the auditor's provision of any permitted non-audit services is compatible with maintaining its independence.
3. Review and approve the auditor's engagement letter;
4. Review and approve the auditor's plan for each audit;
5. At least annually, review with the auditor the procedures in place for reviewing internal quality-control procedures, together with any material issues raised by any internal review or a review by the Canadian Public Accountability Board, together with steps taken to deal with any issues raised in such a review;
6. Meet with senior management without the auditor present to discuss the performance of the auditor and any other issues that have arisen during the quarter;

#### *Confirmation of the Auditor's Independence*

At least annually, and in any event before the auditor issues its report on the annual financial statements, the Committee will:

1. Review a formal written statement from the auditor describing all of its relationships with the Issuer (including related fees);
2. Discuss with the auditor any relationships or services that may affect its objectivity and independence (including considering whether or the auditor's provision of any permitted non-audit services is compatible with maintaining its independence);
3. Obtain written confirmation from the auditor that it is objective and independent within the applicable meaning of applicable rules and policies; and
4. Confirm that the auditor has complied with applicable rules, if any, with respect to the rotation of certain members of the audit engagement team.

#### *Communication with the Auditor*

The Committee has the authority to communicate directly with the auditor, and will meet privately with the auditor periodically to discuss any items of concern to the Committee or the auditor, such as:

1. The scope, planning and staffing of the audit;

2. The auditor's materiality threshold for the audit;
3. The assessment by the auditor of significant audit risk;
4. Any material written communications between the auditor and senior management, such as any management letter or schedule of unadjusted differences;
5. Whether or not the auditor is satisfied with the quality and effectiveness of financial recording procedures and systems;
6. The extent to which the auditor is satisfied with the nature and scope of its examination;
7. Whether or not the auditor has received the full cooperation of senior management and other employees;
8. The auditor's opinion of the competence and performance of the CFO and other key financial personnel;
9. Any items required to be communicated to the Committee under applicable rules or policies;
10. Critical accounting policies and practices to be used by the Issuer;
11. Alternative treatments of financial information within generally accepted accounting principles that have been discussed with senior management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor;
12. Any difficulties encountered in the course of the audit work, including any unresolved issues, any restrictions imposed on the scope of activities or access to requested information, any significant disagreements with senior management and their response; and
13. Any illegal acts that may have occurred.

#### *Pre-Approval of Non-Audit Services*

The Committee must pre-approve the appointment of the auditor for any non-audit services to be provided to Mag. In considering the appointment of the auditor for non-audit services, the Committee will consider the compatibility of the service with the auditor's independence. The Committee may delegate to the Chair the responsibility for pre-approval of non-audit services that do not exceed \$10,000 in fees, provided that any such pre-approval is reported to the full Committee at its next scheduled meeting.

#### *Review of Audit Fees*

The Committee will review and determine the auditor's fee and the terms of the auditor's engagement and inform the Board thereof. In determining the auditor's fee, the Committee will consider, among other things, the size and complexity of Mag, the extent of support provided to the auditor and the number and nature of reports issued by the auditor.

#### *Establishment and Review of the Internal Audit Function*

The Committee will assess not less than annually whether or not an internal audit function should be established.

If an internal audit function is established, the Committee will review its mandate, budget, staffing and

organizational structure, to ensure the function is independent of management. The Committee has the authority to communicate directly with the internal auditor.

#### *Work Plan*

The Committee, in consultation with management and the auditor, shall develop an annual Audit Committee Workplan, which incorporates the duties and responsibilities listed in this Charter. This Workplan will form the basis of the annual assessment of the effectiveness of the Committee (see Annual Assessment).

#### *Risk Management*

The Committee will review, at least annually, a report from senior management describing the major financial, legal, operational, political and reputational risk exposures and the steps senior management has taken to monitor and control such exposures, including policies with respect to risk assessment and management.

#### *Taxation*

The Committee will review with senior management, no less often than annually, the taxation matters of Mag. The report will include confirmation that all taxes due have been remitted and that all filings are up to date and/or a commitment that required filings will be made on time.

### **Whistle Blower Policy and Procedures**

The Committee will maintain a Whistleblower Policy for the receipt, retention and follow-up of complaints received by Mag regarding accounting, internal controls, disclosure controls or auditing matters and any violation of the Code of Conduct and provide for the confidential, anonymous submission of concerns by employees regarding such matters.

### **Audit Committee Meetings and Structure**

#### *Scheduling*

The Committee will meet as often as it determines is necessary to fulfill its responsibilities, which in any event will not be less than quarterly. A meeting of the Committee may be called by the auditor, the Chairman of the Committee, the Chairman of the Board, the CEO, the CFO or any committee member.

#### *Notice to Auditor*

The auditor is entitled to receive notice of every meeting of the Committee, and is entitled to attend and be heard thereat, at the expense of Mag.

#### *Agenda and Distribution of Information*

The Chairman of the Committee will establish the agenda for each meeting. Any member may propose the inclusion of items on the agenda, request the presence of or a report by any member of senior management, or at any meeting raise subjects that are not on the agenda for that meeting.

The Chairman will endeavour to have material for each meeting distributed by senior management in sufficient time in advance of each meeting to allow members sufficient time to review and consider the matters to be discussed.

#### *Attendance and Quorum*

Each member is expected to attend all Committee meetings. A member may attend by telephone conference call. A quorum is a simple majority of Committee members in person or attending by telephone.

#### *Secretary and Minutes*

The Committee may appoint one of its members or any other person to act as Secretary. Minutes of each meeting will be taken and circulated to all Committee members on a timely basis.

#### **Chair**

Each year the Board will appoint one member to be Chairman of the Committee. The Chairman of the Committee shall:

- Assume responsibilities for the effective functioning of the Committee, chair each meeting of the Committee and ensure there is free and open discussion at the meetings;
- Ensure the proper flow of information to the Committee and reviewing the adequacy and timing of required documentary materials;
- Ensure that the Committee has access to such members of senior management as may be required;
- Ensure an open and frank relationship between the Committee and the internal and external auditors;
- Support the independence of the external auditors from management; and
- Report to the Board on behalf of the Committee.

#### **Other Duties and Responsibilities**

##### *Employees of the Auditor*

The Committee will oversee and approve the hiring of partners, former partners and employees of the present or former auditor. In general, partners and former partners of the auditor will not be hired as an employee of Mag for a period of 3 years from the date they are no longer associated with the audit of Mag. The Committee will review the hiring of employees of the auditor on a case-by-case basis, within the context of ensuring the independence of the auditor is maintained.

##### *Approval of Expenses*

The Committee will review the CEO's and CFO's expense statements no less than annually.

#### **Independent Advice**

In discharging its mandate, the Committee shall have the authority to retain and receive advice from special legal, accounting or other advisors at the expense of Mag, and has the authority to determine any such advisors' fees and other retention terms.

#### **Annual Assessment**

At least annually, the Corporate Governance and Nominating Committee will review the effectiveness of the Committee in fulfilling its responsibilities and duties. The Committee will provide to the Corporate Governance and Nominating Committee a copy of its Annual Workplan for this purpose.

The committee will review this Charter at least annually, and submit it to the Corporate Governance and Nominating Committee together with any proposed amendments. The Corporate Governance and Nominating Committee will review the Charter and submit it and any proposed amendments to the Board for approval.