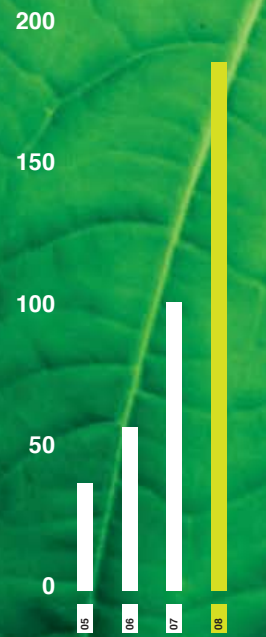


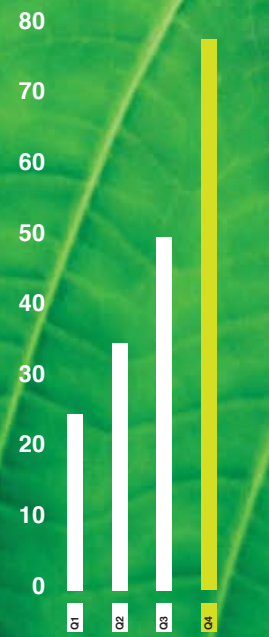
**STRONG  
MARKET  
GROWTH**



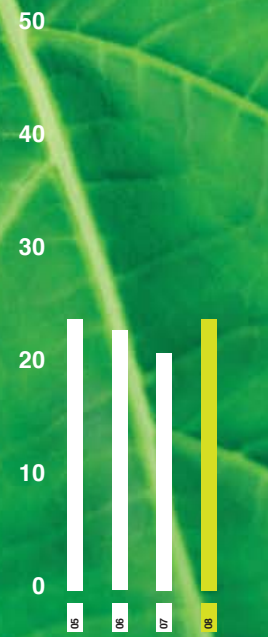
# Migao is the largest supplier of specialty fertilizers to the tobacco industry in China.



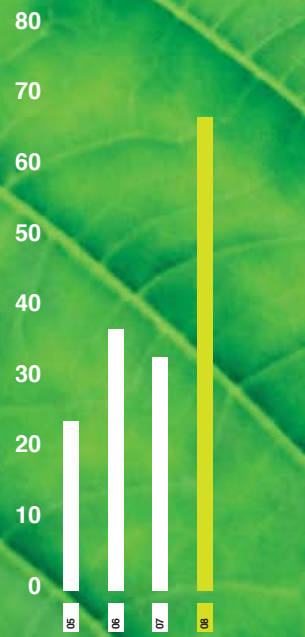
**Revenue**  
performance data



**Quarterly**  
revenue performance



**Gross Margin**  
performance data



**Earnings**  
performance (per basic share)

# STRONG

In October 2008, Migao announced that a 100,000 tonne per year compound fertilizer facility was being constructed at the Company's Sichuan Migao location. The new specialty fertilizer will combine the Company's low-chloride potassium nitrate and/or potassium sulphate with other essential crop nutrients to be applied directly to tobacco crops. With this new facility, Migao becomes the largest provider of specialty fertilizer to the tobacco industry in China. The decision to expand the Company's business by integrating compounding with

specialty fertilizer production results from a request by Migao's largest customer. Adding the compounding function is highly complementary to the basic specialty potash production business. Migao plans to expand this line of business into other tobacco growing regions in China once the Sichuan facility is fully operational and production processes are optimized for greatest efficiency. The Sichuan-based facility start up date is scheduled for March 2009.



**9.8%**

**China's GDP growth rate (2008 est.)**

Source: CIA

# MARKET

The same compelling market conditions and opportunity Migao realizes in China are also apparent from Japan to India including South East Asia. Migao will continue to identify key opportunities for sustainable, profitable growth. This effort includes identifying specific crops and customers that will benefit from Migao's specialty fertilizers. For example, the growth of China's wine industry and associated establishment of vineyards

in China has provided a growing market for Migao's fertilizers. Grapes respond very well to both potassium nitrate and potassium sulphate in terms of total grape yield, total soluble solids content, colour – which correlates with desirable wine characteristics – and overall quality.

In 10 years, grape production in China has increased more than 230% to 6.3 million tonnes in 2006.



# 14M hectares

The increase in the area in China harvested for fruits & vegetables over the last 10 years


# GROWTH

Migao continues to invest in its future. In 2008, Migao spent \$13.7 million on capital expansion projects to meet growth targets and ensure not only its position as a market leader for specialty potash fertilizers but to foster growth and profitability in China's fruit and vegetable sector. To date, Migao's focus has been on aggressively expanding production capacity of its core products in China for the Country's high-value crops. At year-end Migao was running at 260,000 tonnes of annual production capacity. Subsequent to the year end,

an additional 60,000 tonnes of production capacity of potassium sulphate came on line with a further 140,000 tonnes of expansion budgeted over the next 18 months.

The area in China harvested for fruit and vegetables has increased by nearly 14 million hectares over the last 10 years to close to 40 million hectares, consuming approximately 33% of China's total fertilizer use.\*

\* Assessment of Fertilizer Use by Crop at the Global Level  
Patrick Heffer, International Fertilizer Association, January 2008.



Migao's specialty fertilizers  
are potassium based and include  
either sulphur or nitrogen.



Potassium  
Nitrate

Potassium nitrate and potassium sulphate increase tobacco yield and quality – notably by reducing chloride input and thereby leaf chloride content and the consequence it has on impairing burning quality. Migao's processes for producing potassium sulphate and potassium nitrate removes much of the chloride from raw potassium chloride and 'replaces' it with sulphur or nitrogen.



Potassium  
Sulphate

**K**

Potassium K

Potassium plays an important role in producing carbohydrates and proteins in plants. Potassium increases a plant's tolerance to adverse conditions such as drought, frost, and disease.

**S**

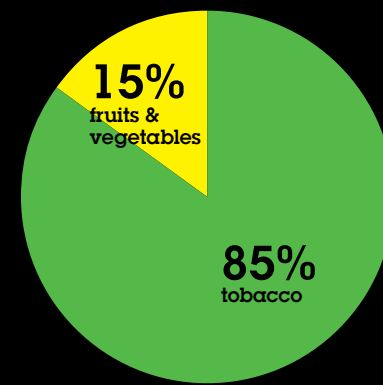
Sulphur S

Sulphur assists with, among other functions, the development of proteins and the development of chlorophyll. Sulphur compounds also produce the unique tastes and smells in such crops as garlic, onion, cabbage, and tobacco.

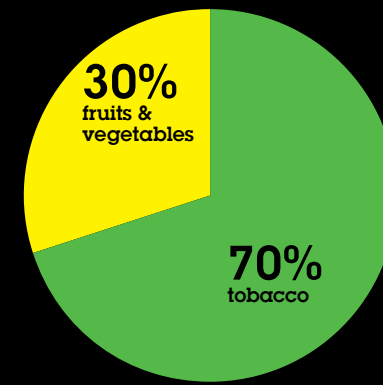
**N**

Nitrogen N

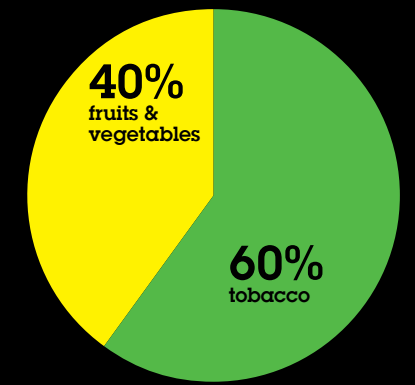
Nitrogen is involved in all processes of plant development and yield. By supplementing nitrogen with potassium, sulphur and other essential nutrients, the resulting balanced fertilizers, crop yields can often be doubled or even tripled.



**2006**



**2007**



**2008**

In 2008, Migao sold approximately 60% of its total potassium sulphate and potassium nitrate production to the tobacco industry. At an average annual potash application rate of 130 kg per hectare, close to 1,000,000 hectares of tobacco crops in China

receive Migao's products. In 2006, planted tobacco hectares in China totaled in excess of 1.3 million hectares. This figure has grown approximately 2.5% per year.

## Letter to Shareholders

As in previous years, we are very pleased with the operational and financial results of fiscal 2008. The success of the year has continued into the current year as evidenced by our recent first quarter results, which put us on pace to achieve annual revenue growth of more than 80% over the \$187 million we reported for fiscal 2008.

Migao has established a strong customer foundation across China in specific, high-value crops such as fruits, vegetables, and tobacco that have not experienced a downturn in demand. We are running 3 shifts a day at all four of our current production facilities. Since the beginning of this year, China has seen growth in the overall agriculture sector and specific to Migao, we are aware of an approximate 16% increase in fruit and vegetable prices in China. This provides farmers with ample income to continue purchasing equipment, seed and of course specialty fertilizers to maximize yield and quality. Another important crop we serve is tobacco. Tobacco consumption is expected to increase by approximately 2.5% this year and one of China's largest tobacco companies has indicated a 25% increase in sewn acreage over the next 2-3 years. For the first time, tobacco is the largest contributor to China's tax revenue, surpassing the petrochemical industry.

As we closed out the year, the global economic crisis was becoming apparent. It is our belief, and we have proven in our financial results that Migao has not, and does not expect to be materially and negatively impacted by the current global economic downturn. We plan to hire additional people to manage our expansion plans, we have committed capital to fund our growth plans, and we expect to maintain our strong level of profitability. We are not deviating from the formula of our success – establishing a strong market position through a strategy of delivering high quality, reliable products serviced better than our industry peers.

Inside Migao, we constantly strive to reduce production costs and maximize profits. We have been successful in reducing energy costs, and increasing revenue per employee. We have relatively low turnover of manpower and we have been formally recognized as a leading employer at our Liaoning Migao location.

Migao has a history of being flexible and adaptive to changing market conditions by quickly meeting challenges and seizing opportunities. Delays beyond our control impacting the startup of 40,000 tonnes of annual potassium sulphate production at a new Shanghai Migao facility resulted in shifting resources quickly to expand at Guangdong Migao. With no delays in the expansion at Guangdong Migao, we were able to bring 60,000 tonnes of annual potassium sulphate into production on budget and ahead of schedule.

We have been quick to react to rising input costs such as energy and raw materials. Migao has secured preferential natural gas pricing for our Sichuan Migao location and reduced energy costs through engineering efforts at our potassium sulphate facilities. Our primary raw material is potash. We recently secured a commitment for 70,000 tonnes of potash supply, which will add to our current inventory of approximately 60,000 tonnes. With inventory on hand and secured supply, we have enough raw potash for 6 months of full production. As a result of our strong customer relationships and reputation for quality we were given the opportunity to fulfill an interest by one of our customers to supply them with 100,000 tonnes per year of blended specialty fertilizers. Quite often Migao's fertilizers (potassium nitrate and or potassium sulphate) are delivered to third parties for further blending with other nutrients depending on the specific requirements of the customer. With a capital cost of approximately \$5 million we are in the final stages of constructing the new blending facility at our Sichuan Migao property. The first production is scheduled for March 2009. Also at our Sichuan Migao location, we have upgraded our potassium nitrate production capabilities to produce an industrial grade product. The industrial grade potassium nitrate opens new non-agricultural markets for us including fireworks and specialty glass such as car windows, television screens, and solar panels.

As 2009 unfolds we are exploring opportunities to expand our production capabilities outside of China for the first time. There are very lucrative market opportunities for Migao in surrounding South East Asian countries as well as Japan and India. We anticipate capitalizing on these markets from a base in South East Asia, replicating our success in China as a quality leader, and first mover in a new jurisdiction.

We strongly believe that 2009 will continue the positive momentum that Migao has demonstrated since 2003 as a private company and since 2006 as a TSX listed public company. On behalf of the Board of Directors we thank you for ongoing support and enthusiasm for Migao.



A handwritten signature in black ink, appearing to be 'Liu Guocai' in a stylized cursive script.

Liu Guocai, *Chairman and CEO*

## Board of Directors



**Mr. Liu Guocai, Chairman, *Chief Executive Officer, and President***

In addition to his positions with the Company, from 2003 to the present Mr. Liu has been Chairman of the Board, General Manager and Chief Executive Officer of the Migao Group. In addition, since 2000, Mr. Liu has also been the General Manager and Chief Executive Officer of Liaoning Yongcheng Economic Trade Development Co., Ltd.



**Mr. Keith Attoe, *Director*** <sup>(1)</sup>

Since September 2004, Mr. Attoe has been the President and Chief Executive Officer of Cognitive Finance Inc., a company engaged in derivatives trading, corporate finance and independent director services. Prior thereto, Mr. Attoe was the Chief Financial Officer and a Director of Eiger Technologies Inc., a TSX-listed company engaged in providing VoIP telecom services and manufacturing computer, Internet and telecommunications products.



**Mr. Paul Haber, *Director***

Mr. Haber is the Managing Director of Haber and Co. Ltd. which provides corporate finance and capital market advisory services to small and medium sized businesses. From 2004 through March 2007, Mr. Haber was Vice President, Chief Financial Officer and Corporate Secretary of QuStream Corporation. From 2001 to 2004, Mr. Haber held various positions, including Senior Vice President and Chief Financial Officer, of Protana Inc.



**Mr. Robert C. Kay, *Director*** <sup>(1)(2)</sup>

Mr. Kay is a Director of the Canadian Commercial Corporation (a Crown corporation of the Government of Canada). During the past five years, he served in both senior management and as a director dealing primarily with the strategic development of international companies. He also served as a member of the Ontario Municipal Board from February 2003 to August 2004. He maintains his professional standing as a Barrister and Solicitor.



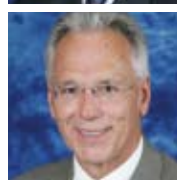
**Mr. Michael W. Manley, *Lead Director*** <sup>(1)(2)</sup>

Mr. Manley is a barrister and solicitor by profession. From 1997 to 2004, Mr. Manley was the President of Wesbridge Capital Corporation (“Wesbridge”), a company specializing in advising China based companies. Since 2004, Mr. Manley has been the Chairman and Chief Executive Officer of Wesbridge.



**Mr. Peiwei Ni, *Director*** <sup>(2)</sup>

Since 2004, Mr. Ni has been the President of Wesbridge, a company specializing in advising China based companies. Mr. Ni has also been a real estate intermediary in the Toronto area. Mr. Ni was a radio producer at CBC reporting on business in China until 1999.



**Mr. Mark Stauffer, *Director***

Dr. Stauffer retired in January 2005, however during 2005, was a consultant to the fertilizer industry-supported Potash & Phosphate Institute of Canada (“PPIC”) on its agronomy-based market development program in China. Prior thereto, from 1988, Dr. Stauffer was employed by PPIC, including as President from 1994 to 2004, during which time he conducted the business affairs of PPIC and coordinated its seven international programs. As well, Dr. Stauffer managed CIDA-supported soil fertility/fertilizer projects in China and Pakistan, and provided agronomic market development support to Canadian potash exporter Canpotex Ltd.

<sup>(1)</sup> Member of the Audit Committee

<sup>(2)</sup> Member of the Corporate Governance and Compensation Committee

## Corporate Information

### Legal Counsel

Goodmans LLP

### Auditor

MSCM LLP Chartered Accountants

### Transfer Agent

Equity Transfer & Trust Company

### Stock Exchange

Toronto Stock Exchange  
TSX trading symbol: “MGO”

### Website

[www.migaocorp.com](http://www.migaocorp.com)

### Annual Meeting of Shareholders

Monday, March 30, 2009  
4:30 p.m.  
Kensington Room, 2nd Floor  
Le Royal Meridien King Edward Hotel  
37 King Street East  
Toronto, ON, Canada

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