

Migao Corporation

Management’s Discussion and Analysis

**Third Quarter, Fiscal 2010
Ended December 31, 2009**

February 11, 2010

The following is Management’s Discussion and Analysis (“MD&A”) of the financial condition of Migao Corporation (the “Company” or “Migao”) and its financial performance for the three and nine months ended December 31, 2009. This MD&A should be read in conjunction with the unaudited Consolidated Financial Statements and related notes as at and for the period ended December 31, 2009 and the audited Consolidated Financial Statements and related notes as at and for the year ended March 31, 2009. Reference should also be made to the Company’s filings, including the Company’s annual information form, with Canadian securities regulatory authorities which are available at www.sedar.com.

On December 22, 2008, the Company changed its fiscal year end to March 31 from the fiscal year end of September 30. The change in year end has been made to better align Migao’s financial reporting, tax planning, and business cycles with customers and suppliers. Accordingly, the financial year ended March 31, 2009 reflects a six month transitional period from October 1, 2008 to March 31, 2009. The three and nine months ended December 31, 2009 is being compared to October 1, 2008 to December 31, 2008 and April 1, 2008 to December 31, 2008.

This MD&A is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure directly and through its audit committee comprised exclusively of independent directors. The audit committee reviews and prior to its publication, approves, pursuant to the authority delegated to it by the Board of Directors, this disclosure.

All amounts are in Canadian dollars unless otherwise noted (tabular amounts are in thousands of Canadian dollars) and prepared in accordance with Canadian Generally Accepted Accounting Principles.

At December 31, 2009, the Company had 52,140,661 common shares outstanding. At February 11, 2010, the Company has 52,140,661 common shares outstanding.

Forward-Looking Information

The statements made in this MD&A that are not historical facts, particularly those in the “Outlook” section, and also in “Results of Operations – Gross Profits”, contain forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address Migao’s expectations, should be considered forward-looking statements. Such statements are based on management’s exercise of business judgment as well as assumptions made by and information currently available to management. When used in this document, the words “may”, “will”, “anticipate”, “believe”, “estimate”, “expect”, “intend” and words of similar import, are intended to identify any forward-looking statements. You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as contained herein under “Risk Factors” and in the Company’s other filings with Canadian securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements. Management undertakes no obligation to reflect events

or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. The forward-looking statements made in this MD&A describe our expectations as at February 11, 2010.

For a description of material factors that could cause our actual results to differ materially from the forward-looking statements in this MD&A, please see the “Risk Factors” section.

Overview

Migao, through its wholly-owned operating subsidiaries (referred to herein as “Sichuan Migao”, “Guangdong Migao”, “Liaoning Migao”, “Shanghai Migao”, “Changchun Migao”, “Tianjin Migao”, “Zunyi Migao”, and through its 50% ownership of the “SQM-Sichuan JV”), owns land use rights and/or operates fertilizer production plants in various strategic locations in the People’s Republic of China (the “PRC”) for the production and sale of specialty potash fertilizer (potassium nitrate and potassium sulphate), along with their co-products, primarily to the Chinese domestic agricultural market. These fertilizers provide China’s economic crop (i.e. tobacco, fruit and vegetable) growers added opportunities for improving crop quality and increasing crop yield in an environmentally responsible manner, and contributing to the overall agricultural development of China.

China has few potash reserves relative to imports and domestic demand. Considering that indigenous supplies are in Qinghai Province and remote with regard to the high demand regions of the southern and eastern coastal provinces and that potash demand is growing in central and north-western China, imported potash provides the quantity, quality and price required by Migao. Since the 1960’s and 70’s, respectively, nitrogen (N) and phosphorus (P) fertilizers had been in greater demand by China’s farmers because indigenous supply was developed and available. Beginning in the 1980’s and particularly in the past decade, demand for potassium (K) fertilizers has increased substantially as greater yields of high quality crops were achieved with additions of potash. The high value cropping sector was among the first to realize the value of balanced (N, P, K) fertilizer technology. Management of Migao believe it is well positioned to capitalize on the value added specialty fertilizer market in China.

In addition to measures based on Canadian Generally Accepted Accounting Principles (“GAAP”) in this MD&A, we use the term earnings before interest, taxes, depreciation and amortization (“EBITDA”). EBITDA is not defined by GAAP, and our use of such terms or measurement of such items may vary from that of other companies. In this MD&A, we may describe certain ‘income’ and ‘expense’ items as unusual or non-recurring. These terms are not defined by GAAP. Our usage of these terms may vary from the usage adopted by other companies. We provide this detail so that readers have a better understanding of the significant events and transactions that have had an impact on our results.

Highlights for the Quarter

Migao continues to execute on its strategic and operational initiatives, as highlighted in the quarter and shortly thereafter:

On November 12, 2009, the Company reported net income of \$9.6 million or \$0.21 per basic share from revenues of \$67.7 million for the three months period ended September 30, 2009.

On December 10, 2009, the Company completed a public offering of common shares through a bought deal financing with a syndicate of underwriters led by CIBC and Canaccord Capital Corporation. Pursuant to the offering, 5,681,000 shares of Migao, including the underwriters’ fully exercised over-allotment option to purchase an additional 741,000 common shares, were issued at a price of \$7.10 per common share for aggregate gross proceeds of \$40.3 million. Net proceeds are \$37.9 million after the underwriter’s commission and other offering expenses.

On January 20, 2010, the Company announced a one-year contract with Russian-based Rusal to import and distribute approximately 12,000 tonnes agricultural-grade potassium sulphate produced from Rusal’s alumina factory to China’s agricultural market. The Company will be distributing the potassium sulphate fertilizer for fruit and vegetable applications in China. The first shipment was delivered to the Company in January 2010.

Performance of Migao

Key performance indicators

The key performance indicators for Migao are revenue growth, gross profit, EBITDA, and net income.

The success of the Company to expand will be measured by revenue and product tonnage growth. Revenue growth will be dependant on the Company being able to expand production capacity either at existing locations or by building facilities at new locations.

Based on historical performance, the Company is aiming to achieve gross profit for its core products in the range of 22% to 24% of revenue on an annual basis. The inputs into the Company’s production process can be expensive and volatile in terms of price. Gross profit will be an indicator of how well the Company is managing its raw material costs, variable production costs, and customer contract negotiations.

Management believes that EBITDA is a measure of how efficiently and effectively the Company’s business is running. Net income is also viewed as an important measure for determining the value created for shareholders.

Measurement

Below under “Quarterly Results“ and “Results of Operations” are two tables the Company uses to assess performance. The first table presents the Company’s consolidated results for the last eight quarters. The

second table sets out the Company’s consolidated results for the quarter and nine months ended December 31, 2009, compared with the same periods last year.

Table 1 - Quarterly Results

<i>in thousands of Canadian dollars except per share and percentage data</i>	Fiscal 2010			Fiscal 2009		Fiscal 2008		
	Q3	Q2	Q1	Q2	Q1	Q4	Q3	Q2
Revenues	67,034	67,684	58,928	84,953	76,531	78,161	49,681	34,506
Gross profit	15,607	14,349	14,608	18,977	17,313	19,104	12,320	8,256
Gross profit (% of revenues)	23.3%	21.2%	24.8%	22.3%	22.6%	24.4%	24.8%	23.9%
Selected operating expenses:								
Selling	1,762	1,115	660	1,617	1,708	1,738	2,185	1,236
General and administrative	2,804	1,556	1,772	2,614	2,114	2,445	1,785	1,214
Stock-based compensation	391	391	565	556	592	593	804	264
Finance costs	523	364	206	(18)	305	208	84	88
Pre-operating costs	114	56	264	38	128	52	250	100
Other income	57	15	52	51	309	-	131	36
Gain on sale of non-operating subsidiary	-	-	-	-	-	-	99	-
Income taxes	1,364	1,284	1,635	1,510	824	1,168	675	561
Income taxes (% of revenues)	2.0%	1.9%	2.8%	1.8%	1.1%	1.5%	1.4%	1.6%
Effective tax rate (% of income before taxes)	13.5%	11.8%	14.6%	10.6%	6.5%	8.3%	9.1%	10.9%
Net income	8,706	9,598	9,558	12,711	11,951	12,870	6,767	4,565
Net income (% of revenues)	13.0%	14.2%	16.2%	15.0%	15.6%	16.5%	13.6%	13.2%
EBITDA	11,618	12,262	12,607	15,296	13,983	14,967	8,222	5,830
EBITDA (% of revenues)	17.3%	18.1%	21.4%	18.0%	18.3%	19.1%	16.5%	16.9%
Earnings per share (in \$):								
Basic	0.18	0.21	0.21	0.28	0.27	0.32	0.16	0.12
Diluted	0.18	0.20	0.20	0.28	0.27	0.31	0.15	0.11

Table 2 - Results of Operations**Consolidated Results**

The following table sets out the Company’s consolidated results for the quarter and nine months ended December 31, 2009, compared with the same periods last year.

<i>In thousands of Canadian dollars except per share and percentage data</i>	December 31		Increase (Decrease)	% Increase (Decrease)	December 31		Increase (Decrease)	% Increase (Decrease)
	Q3 2010	Q1 2009			YTD 2010	YTD 2009		
Revenues	67,034	76,531	(9,497)	(12.4%)	193,646	204,373	(10,727)	(5.2%)
Gross profit	15,607	17,313	(1,706)	(9.9%)	44,564	48,737	(4,173)	(8.6%)
Gross profit (% of revenues)	23.3%	22.6%	0.7%	3.1%	23.0%	23.8%	(0.8%)	(3.4%)
Selling expenses	1,762	1,708	54	3.2%	3,537	5,632	(2,095)	(37.2%)
Selling expenses (% of revenues)	2.6%	2.2%	0.4%	18.2%	1.8%	2.8%	(1.0%)	(35.7%)
G & A	2,804	2,114	690	32.6%	6,132	6,344	(212)	(3.3%)
G & A (% of revenues)	4.2%	2.8%	1.4%	50.0%	3.2%	3.1%	0.1%	3.2%
Stock-based compensation	391	592	(201)	(34.0%)	1,347	1,989	(642)	(32.3%)
Stock-based compensation (% of revenues)	0.6%	0.8%	(0.2%)	(25.0%)	0.7%	1.0%	(0.3%)	(30.0%)
Other income	57	309	(252)	(81.6%)	124	413	(289)	(70.0%)
Other income (% of revenues)	0.1%	0.4%	(0.3%)	(75.0%)	0.1%	0.2%	(0.1%)	(50.0%)
Income taxes	1,364	824	540	65.5%	4,283	2,667	1,616	60.6%
Income taxes (% of revenues)	2.0%	1.1%	0.9%	81.8%	2.2%	1.3%	0.9%	69.2%
Effective tax rate (% of net income before taxes)	13.5%	6.5%	7.0%	107.7%	13.3%	7.8%	5.5%	70.5%
EBITDA	11,618	13,982	(2,364)	(16.9%)	36,488	37,172	(684)	(1.8%)
EBITDA (% of revenues)	17.3%	18.3%	(1.0%)	(5.5%)	18.8%	18.2%	0.6%	3.3%
Net income (loss)	8,706	11,951	(3,245)	(27.2%)	27,862	31,590	(3,728)	(11.8%)
Net income (loss) (% of revenues)	13.0%	16.5%	(3.5%)	(21.2%)	14.4%	15.5%	(1.1%)	(7.1%)
Earnings per share								
Basic	0.18	0.27	(0.09)	(33.3%)	0.60	0.73	(0.13)	(17.7%)
Diluted	0.18	0.27	(0.09)	(33.3%)	0.59	0.71	(0.12)	(17.0%)
Weighted average number of common shares outstanding								
Basic	47,509,411	43,675,611			46,810,850	43,336,212		
Diluted	47,965,124	43,883,557			47,283,044	44,439,824		

Table 3 - Reconciliation to Canadian GAAP Net Income

The following table sets out the reconciliation of the Company’s consolidated GAAP net income to non-GAAP earning measure, specifically EBITDA, for the quarter and nine months ended December 31, 2009, compared with the same period last year. Management believes that EBITDA is a measure of how efficiently and effectively the Company’s business is running.

<i>In thousands of Canadian dollars</i>	Q3 2010	Q1 2009	YTD 2010	YTD 2009
Net Income	8,706	11,951	27,862	31,590
Add:				
Amortization	1,025	902	3,250	2,319
Interest Income	523	305	1,093	596
Income Tax Expense	1,364	824	4,283	2,667
EBITDA	11,618	13,982	36,488	37,172

Revenues

Revenues were \$67.0 million and \$193.7 million for the quarter and nine months ended December 31, 2009, respectively, compared with \$76.5 million and \$204.4 million for the same periods last year, representing a decrease of \$9.5 million (RMB 1.6 million increase) or 12.4% and \$10.7 million (RMB 112.4 million) or 5.2%, respectively. The decrease in revenue for the quarter and nine months ended December 31, 2009 is mainly due to lower selling prices on core and co-products as a result of lower raw material cost per tonne and foreign exchange losses. Average selling price was RMB 4,185 and RMB 5,060 for potassium nitrate and RMB 2,767 and RMB 3,061 for potassium sulphate for the quarter and nine months ended December 31, 2009, respectively. Average selling price for the quarter and nine months ended December 31, 2009 decreased by approximately RMB 2,512 and RMB 1,758 per ton for potassium nitrate and RMB 3,058 and RMB 1,964 per ton for potassium sulphate, respectively, over the same periods last year. However, production volume for the quarter and nine months ended December 31, 2009 actually increased by 56,737 tonnes and 94,996 tonnes, respectively, over the same periods last year. The annual run rate for the core products was at 320,000 tonnes as of December 31, 2009 and 2008.

During the quarter, Migao sold approximately 49,200 tonnes of lower grade potassium sulphate (lower potassium oxide content) that had very little value added with just some rudimentary processing and packaging. These products were sold to new vegetable farming customers as a strategy to help them control costs.

Revenues for the quarter ended December 31, 2009 decreased by \$0.7 million (RMB 12.1 million increase) or 1.0% compared with the previous quarter ended September 30, 2009. The decreased revenue is due to lower selling prices on products and foreign exchange losses. Average selling price for the quarter ended December 31, 2009 decreased by approximately RMB 1,348 per ton for potassium nitrate and RMB 473 per ton for

potassium sulphate compared with the previous quarter ended September 30, 2009. However, production volume actually increased compared to the previous quarter as a result of lower level of maintenance shutdowns at most facilities. Increase in production volumes for the quarter ended December 31, 2009 was 14,862 tonnes compared with the previous quarter ended September 30, 2009.

Migao earns all of its revenues in Chinese Renminbi (“RMB”). Accordingly, reported revenues will fluctuate with changes in the exchange rate of RMB to Canadian dollars. The following is a summary of the average foreign exchange rates between RMB and Canadian dollars.

Table 4

<i>Average Foreign Exchange Rates</i>	Q3 2010	Q2 2010	Q1 2009	YTD 2010	YTD 2009
RMB to Canadian dollars	0.1547	0.1607	0.1773	0.1621	0.1582
Canadian dollars to RMB	6.4641	6.2228	5.6402	6.1690	6.3211

Revenue decreased by \$9.8 million and increased by \$4.6 million as a result of foreign exchange losses and gains for the quarter and nine months ended December 31, 2009, respectively, compared to the same periods last year. Revenue for the quarter ended December 31, 2009 decreased by \$2.6 million compared with the previous quarter ended September 30, 2009.

Table 5 - The following is a summary of the Company’s facilities and production capacities as of December 31, 2008 and December 31, 2009.

	Core Product	2008 Annual Capacity (tonnes)	2009 Annual Capacity (tonnes)	Co- Product	2008 Annual Capacity (tonnes)	2009 Annual Capacity (tonnes)	Production Commencement
Sichuan	Potassium Nitrate	80,000	80,000	Ammonium Chloride	44,800	44,800	December 2003
Guangdong	Potassium Sulphate	160,000	160,000	Hydrochloric Acid	192,000	192,000	December 2004
Liaoning	Potassium Sulphate	40,000	40,000	Hydrochloric Acid	48,000	48,000	December 2005
Changchun	Potassium Sulphate	40,000	40,000	Hydrochloric Acid	48,000	48,000	December 2007
Total		320,000	320,000		332,800	332,800	

The Company continues to see demand for its core products: potassium nitrate and potassium sulphate, as well as its co-products: ammonium chloride and hydrochloric acid.

Table 6

Core Product	Quarterly Design Capacity (tonnes)	Volume Produced During the Quarter (tonnes)	Deliveries During the Quarter (tonnes)
Potassium Nitrate	20,000	21,386	21,348
Potassium Sulphate	60,000	101,960	99,542
Total	80,000	123,346	120,890

The Company’s potassium sulphate output is significantly above design capacity as a result of producing potassium sulphate with lower potassium oxide content.

Geographic Revenues

The Company earns virtually all of its revenues in the PRC, with only minor export sales. At the moment, there is no plan to have significant export sales until the current 105% export tax is reduced or at such time that Migao builds a production facility outside of the PRC. Currently, domestic Chinese demand consumes almost all of Migao’s production output.

Gross Profit

Gross profit was \$15.6 million and \$44.6 million for the quarter and nine months ended December 31, 2009, respectively, compared to \$17.3 million and \$48.7 million for the same periods last year, representing a decrease of \$1.7 million (or 9.9%) and \$4.1 (or 8.6%), respectively. Gross margin as a percentage of sales for the quarter and nine months ended December 31, 2009 increased by 0.7% to 23.3% (from 22.6%) and decreased by 0.8% to 23.0% (from 23.8%), respectively, compared with the same periods last year. The decrease in gross profit was due to lower selling prices as a result of lower potash cost per tonne and the sale of lower grade potassium sulphate (lower potassium oxide content) with minimum value added. The increase in gross margin percentage for the quarter compared to the same period last year is as a result of the timing of raw material purchases in a period of decreasing potash pricing.

Gross profit for the quarter ended December 31, 2009 increased by \$1.3 million (or 8.8%) to \$15.6 million (from \$14.3 million) compared with the previous quarter ended September 30, 2009. Gross margin as a percentage of sales for the quarter ended December 31, 2009 increased by 2.1% to 23.3% (from 21.2%) compared with the previous quarter ended September 30, 2009. Increase in gross profit and gross margin were due to the timing of raw material purchases in a period of decreasing potash pricing.

The Company expects gross profit margins on an annual basis for its core products to be within its targeted range of between 22% and 24% of revenues.

Selling Expenditures

Selling expenditures for the quarter and nine months ended December 31, 2009 increased by \$0.1 million (or 3.2%) to \$1.8 million (from \$1.7 million) and decreased by \$2.1 million (or 37.2%) to \$3.5 million (from \$5.6 million), respectively, compared with the same periods last year. Selling expenditures as a percentage of sales for the quarter and nine months ended December 31, 2009 increased by 0.4% to 2.6% (from 2.2%) and decreased by 1.0% to 1.8% (from 2.8%), respectively, compared with the same periods last year.

Selling expenditures for the quarter ended December 31, 2009 increased by \$0.7 million (or 58.0%) to \$1.8 million (from \$1.1 million) compared with the previous quarter ended September 30, 2009. Selling expenditures as a percentage of sales for the quarter ended December 31, 2009 increased by 1.0% to 2.6% (from 1.6%) compared with the previous quarter ended September 30, 2009. This increase was as a result of higher freight-out costs as customer mix changed, so that the Company was responsible for a higher percentage of shipping costs.

Selling expenditures include transportation and related costs incurred for delivery of goods to customers. Excluding transportation cost, the majority of selling costs are fixed.

General and Administrative Expenditures

General and administrative expenditures for the quarter and nine months ended December 31, 2009 increased by \$0.7 million (or 32.6%) to \$2.8 million (from \$2.1 million) and decreased by \$0.2 million (or 3.3%) to \$6.1 million (from \$6.3 million), respectively, compared with the same periods last year. General and administrative expenditures as a percentage of sales for the quarter and nine months ended December 31, 2009 increased by 1.4% to 4.2% (from 2.8%) and 0.1% to 3.2% (from 3.1%), respectively, compared with the same periods last year.

General and administrative expenditures for the quarter ended December 31, 2009 increased by \$1.2 million (or 80.2%) to \$2.8 million (from \$1.6 million) compared with the previous quarter ended September 30, 2009. General and administrative expenditures as a percentage of sales for the quarter ended December 31, 2009 increased by 1.9% to 4.2% (from 2.3%) compared with the previous quarter ended September 30, 2009. General and administrative expenses have increased as a result of Internal Audit reviews, conversion to IFRS, and tax planning.

General and administrative expenditures include finance staff, human resources, and management staff as well as facilities expenses, supplies and non-production equipment depreciation. It also includes corporate level expenses such as legal, accounting, auditing, consulting and directors’ fees. The majority of these costs are, for the most part, fixed and therefore fluctuate to a much lesser extent in relation to revenues. General and administrative expenditures in future year over year are expected to increase as a result of internal audit, continued internal control reviews, and conversion to IFRS.

Income Taxes

Income taxes for the quarter and nine months ended December 31, 2009 increased by \$0.6 million (or 65.5%) to \$1.4 million (from \$0.8 million) and \$1.6 million (or 60.6%) to \$4.3 million (from \$2.7 million), respectively, compared with the same periods last year. Income taxes as a percentage of sales for the quarter and nine months ended December 31, 2009 increased by 0.9% to 2.0% (from 1.1%) and by 0.9% to 2.2% (from 1.3%), respectively, compared with the same periods last year. Effective tax rate for the quarter and nine months ended December 31, 2009 increased by 7.0% to 13.5% (from 6.5%) and by 5.5% to 13.3% (from 7.8%), respectively, compared with the same periods last year.

Income taxes for the quarter ended December 31, 2009 increased by \$0.1 million (or 6.2%) to \$1.4 million (from \$1.3 million) compared with the previous quarter ended September 30, 2009. Income taxes as a percentage of sales for the quarter ended December 31, 2009 increased by 0.1% to 2.0% (from 1.9%) compared with the previous quarter ended September 30, 2009. Effective tax rate for the quarter ended

December 31, 2009 increased by 1.7% to 13.5% (from 11.8%) compared with the previous quarter ended September 30, 2009.

Income tax is levied on a calendar year basis separately for each subsidiary of the Company in accordance with the tax regulations of the PRC. Each of the Company’s operating subsidiaries has been and will be enjoying the “Exempt Two, Reduced Three” income tax policy for being Foreign Invested Enterprise (“FIE”), and is income tax exempt for the first two profitable years and at a reduced rate (50% of normal State level income tax plus local tax) for the next three profitable years.

Income taxes has increased as some of the operating subsidiaries are experiencing higher tax rates as they are coming to the end of their Exempt Two, Reduced Three favourable tax treatment period.

Earnings

Net earnings for the quarter and nine months ended December 31, 2009 decreased by \$3.2 million (or 27.2%) to \$8.7 million (from \$11.9 million) and \$3.7 million (or 11.8%) to \$27.9 million (from \$31.6 million), respectively, compared with the same periods last year. Net earnings as a percentage of sales for the quarter and nine months ended December 31, 2009 decreased by 3.5% to 13.0% (from 16.5%) and by 1.1% to 14.4% (from 15.5%), respectively, compared with the same periods last year. Decrease in net earnings and net earnings percentage were due to lower selling prices as a result of lower potash cost per tonne and higher tax rates.

Net earnings for the quarter ended December 31, 2009 decreased by \$0.9 million (or 9.3%) to \$8.7 million (from \$9.6 million) compared with the previous quarter ended September 30, 2009. Net earnings as a percentage of sales for the quarter ended December 31, 2009 decreased by 1.2% to 13.0% (from 14.2%) compared with the previous quarter ended September 30, 2009. Decrease in net earnings and net earnings percentage were due to slightly lower selling prices, higher selling expenses, and increased general and administrative expenditures.

Earnings per Share

Earnings per share was \$0.18 (\$0.18 fully diluted) and \$0.60 (\$0.59 fully diluted) for the quarter and nine months ended December 31, 2009, respectively, compared with \$0.27 (\$0.27 fully diluted) and \$0.73 (\$0.71 fully diluted) for the same periods last year, representing a decrease of \$0.09 (or 33.3%) and \$0.13 (or 17.7%), respectively.

Basic earnings per share for the quarter ended December 31, 2009 decreased by \$0.03 (or 14.3%) to \$0.18 (from \$0.21) compared with the previous quarter ended September 30, 2009.

On December 10, 2009, the Company completed a bought deal public offering of 5,681,000 common shares priced at \$7.10 per share. As a result of the offering, the Company’s weighted average number of common shares outstanding is higher than the previous quarter.

Decrease in earnings per share was due to lower selling prices as a result of lower potash cost per tonne and a higher number of shares outstanding.

The total stock-based compensation expense for the quarter and nine months ended December 31, 2009 was \$0.4 million and \$1.3 million, respectively, resulting in a decrease of \$0.01 (\$0.01 fully diluted) and \$0.02 (\$0.03 fully diluted) on earnings per share.

EBITDA (please see table 3)

EBITDA for the quarter and nine months ended December 31, 2009 decreased by \$2.4 million (or 16.9%) to \$11.6 million (from \$14.0 million) and by \$0.7 million (or 1.8%) to \$36.5 million (from \$37.2 million), respectively, compared with the same periods last year. EBITDA as a percentage of sales for the quarter and nine months ended December 31, 2009 decreased by 1.0% to 17.3% (from 18.3%) and increased by 0.6% to 18.8% (from 18.2%), respectively, compared with the same periods last year. Decrease in EBITDA and EBITDA percentage were due to lower selling prices and higher general and administrative expenditures.

EBITDA for the quarter ended December 31, 2009 decreased by \$0.7 million (or 5.3%) to \$11.6 million (from \$12.3 million) compared with the previous quarter ended September 30, 2009. EBITDA as a percentage of sales for the quarter ended December 31, 2009 decreased by 0.8% to 17.3% (from 18.1%) compared with the previous quarter ended September 30, 2009. Decrease in EBITDA and EBITDA percentage were due to slightly lower selling prices and higher selling expenses and higher general and administrative expenditures.

Table 7 - Liquidity and Capital Resources

(in thousands of Canadian dollars except for ratios)

	December 31, 2009	March 31, 2009
Current Ratio	3.08:1	5.40 : 1
Cash and Cash Equivalents	128,025	41,688
Working Capital	184,562	146,210
Total Assets	355,473	275,192
Total Debt	88,714	33,639
Total Equity	266,759	241,553
Debt to Equity Ratio	0.33:1	0.14 : 1
Debt to Equity Percentage	33%	14%

The Canadian dollar/RMB foreign exchange rate used to translate the assets and liabilities was 6.5232 at December 31, 2009, compared to 5.4230 at March 31, 2009, representing 20.1% depreciation in RMB. For the quarter ended December 31, 2009, net assets would have been 20.1% higher if using the same rate as at the end of the period ended March 31, 2009.

Cash Position

Cash and cash equivalents totaled \$128.0 million as of December 31, 2009, representing an increase of \$86.3 million and \$91.8 million compared with the balances as of March 31, 2009 and September 30, 2009, respectively. The increase for the three months ended December 31, 2009 is a result of \$53.9 million cash inflow from operations and \$0.1 million net proceeds from bank loans, \$37.9 million proceeds from issuance of common shares, \$2.8 million refund from prepayment for equipment, offset by \$1.0 million foreign exchange loss, and \$1.9 million invested in capital assets and construction mainly for the expansion of Sichuan Migao, Liaoning Migao, and SQM-Sichuan JV.

Migao has approximately \$0.6 million of land use rights payable.

The Company believes that its current cash position, working capital and cash flow is sufficient to meet the current ongoing needs of the business, which includes budgeted production expansion activities and budget production level. As a result of long standing and strong credit relationships, a China based development bank has provided Migao working capital lines of credit of approximately RMB 180 million and project financing lines of credit of approximately RMB 137 million.

Working Capital

Working capital was \$184.6 million as of December 31, 2009, representing an increase of \$38.4 million and \$48.2 million compared with balances as of March 31, 2009 and September 30, 2009, respectively. This latter increase is primarily attributable to \$91.8 million increase in cash and cash equivalents, \$9.0 million increase in restricted cash, \$0.9 million decrease in bank loan, \$0.6 million decrease in net tax payable, and offset by \$3.0 million decrease in accounts receivable, \$20.3 million decrease in prepayments, deposits and other assets, \$0.1 million decrease in net due from related parties, \$7.3 million decrease in inventory, \$9.5 million increase in accounts payable and accrued liabilities and notes payables, and \$13.9 million increase in customer deposits.

Restricted cash increased by \$9.0 million or 163.15% at December 31, 2009 compared to the balance at September 30, 2009. Restricted cash increased due to an increase in notes payables, resulting in banks requiring additional cash deposits as pledge for notes payables.

Bank loans decreased by \$0.9 million or 2.31% at December 31, 2009 compared to the balance at September 30, 2009 due to the Company paying down some of its bank loans. During the quarter, the Company completed a public offering to provide the Company with sufficient funding for future expansions, strategic raw material purchases, and other opportunities.

Accounts receivable decreased by \$3.0 million or 14.75% at December 31, 2009 compared to the balance at September 30, 2009. Accounts receivable decreased as a result of the Company ceasing to give customers credit terms that were previously granted as a purchase incentive to maintain margin and demands. The Company’s year to date average days of sales outstanding (DSO) at December 31, 2009 and September 30,

2009 were 26 and 55 days respectively. The Company had no bad debt expense in the quarter ended December 31, 2009 and September 30, 2009.

Prepayments, deposits and other assets decreased by \$20.3 million or 21.75% at December 31, 2009 compared to the balance at September 30, 2009. Prepayments, deposits and other receivables decreased substantially due to decreased investments in capital assets and construction as the expansion of Sichuan Migao and Liaoning Migao are substantially completed. Prepayments, deposits and other assets also decreased due to decreased per tonne potash purchase prices.

Total inventory decreased by \$7.3 million or 16.13% at December 31, 2009 compared to the balance at September 30, 2009. Inventory decreased due to timing of raw material purchases and deliveries in a period of decreasing potash pricing.

Accounts payable and accrued liabilities and notes payables increased by \$9.5 million or 60.35% at December 31, 2009 compared to the balance at September 30, 2009 due to the management’s efforts to better manage the working capital in current market conditions.

Customer deposits increased by \$13.9 million or 242.47% at December 31, 2009 compared to the balance at September 30, 2009. Customer deposits increased as a result of more customers paying in advance after the company ceased to extend credit terms to long term customers and the addition of new co-product customers.

At the end of the period, the Company had \$25.0 million (64,292 tonnes) of potassium chloride inventory with an average delivered price of \$389 per tonne, of which 37,862 tonnes were on hand and the remainder in transit. In addition, during the quarter, the Company sold 21,348 tonnes of potassium nitrate and 99,542 tonnes of potassium sulphate, and at the end of the period, the Company had \$8.4 million (65,554 tonnes) of finished goods inventory on hand, including co-products.

Plant and Equipment, Construction in Progress, Land Use Rights

Plant and equipment net of accumulated depreciation and amortization was \$49.5 million at December 31, 2009 compared with \$52.2 million and \$49.6 million as of March 31, 2009 and September 30, 2009, respectively.

Construction in progress was \$11.1 million at December 31, 2009, compared with \$16.0 million and \$12.3 million as of March 31, 2009 and September 30, 2009, respectively. These balances consist mainly of the construction costs attributable to expenses at Liaoning Migao sulphuric acid facility and additional potassium sulphate capacity at Shanghai Migao.

Land use rights net of accumulated amortization was \$18.8 million at December 30, 2009 compared with \$25.1 million and \$20.4 million as of March 31, 2009 and September 30, 2009, respectively. The decrease is mainly due to unrealized foreign exchange losses on land use rights as well as Sichuan Migao selling one of its land use rights to Sichuan-SQM JV during the quarter.

Contractual Obligation Summary

- Purchase contracts for raw materials and supplies in the amount of approximately \$30.7 million exist as of December 31, 2009. They were entered into in the normal course of business.
- Commitments on capital expenditures in the amount of approximately \$1.9 million exist as of December 31, 2009. They were entered into in the normal course of business.

The following table summarizes our contractual obligations (in thousands of Canadian dollars) as at December 31, 2009, and the effect such obligations are expected to have on our liquidity and cash flows in future years. The table excludes amounts already recorded on the consolidated balance sheet as current liabilities and certain other purchase obligations discussed above.

Table 8

	2010	2011	2012 and thereafter
Operating lease	\$ 72	\$ 73	36

Report on Controls***Disclosure Controls and Procedures***

Management has evaluated the effectiveness of the Company’s disclosure controls and procedures as at December 31, 2009 and has concluded, based on its evaluation, that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and reported as required.

Internal Control over Financial Reporting

Management is also responsible for the design of internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company has reviewed the organizational structure of the accounting group in the PRC and with the approval of the Audit Committee has retained KPMG LLP to assist in the strengthening of its resources to reflect the Company’s growth plans. KPMG LLP will assist in Internal Audit, Internal Controls review and implementation, other support services, and continued compliance under NI52-109. These services will be critical for the Company’s development of the three new planned production facilities, joint venture production facility, and its developing international expansion plans. KPMG LLP commenced their work during the quarter ended September 30, 2009 with a review of the corporate office and Guangdong Migao. In the current quarter ended December 31, 2009, KPMG LLP performed reviews of the other three operating facilities and began testing at the corporate office and Sichuan Migao.

The consultants have made recommendations and the Company has implemented the improvement in certain aspects of the Company’s system of internal controls, including formalizing approval and review processes by using checklists and initialing source documents, and performing reconciliations and other accounting worksheets on a more consistent basis.

Other control factors that readers should be aware of include the fact that the Company maintains a lean financial department in which finance staff are cross-trained to handle non-compatible functions in case of emergency, illness, staff turnover or other situations. This cross-training could result in a lack of segregation of duties. Management mitigates this risk by tracking when incompatible functions are performed and providing additional review and oversight at such times. Despite management’s best efforts, there can be no assurance that the risk of material misstatement occurring during such periods can be reduced. Also, the Company does not have a significant number of staff that possess an understanding of Canadian GAAP given that the Company operates primarily in the PRC, and PRC accounting follows policies are prescribed and required by the PRC tax authorities. This situation should improve as Canada and China convert to IFRS.

It should be noted that while the officers of the Company have certified the Company’s Annual Filings, they do not expect that the disclosure controls and procedures or internal controls over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or implemented, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

Capital Structure

The Company is authorized to issue an unlimited number of common shares and unlimited number of preference shares, each common share providing the holder with one vote. As of February 11, 2010, there were:

- 52,140,661 common shares outstanding.
- 1,520,000 stock options outstanding, with exercise prices of between \$2.85 to \$9.93, and weighted average remaining life of 2.98 years. 1,028,333 of these stock options are exercisable as of February 11, 2010.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Migao including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Transactions with Related Parties

During the quarter ended December 31, 2009, the Company paid or accrued service fees of \$Nil for services performed by Liaoning Yongcheng Economic and Trade Development Co. Ltd. (“LYEDC”). Due to the

difficulty in determining the fair market value and the cost of these services being immaterial, the value of these contributed services were not recognized in the financial statements. The services provided by LYEDC are administrative services such as secretarial, language translations, travel arrangements in China, and raw materials co-ordination. LYEDC has also provided corporate guarantees on \$9.2 million of the Company’s short-term bank loans outstanding as of December 31, 2009.

In addition, the Company paid an excess of \$28,483 to Beijing Wei De Sen (“BWDS”) for the cost of motor vehicles it previously purchased on behalf of the Company. The motor vehicles were purchased to facilitate the pre-operating activities of one of the Company’s non-operating subsidiaries. These transactions were in the normal course of business and were measured at the exchange amounts, which are the amounts agreed upon by the parties. BWDS and LYEDC are controlled by an officer and director of Migao.

During the quarter ended December 31, 2009, an officer and director of the Company had forgiven his salary of \$25,000. The forgiven salary has been included in the Company’s contributed surplus.

Proposed Transactions

Migao is not a party to any proposed transaction or proposed asset or business acquisition or disposition, with the exception of the expansion plans described below, that may have an effect on the financial condition, results of operations or cash flows.

Outlook

Based on market information and estimates of Chinese speciality potash fertilizer companies, management believes Migao is positioned to become the leading producer of specialty potash fertilizer in the Chinese market. As China's citizens continue to benefit from strong economic growth, demand for improved crop yield, higher quality food and increased variety is fuelling the growth of the fertilizer market in China. The Company’s specialty fertilizers increase yield, enhance the quality of the crops they are applied to, and provide a higher return to farmers, allowing the Company to continue experiencing high demand for its potash-based products in the PRC.

Global demand and controlled supply for potassium chloride (“MOP”) has resulted in significant changes in the Company’s raw material costs. China’s government has responded to volatile fertilizer costs by announcing and implementing several policies including those affecting fertilizer exports from China and selling prices of MOP and compound fertilizers within China. The policies are an effort to ensure adequate domestic supply of fertilizer and food, and to the extent possible, moderate upswings in food prices. No policies have been announced or implemented to directly restrict the selling price of specialty potash fertilizers within China.

To accelerate revenue growth, the Company has undertaken the following projects to expand production capacity either at existing locations or by building facilities at new locations:

Sichuan Migao

Sichuan Migao is currently operating at full production capacity of 80,000 tonnes of potassium nitrate per year. During calendar 2008, the facility added the capability to produce potassium nitrate in an upgraded form and phase-in production began in December 2008. In addition, a 100,000 tonne per year compound fertilizer facility was constructed and test batch production began in March 2009. The first deliveries of products from the compounding facility are anticipated to occur during the fourth quarter of fiscal 2010. The upgraded potassium nitrate and the specialty compound fertilizer facility allow the Company to increase its competitive advantage.

Guangdong Migao

Construction of an additional 60,000 tonnes of annual potassium sulphate capacity is completed and production began in mid-November 2008. Both the production schedule and the construction costs were in line with the Company’s expectations. The expanded production capacity brings the total annual production capacity of the Guangdong Migao facility to 160,000 tonnes of potassium sulphate. This facility also has the ability to produce lower grade potassium sulphate that results in a higher output compared to the regular design capacity.

Changchun Migao

A potassium sulphate facility, with 40,000 tonnes of initial capacity, was constructed in the city of Changchun, province of Jilin. The facility was completed on October 18, 2007 and production began on December 21, 2007. The project was on budget and completed ahead of schedule. The facility has been running at full production since the beginning of calendar 2008.

Liaoning Migao

On April 2, 2008, the Company announced plans to build a 120,000 tonne per annum sulphuric acid production facility. Construction is completed. Sulphuric acid pricing in the last several months has been at a level that has resulted in the Company being able to purchase the product at a price that is lower than the manufacturing cost. Sulphuric prices have recently started to increase and it is anticipated that prices will be at a level in calendar 2010 to justify start-up of the sulphuric acid plant. Sulphuric acid from this facility will be consumed by Liaoning Migao and nearby Changchun Migao for the production of potassium sulphate.

Shanghai Migao

A potassium sulphate facility with 40,000 tonnes of initial annual capacity in Shanghai is expected to be completed during calendar 2010. Delays at the Shanghai construction site are a result of delays in receiving necessary approvals from Chinese government officials and resources which are being allocated to local prioritized government construction projects. These approvals were obtained at the end of May 2009, allowing for the completion of construction scheduled to be completed during calendar 2010.

Tianjin Migao

A potassium sulphate facility with 40,000 tonnes of initial annual capacity will be constructed in the city of Tianjin. Construction will begin as soon as necessary environmental approvals are obtained from Chinese government. It is anticipated that this will not occur until after calendar 2010.

Zunyi Migao

A potassium sulphate facility with 40,000 tonnes of initial annual capacity will be constructed in the city of Zunyi. Delays at the Zunyi construction site are a result of delays in the construction of a public road connected to the construction site. Construction of the facility will begin as soon as the public road is built by the Chinese government. It is anticipated that this will not occur until after calendar 2010.

Joint Venture with SQM

A potassium nitrate facility, jointly owned 50/50 by the Company and Chile-based SQM, with 40,000 tonnes of initial annual capacity, is scheduled to be completed during calendar 2010.

International Expansion

The Company is currently reviewing and performing due diligence on a business plan to expand outside of China. The area of expansion would be in Southern Asia, near China’s borders. This expansion outside of China is to open up international markets without the penalty of the current 105% export tax. The expansion plan, once final approved by Migao’s Board of Directors, may result in prioritizing Southeast Asia expansion over later stage planned expansion projects in China. Migao has limited project management resources to execute all expansion plans. Future expansions will have to be prioritized based on profitability and payback.

Capital Expenditure Summary

For the quarter and nine months ended December 31, 2009, the total capital expenditure paid for all of the expansion projects noted above as well as plant and equipment additions was \$3.5 million and \$12.7 million, respectively. For the year ended March 31, 2010, the capital expenditure is budgeted for approximately \$25 million.

Table 9 - The following is a summary of the Company’s facilities and expected production capacities as of February 11, 2010.

	Core Product	Annual Capacity (tonnes)	Co-Product	Annual Capacity (tonnes)	Production Commencement
Sichuan	Potassium Nitrate	80,000	Ammonium Chloride	44,800	December 2003
Guangdong	Potassium Sulphate	160,000	Hydrochloric Acid	192,000	December 2004
Liaoning	Potassium Sulphate	40,000	Hydrochloric Acid	48,000	December 2005
Changchun	Potassium Sulphate	40,000	Hydrochloric Acid	48,000	December 2007
Total		320,000		332,800	

	Other Products	Annual Capacity (tonnes)	Production Commencement
Sichuan	Compound Fertilizer	100,000	January 2010
Liaoning	Sulphuric Acid	120,000	TBD based on Sulphuric acid pricing

Revenue and Margin Guidance

It is anticipated that revenues for fiscal 2010 will be in the range of \$240 million to \$270 million. This forecast is based on the assumptions that the Company will be producing at full capacity, potassium chloride prices will be in the range of USD \$350 to USD \$400 per tonne, and prevailing foreign exchange rate will be in the range of 5.9 and 6.2.

Based on historical performance, the Company is aiming to achieve gross profit for its core products in the range of 22% to 24% of revenue on an annual basis. The inputs into the Company’s production process can be expensive and volatile in terms of price. Gross profit will be an indicator of how well the Company is managing its raw material costs, variable production costs, and customer contract negotiations.

Management undertakes no obligation to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. The forward-looking statements made in this MD&A describe our expectations as at February 11, 2010.

Forward guidance is reviewed and approved by the Audit Committee and the Board of Directors at each quarter end and year end meetings. Currently, with the volatility of the Canadian dollar and potash pricing, the Company may cease to give revenue range guidance in future MD&As.

Critical Accounting Policies

This MD&A should be read in conjunction with the Company’s unaudited Consolidated Financial Statements for the three and nine months periods ended December 31, 2009 and the audited Consolidated Financial Statements for the year ended March 31, 2009 and the notes thereto. Those Consolidated Financial Statements

outline the accounting principles and policies used to prepare our financial statements. The critical accounting policies of the Company are outlined in our Fiscal 2009 MD&A and remain substantially unchanged. Accounting policies are critical if they rely on a substantial amount of judgment in their application or if they result from a choice between accounting alternatives and that choice has a material impact on reported results or financial position.

Accounting policy changes including initial adoption

On May 18, 2008, the Company and Sociedad Quimica y Minera de Chile S.A. (“SQM”) entered into an agreement to create a joint venture, Sichuan-SQM JV, for the production of potassium nitrate in PRC. The SQM JV will be owned 50/50 by Migao (through H.K. Migao) and SQM. The Company’s 50% interest in the SQM JV, which is subject to joint control, is consolidated on a proportionate basis whereby the Company includes in these consolidated financial statements its proportionate share of the assets, liabilities, revenues, and expenses of the joint venture.

In addition, H.K. Migao has engaged a Canadian based investment bank as its exclusive financial advisor in connection with a bank debt financing for the Company. In accordance with the agreement with the investment bank, the Company will pay a fee equal to 1.5% of the gross proceeds raised. As of December 31, 2009, lines of credit of \$48.6 million (RMB 317.3 million) relating to the bank debt financing have been finalized and approved. Beginning this quarter, the Company’s transaction costs that are directly attributable to the bank debt financing are amortized using the effective interest method. The unamortized portion related to bank loans withdrawn from the lines of credit is shown as a reduction of bank loans. The unamortized portion related to the unused portion of the lines of credit is recorded in prepayments, deposits and other assets.

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for profit-oriented publicly accountable enterprises to use IFRS, replacing Canadian GAAP for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is required to adopt IFRS for the year beginning April 1, 2011 and is required to restate the comparative figures.

The company commenced its conversion project during Q-1 Fiscal 2010 and established a formal project governance structure. An IFRS Steering Committee was formed to monitor the progress and critical decisions in the transition to IFRS. The Steering Committee consists of the Audit Committee chairman and senior financial and accounting management. Members of the Steering Committee have attended various level of educational training on the conversion to IFRS. In addition an external advisor has been engaged to assist with the conversion. Regular reporting is provided by the Steering Committee to the Audit Committee of the Board of Directors. This reporting will continue until full implementation of IFRS is completed with the release of the March 31st 2012 Audited Financial statements.

The IFRS conversion project consists of three phases: Diagnostic, Solution Development and Implementation and Execution. During Q-2 Fiscal 2010 we completed the Diagnostic phase, which involved a high level preliminary assessment of the differences between Canadian GAAP and IFRS and the potential effects of IFRS to accounting and reporting processes. This assessment has provided insight as to the most significant areas of difference applicable to the company. This assessment included property and equipment, leases and land use rights.

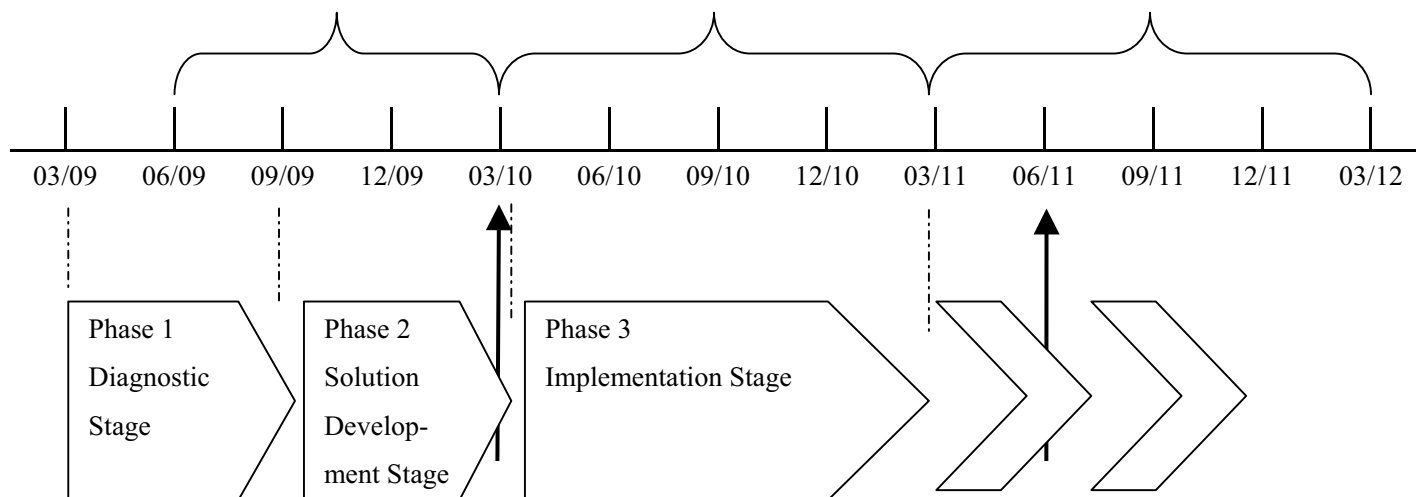
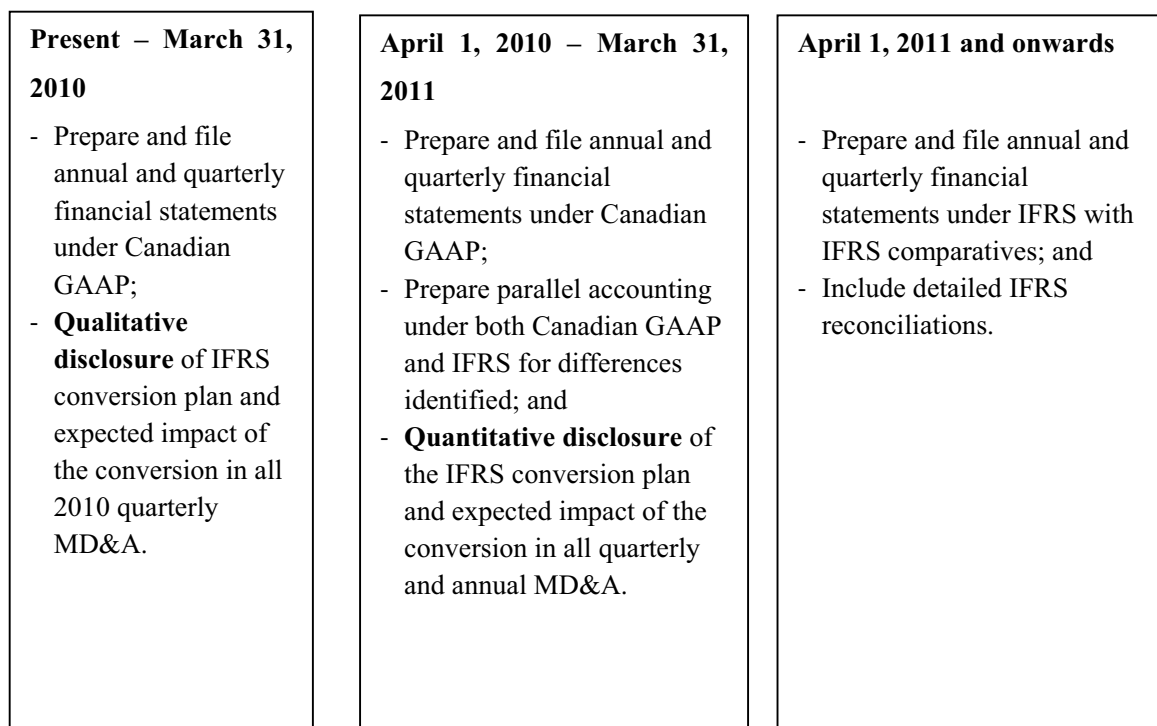
The Steering Committee has an IFRS transition plan that will include a timetable for assessing the impact on systems, Internal Controls over financial reporting and business activities. During Q-3 Fiscal 2010 the solution development phase of the project was worked on, so that options and recommendations can be developed. As part of this process in-depth reviews of accounting policy impacts, as well as the associated impacts of the IFRS transition to the business. The target is to complete the solution development phase by the end of Q-4 Fiscal 2010.

The Steering Committee will monitor standards development as issued by the International Accounting Standards board and the AcSB, as well as regulatory developments as issued by the Canadian Securities Administrators (CSA), which may affect the timing, nature or disclosure of the IFRS adoption.

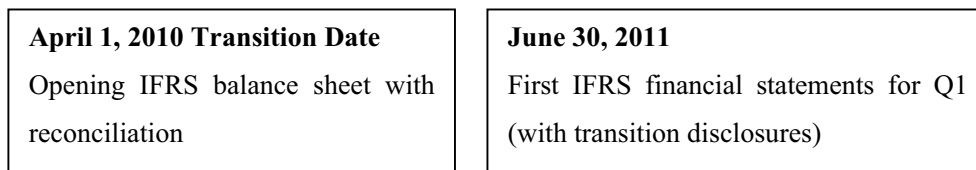
The transition from Canadian GAAP to IFRS is a significant undertaking that may materially affect the reported financial position and results of operations. The Solution development phase is currently in process and draft IFRS skeleton financial statements have been prepared as a comparison to current Canadian GAAP statements. The Company has yet to finalize and seek Audit Committee approval of accounting policy choices and IFRS exemptions. At this time the Company is unable to quantify all of the impact of IFRS on the financial statements.

Changes in regulations or economic conditions at the date of change over or throughout the project could result in changes to the transition plan.

IFRS Project Timeline



Completed



In January 2009, the CICA issued Handbook Sections 1582 - Business Combinations (“Section 1582”), Section 1601 - Consolidated Financial Statements (“Section 1601”), and Section 1602 - Non-controlling Interests (“Section 1602”). Section 1582 replaces CICA Handbook Section 1581- Business Combinations and establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after April 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 replaces CICA Handbook Section 1600 - Consolidated Financial Statements. These new sections establish standards for the preparation of consolidated financial statements. Sections 1601 and 1602 are applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning April 1, 2011. Early adoption of these sections is permitted. If the Company chooses to early adopt any one of these sections, the other two sections must also be adopted at the same time. The Company does not expect the adoption of these new sections to have a material impact on its consolidated financial position or results of operations unless transactions occur.

Financial Instruments and Other Instruments

Migao is not a party to any financial instrument, as the term is defined in National Instrument 51-102F1, paragraph 1.14.

Risk Factors

The Company is exposed to a variety of risks in the normal course of operations. In the Annual Information Form of the Company dated June 26, 2009, it provided a detailed review of the risks that could affect its financial condition, results of operations or business and that could cause actual results to differ materially from those expressed in our forward-looking statements. In management’s opinion, there has been no material change in the nature or magnitude of the risks faced by the Company.