

MAGINDUSTRIES CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of MagIndustries Corp. ("MagIndustries" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2009. This discussion dated March 25, 2010 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2009 and the notes thereto. Financial results are reported in United States dollars unless otherwise stated, and have been prepared in accordance with Canadian generally accepted accounting principles.

The Company trades in Canadian currency on the Toronto Stock Exchange (TSX) under the symbol MAA. Further information about the Company and its operations can be obtained from its website www.magindustries.com or www.sedar.com.

OUR BUSINESS

MagIndustries is focused on the development of the MagMinerals Potash Corp.'s ("MagMinerals") Mengo Potash Project (the "Project") which consists of a 1.2 million tonne per year potash mine and processing plant to be constructed in two phases of 600,000 tonnes per year each. The Project is located near the village of Mengo, 25 kilometers east of the Atlantic port city of Pointe-Noire, Republic of Congo. MagIndustries' other resource subsidiaries (MagForestry, MagMetals and MagEnergy) are operating and developing major industrial projects in the Republic of Congo ("ROC") and the Democratic Republic of Congo ("DRC"). MagIndustries is implementing independent stand-alone resource projects that, when combined and integrated, will create a strong agile company which can continue to grow and create long term value and profits for its shareholders.

EXECUTIVE SUMMARY

During 2009 MagIndustries continued its focus on the Project in these areas:

- Continuing to sign key agreements such as a gas supply agreement;
- Continuing engineering, gas pipeline and other early construction works, and production-scale brine well drilling programs;
- Continuing discussions with strategic investors;
- Continuing negotiations with potential debt providers; and
- Continuing discussions for additional sources of equity capital.

After MagMinerals signed a gas supply agreement for the Project during the first quarter of 2009, an agreement that represented the last significant cornerstone contract required for the full development of the Project, the Company's focus shifted more completely to financing the Project.

During the second quarter of 2009 MagIndustries raised gross proceeds of CAD\$30 million through a prospectus offering, which was in part used to fund the continuation of the engineering, gas pipeline and other early construction works, and production-scale brine well drilling programs for the Project.

On January 29, 2010, the Company executed a Project Development Framework ("PDF") with Complant, the business name of the China National Complete Plant Import & Export Company Limited. MagIndustries had previously reported that it had signed a memorandum of understanding with Sinohydro Corporation Limited ("Sinohydro") for an investment of common shares of MagIndustries to have been issued from treasury. However, in late November 2009, MagIndustries ceased exclusive negotiations with Sinohydro and started discussions with several other parties interested in investing in

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the Company and/or directly in the Project, including arranging the debt facility required to fund the Project. These discussions concluded with the signing of the PDF.

The PDF includes a number of key features relating to the development and construction of the Project, including:

- **Schedule of milestones:** The PDF includes a schedule of milestones to be achieved in the course of turning the framework into a comprehensive set of final agreements. The milestones relate to the completion of due diligence, the signing of definitive documents by the end of July 2010, and beginning construction of the Project by November 2010. Execution of definitive documents by the end of July 2010 is subject to a number of conditions including the receipt of all necessary government and shareholder approvals in China and Canada.
- **Engineering, Procurement and Construction Contract:** Subject to the terms and conditions of the PDF, the Company has agreed to appoint Complant as the Engineering, Procurement and Construction ("EPC") contractor for the Project. During the initial phase, Complant will review all of the Company's engineering designs and equipment providers with a view to identifying material reductions in costs to reach a total construction price for the Project. On the basis of this review of the Project, the Company and Complant are expected to enter into a definitive EPC contract to build the Project.
- **Term Sheet for Debt Facility:** Subject to the terms and conditions of the PDF, Complant has undertaken to source debt financing for 100% of the cost of the EPC contract. The indicative term sheet in the PDF provides for a secured construction loan in the aggregate principal amount of up to US\$1.2 billion, repayable over a minimum term of ten years from commissioning, bearing interest at a rate of approximately 200 basis points above the People's Bank of China's floating mid- to long-term loan rate (currently posted at approximately 6%).
- **Product Compensation and Sharing Agreement:** A portion of the production of the Project, at a price to be determined by a formula, is expected to be directed to service the debt and will continue for an additional as yet to be determined period of time beyond the repayment of the debt for the Project.
- **Option for Complant to acquire a controlling interest in the Project:** The PDF provides an option for Complant to acquire a 50.1% equity interest in MagMinerals Potasses Congo S.A., the 90% owned subsidiary of MagMinerals that owns the Project, subject to the negotiation and execution of a definitive option agreement. The exercise of the option would leave MagIndustries with a 39.9% interest in the Project and the government of the ROC with a 10% interest. The option is expected to be exercisable for a period of twelve months following the effective date of the EPC contract at a price to be determined based upon a mutually agreed third party valuation of the Project.
- **Exclusivity with Complant:** The PDF provides an exclusive period of six months with Complant to allow for the completion of due diligence, the engineering review and negotiation of definitive documentation.

In the event that the debt financing contemplated by the PDF is obtained, the Company expects that the Project will be in a fully funded position.

On February 24, 2010 the Company closed a prospectus offering of 57,500,000 common shares of the Company at a price of CAD\$0.40 per common share to raise gross proceeds of CAD\$23,000,000. The underwriters of the offering were paid a commission of 5% of the gross proceeds of the offering. The net proceeds of the Offering will be applied to working capital and general corporate purposes as the Company concludes the agreements contemplated in the PDF and during the construction of the Project.

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Financial summary

During the year ended December 31, 2009, MagIndustries recorded total revenue of \$28.7 million and held cash, cash equivalents and restricted cash of \$25.1 million at December 31, 2009. Net earnings were negative \$54.9 million for the year, compared to negative \$55.8 million for the same period in 2008. The loss is largely due to:

- An impairment charge of \$19.1 million relating to MagEnergy's projects in the DRC;
- The cancellation of all outstanding MagMinerals share options in June of 2009 and full recognition of this non-cash charge of \$12.2 million; and
- Lower gross profit from MagForestry as a result of lower than expected volumes and higher production costs. Volumes were lower than expected as a result of deferral of shipments of wood chips by MagForestry's main customer. Costs were higher as most production costs are denominated in Euros which strengthened against the US dollar during the period.

Offsetting these were factors which improved income over the previous year:

- General and administrative costs of \$13.1 million (compared to \$19.1 million) were lower as result of the Company's efforts to focus on cost savings and reducing cash outflow outside of the Project ;
- Lower project expenditures as the Company focused more individually on the Project and Project construction activities were capitalized;
- Foreign exchange losses were lower due to fewer cash balances held in currencies other than the US dollar; and
- The Company also recorded a gain of \$3.1 million on the retirement of \$5.5 million of its corporate notes.

Acquisition agreement

In October 2009 the Company agreed to acquire the Congolese company Potasse du Congo SARL ("PdC") through an arms length transaction which will close on the receipt of the necessary regulatory approvals. PdC holds three mineral exploration licenses in the Kouilou region surrounding the area covered by the exploitation permit relating to the Project. The shares of PdC were purchased for a consideration of \$0.5 million and the vendor retains a royalty interest in the exploration permits, the value of which is capped at \$9.5 million. The Company has reduced this royalty interest to \$3 million with payments of \$3.5 million in 2009, and \$3 million during 2010.

The acquisition of PdC re-establishes and extends MagMinerals' historic position as the largest mineral permit holder in the potash-rich Kouilou region of the ROC. The Company is currently in discussions with third parties interested in participating with MagMinerals in exploration activities on the exploration permit areas gained through the PdC acquisition.

MAGINDUSTRIES BUSINESS UNITS

The Company is organized around four principal business units: MagMinerals, MagForestry, MagEnergy and MagMetals. The operations of MagMinerals, MagMetals, and MagForestry are all located in the Pointe-Noire area of the ROC while MagEnergy's operations are currently focused in the DRC.

MagMinerals

- MagMinerals has proposed a stand-alone potash plant near the village of Mengo, which is located 25 kilometers east of the Atlantic port city of Pointe-Noire, Republic of Congo. Pointe-Noire, West Africa's best deep-water port, has successfully served as the operations base for major international oil companies for the past 35 years.

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- Total planned production is 1.2 million tonnes per year, separated into two modular phases of 600,000 tonnes per year each.
- In June 2009, the Company released an updated 43-101 technical report entitled *Updated Reserve and Resource Estimate for MagMinerals Kouilou Potash Project, Republic of Congo* (see section entitled "Technical Report") for the first-phase 600,000 tonne per year plant.

MagForestry

- MagForestry operates a 68,000 hectare eucalyptus forestry plantation that produces and sells wood chips to the European market. The Company has constructed a wood chip plant at the port of Pointe-Noire in the ROC which achieved commercial production in November 2008.
- The targeted volume for wood chips on an annualized basis is 400,000 to 500,000 tonnes.
- The MagForestry plantation overlies MagMinerals' mining license including the area chosen for the site of the Project and MagMetals' magnesium plant.

MagEnergy

- MagEnergy is acting as financier and project manager for the refurbishment of turbine G23 and emergency repairs to certain turbines within the Inga II hydro facility located on the Congo River, 300 km south west of the DRC capital of Kinshasa.
- MagEnergy is also reviewing the results of its independent technical studies for the evaluation of the Busanga "greenfield" hydroelectric site on the Lualaba River in the Katanga Province of the DRC.

MagMetals

- MagMetals is engaged in the evaluation of the Kouilou magnesium plant to be located adjacent to MagMinerals' Project. MagMetals plans to produce high quality magnesium and magnesium alloys for the automotive industry using the off-take from the MagMinerals Project as a feedstock and utilizing its licensed extraction technology.

SEGMENT FINANCIAL SUMMARY

Year ended December 31 2009 (thousands)	MagForestry \$	MagEnergy \$	MagMinerals \$	MagMetals \$	Corporate \$	Total \$
Sales	28,732	-	-	-	-	28,732
Cost of sales*	(27,329)	-	-	-	-	(27,329)
Project expenses	-	(1,203)	(4,488)	(33)	-	(5,724)
Expenses	(7,390)	-	(450)	(63)	(8,207)	(16,110)
Options expense	-	-	(12,191)	-	(5,197)	(17,388)
Write-downs	-	(19,115)	-	-	-	(19,115)
Gain on Note repurchase	-	-	-	-	3,085	3,085
Depreciation and amortization	-	(58)	(409)	(3)	(519)	(989)
Interest income	5	-	226	-	43	274
Foreign exchange	(1,836)	(396)	(24,227)	(832)	26,928	(363)
Net (loss) income	(7,818)	(20,772)	(41,539)	(931)	16,133	(54,927)

*Including shipping

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Year ended December 31 2008 (thousands)	MagForestry \$	MagEnergy \$	MagMinerals \$	MagMetals \$	Corporate \$	Total \$
Sales	30,215	-	-	-	-	30,215
Cost of sales*	(25,186)	-	-	-	-	(25,186)
Project expenses	-	(1,517)	(6,625)	(139)	-	(8,281)
Expenses	(9,049)	(174)	(3,800)	(57)	(7,810)	(20,890)
Options expense	-	-	(7,496)	-	(7,914)	(15,410)
Write-downs	-	(2,250)	-	(5,415)	-	(7,665)
Depreciation and amortization	(184)	(90)	(836)	(2)	(137)	(1,249)
Interest income	56	10	1,977	5	372	2,420
Foreign exchange	4,806	960	19,836	1,093	(36,481)	(9,786)
Net (loss) income	658	(3,061)	3,056	(4,515)	(51,970)	(55,832)

*Including shipping

As at December 31 (thousands)	2009		2008	
	Capital assets \$	Total assets \$	Capital assets \$	Total assets \$
MagMinerals	4,339	169,466	6,411	161,483
MagMetals	10	6,007	10	6,031
MagEnergy	292	3,886	348	18,871
MagForestry	37,955	80,304	41,288	77,201
Corporate	4,796	6,738	3,396	13,047
	47,392	266,401	51,453	276,633

RESULTS OF OPERATIONS

The Company's view of the current phase of its projects is summarized below.

Business unit and project	Description	Status and next stage of plan	Approximate net expenditures & acquisition costs to December 31, 2009	Expected future expenditures to complete the next phase of plan
MagMinerals potash plant	Development of a stand alone potash plant near Pointe-Noire.	Pre-construction activities for a plant to be operational in 2012 and studies to double capacity.	\$167 million	\$1.2 billion
MagMetals magnesium project	Evaluation of the Kouilou magnesium project proposed to be located adjacent to MagMinerals potash plant.	Commence feasibility study upon the final development of the MagMinerals potash plant.	\$11 million	\$3 million
MagEnergy Inga II	Refurbishment of one turbine and emergency repairs and at the Inga II hydroelectric site.	Emergency repairs completed. Refurbishment of G23 on hold pending DRC/SNEL decision.	\$18 million	\$8 million, if government ratification is achieved.

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Business unit and project	Description	Status and next stage of plan	Approximate net expenditures & acquisition costs to December 31, 2009	Expected future expenditures to complete the next phase of plan
MagEnergy Busanga	Feasibility study of greenfield hydroelectric site.	Interim feasibility study completed Q2 2007. Decision pending on whether to proceed with full feasibility.	\$2 million	\$2.4 million - pending decision to follow on with full feasibility study.

MagMinerals

MagMinerals is proceeding with the financing and construction of 1.2 million tonne per year potash plant at Mengo in the Kouilou region of the ROC, near the port city of Pointe-Noire. The plant is designed to produce granular K60 agricultural grade potash fertilizers using potassium rich brines from the Kouilou carnallite deposits. The 2008 feasibility study referred to below estimated the capital cost of the first module of 600,000 tpy at \$723 million, excluding financing costs.

On May 27, 1997, MagIndustries (then Congo Minerals) was granted an initial exploration license which covered an area underlain by extensive deposits of magnesium and potassium salts, including carnallite, bischofite and sylvanite.

The evaluation of the exploration license was subject to an exploration agreement that was signed on May 28, 1997 with the Government of ROC. The exploration agreement described plans for the technical and commercial evaluation of the extraction of magnesium (as metal), potassium (as potash), sodium (table salt) and other related salts. In July 2006 MagMinerals commissioned SNC-Lavalin International Inc. ("SNC") to complete a phase I full feasibility study on the potential plant, the results of which were published on February 29, 2008. In conjunction with the feasibility study, MagMinerals received a NI 43-101 compliant technical report titled *Updated Reserve and Resource Estimate for MagMinerals Kouilou Potash Project, Republic of Congo* (see section entitled "Technical Report") which concluded that there are sufficient reserves within the study area to support a 600,000 tpy potash plant for 54 years.

The Project was granted a 25-year mining license (the "Mengo Exploitation Permit") by the government of the ROC on April 3, 2008. The proposed plant site, near the village of Mengo, is located 25 km, by rail, east of the Atlantic port city of Pointe-Noire, Republic of Congo. Pointe-Noire is the economic capital of the country and is considered to be one of West Africa's best deep-water ports. It has successfully served as the operations base for major international oil companies for the past 35 years. The proposed plant site lies within the eucalyptus plantation operated by MagForestry. This provides MagMinerals access to the site and controls and limits access to the site by third parties.

MagMinerals has signed off-take agreements appointing Ameropa AG of Switzerland for the marketing and sale of 100% of the first phase potash production as well as the second phase of potash production if and when that should occur.

On December 22, 2008, the Company and its subsidiary, MagMinerals Potasses Congo S.A. ("MPC"), signed a comprehensive agreement with the government of Republic of Congo ("ROC"), referred to as the Potash Investment Agreement ("PIA") or within the ROC as the Convention d'Exploitation Miniere. The PIA addresses all aspects of the Project, including key fiscal and development terms. During 2008 MagMinerals incorporated MPC as the operating entity with respect to the Project and, in accordance with the Congolese mining code, MPC is 10% owned by the government of the ROC.

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The PIA was signed by the Minister of Finance and the Minister of Mines and as such represents a binding document between the ROC and the Company. The PIA will proceed through a process of incorporation into a Law, which will need the approval of the ROC Parliament following its submission by the ROC Government and publication in the Official Gazette of the ROC. Until these processes are concluded the content of the PIA is subject to confidentiality terms.

In March 2009, MPC contracted for the supply of gas from EniCongo S.A. which operates the on-shore M'boundi oil field. EniCongo will supply the gas requirements for the Project from its treatment plant to be located at Djeno, 25km southwest of the potash plant site. Additional gas quantities will also be made available to support the Project's back-up power facilities if electricity supplies fail. Reaching agreement for the supply of natural gas is considered to be the last significant agreement that the Company requires to continue to advance the Project to construction.

In February of 2010 the Company received final approval of its Environmental and Social Impact Assessment Study ("ESIA") for the construction of the Project from the Ministry of Sustainable Development, Forest Economy and Environment of the ROC.

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

The Project proposes to use solution mining techniques to produce a brine which can be treated in a crystallization plant to produce granular potash fertilizers for export. The potash plant will utilize existing commercially available technologies. One of the primary inputs for this crystallization process is natural gas which is currently flared as associated gas from nearby on-shore oil production.

MagMinerals Outlook

MagMinerals continued production-scale brine well drilling in the year and has concluded the majority of the preconstruction design and engineering. In addition, MagMinerals has finalized site preparation tasks including the harvesting of the eucalyptus trees at the plant site and the leveling the ground for site works and has constructed a key portion of a natural gas supply line from the Djeno natural gas cleaning facility currently under construction to be operated by EniCongo to the Project site.

As summarized above, the Company intends to continue negotiations to finalize all agreements contemplated in the PDF (which includes debt financing), at which time Company expects that the Project will be in a fully funded position. If negotiations conclude on schedule in July 2010, Complant has scheduled construction to start in November 2010.

MagForestry

MagForestry's plantation is a 68,000 hectare concession from the ROC government which is leased for a 50 year period (from June 30, 2005), renewable at the Company's option for a further 21 years or until 2076. The plantation lease and some capital assets were obtained by the wholly-owned subsidiary Eucalyptus Fibre Congo S.A. ("EFC") from the government of the ROC.

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The lease does not specify monetary lease payments, however the specific performance commitments include:

- Operation of the plantation in good condition;
- The building and subsequent operation of a woodchip plant;
- Refraining from subleasing the land; and
- Maintenance of certain social responsibilities including the employment of a local workforce.

At the end of the lease in 2076, EFC must leave all buildings and improvements on the land. MagForestry began constructing a 500,000 tonnes per year wood chipping plant on its harbour-side lands located in Pointe-Noire in the fourth quarter of 2006, and during the third quarter of 2008 the Company achieved full commercial production at the wood chipping plant.

Results for the quarter ended December 31, 2009, compared to December 31, 2008

Overall net loss for the three months ended December 31, 2009 was \$1.3 million (Income of \$1.7 million for the same period in 2008). The results included an unrealized foreign exchange translation gain of \$1.4 million (a gain of \$3.1 million in the comparative period in 2008). The strengthening of the US dollar against the Euro during the quarter resulted in a loss when translating the Company's results from the local Euro-pegged currency to US dollars.

Wood chip sales for the fourth quarter of 2009 were \$8.7 million compared to woodchip sales of \$9.0 million in 2008. Cost of sales during the period were \$9.2 million (\$8.1 million for the same period in 2008) including shipping costs and depreciation. Revenue was lower than forecasted during the year as MagForestry's main customers deferred shipments until 2010 and prices continued to be depressed globally. Costs of production were higher than previous years as most production costs are denominated in Euros, which on average was strong against the US dollar during the period than in the previous year.

Results for the year ended December 31, 2009, compared to December 31, 2008

Overall net loss for the year ended December 31, 2009 was \$7.8 million (Income of \$0.7 million for the same period in 2008). The results included an unrealized foreign exchange translation loss of \$1.8 million (as compared to a gain of \$4.8 million in the comparative period in 2008). The weakening of the US dollar resulted in a loss when translating the Company's results from the local Euro-pegged currency to US dollars.

Wood chip sales for 2009 were \$28.7 million compared to woodchip and raw log sales of \$9.0 million and \$21.2 million respectively in 2008. Sales in the first nine months of 2008 represented only log sales since the chip mill was constructed and commissioned in the fourth quarter of 2008. Cost of sales during the period were \$27.3 million (\$25.2 million for the same period in 2008) including shipping costs. Revenue was lower than forecasted during the year as MagForestry's main customers deferred shipments until 2010. Costs of production were higher than previous years as most production costs are denominated in Euros, which strengthened against the US dollar during the period.

Forestry Outlook

The current economic downturn has negatively impacted the pulp and paper industry worldwide and this has impacted MagForestry's profitability through 2009 and should continue to have an impact into 2010. As a consequence, delays or deferral of planned shipments of wood chips may occur. However, MagForestry is preparing for economic recovery and increased volumes by increasing efficiency of operations in harvesting and chipping and focused on containing overall operating costs.

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MagEnergy

MagEnergy is acting as financier and project manager for the refurbishment and rehabilitation of certain turbines within the Inga II hydro facility located on the Congo River, 300 km south west of the DRC capital of Kinshasa. The Inga II facility is owned by the government of the DRC but operated by the state electric utility Société Nationale d'Electricité ("SNEL"), and is the major supplier of electricity for the region.

MagEnergy has entered into a public-private partnership agreement with SNEL for the refurbishment of turbine G23 and emergency repairs to three other turbines which is intended to ensure a reliable supply of energy into the current grid. The total expected expenditures are approximately \$25 million.

In September 2005, MagEnergy entered into a partnership arrangement with The Industrial Development Corporation ("IDC") of South Africa whereby the costs and returns from energy sales from the Phase 1 emergency works financing arrangement would be shared 70% by MagEnergy and 30% by IDC. This arrangement also gave IDC the rights to participate in the Phase 2 rehabilitation by contributing 25% of the costs for 15% of the returns.

The agreement with SNEL provides for a return on the Company's investment in two stages:

- In the first stage, which commenced in May 2006 before the successful commercial operation of the refurbished turbine, the Company received \$0.2 million per month until January 2008. These cash flows are reflected as a reduction of the amounts expended. This cash flow was therefore not considered revenue, but a repayment of advances. Total fees earned to date amount to \$2.7 million (which is net of the 30% due to IDC).
- In the second stage, when the emergency repairs are complete, the Company earns a return by sharing in the sale of electricity from turbine G-23.

MagEnergy has been appointed as the DRC's first Independent Power Producer. MagEnergy has evaluated opportunities to supply electricity to existing demand in both regional and international electrical grids. MagEnergy has carried out a feasibility study for the development of the Busanga Hydroelectric site on the Lualaba River in the Katanga Province of southern DRC.

MagEnergy Outlook

The refurbishment works were expected to be completed in the second quarter of 2009. However, the completion of the refurbishment works is currently on hold, as MagEnergy's agreement with SNEL is under review by the DRC government. During the year ended December 31, 2009 the Company recorded an impairment charge of \$16.6 million relating to MagEnergy's Inga II project and a \$2.5 million charge relating to the Busanga project. These impairments recognize the difficulty MagEnergy has had in obtaining final governmental ratification of its rights to these projects in the DRC and the diminished probability of success of realizing a return on its investment.

MagMetals

MagMetals has completed a scoping study evaluating the application of the Norsk Hydro magnesium metal extraction technology to the expected magnesium chloride brine output from the MagMinerals potash plant. Following the successful results of the scoping study MagMetals began discussions for the acquisition of the technology. During the third quarter of 2008 MagMetals completed the acquisition of this technology through a license agreement for a complete electrolytic magnesium extraction processes, including key technical equipment samples. The magnesium agreement grants MagMetals a non-

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exclusive license to use the technology is exclusive for Africaa magnesium plant within the African continent.

MagMetals Outlook

MagMetals is planning to commence a feasibility study for a magnesium plant, upon the final development of the MagMinerals potash plant, based on the acquisition of the Norsk Hydro magnesium extraction technology. The target for MagMetals is to produce high quality magnesium alloys for the automotive industry and high purity magnesium for the aluminum and steel industries.

GENERAL AND ADMINISTRATIVE EXPENSES

December 31 (thousands)	2009 \$	2008 \$
Wages, benefits and consulting	6,476	9,800
Office costs	2,984	3,989
Professional fees	2,224	2,763
Travel	1,158	2,069
Stakeholder communications	221	456
	13,063	19,077

During 2009 the Company focused on cost savings and reducing cash outflow outside of the Company's Project. This included reductions in discretionary compensation, office expenditures and limiting travel and reducing travel costs.

EXPENSED PROJECT EVALUATION AND DEVELOPMENT COSTS

December 31 (thousands)	2009 \$	2008 \$
MagMinerals	4,488	6,625
MagEnergy	1,203	1,517
MagMetals	33	139
	5,724	8,281

The decrease in project expenses at MagMinerals during the year compared to the same period last year is a result of increased focus on construction initiatives during the year such as pipeline construction and drilling, which were not ongoing in 2008, and therefore a higher proportion of costs were capitalized. There was a decrease in project expenses for MagEnergy which focused its efforts to finalize the Inga II project.

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CAPITALIZED PROJECT EVALUATION AND DEVELOPMENT COSTS

(thousands)	December 31, 2009			
	Energy \$	Metals \$	Minerals \$	Total \$
Development & construction	9,101	-	40,662	49,763
Drilling	-	-	57,921	57,921
Engineering	-	102	37,628	37,730
Environmental & social	-	-	6,293	6,293
Technology	-	5,751	-	5,751
Capitalized interest	-	-	3,016	3,016
IDC Contribution	(3,000)	-	-	(3,000)
SNEL cash flow	(2,660)	-	-	(2,660)
	3,441	5,853	145,520	154,814

(thousands)	December 31, 2008			
	Energy \$	Metals \$	Minerals \$	Total \$
Development & construction	9,109	-	26,374	35,483
Drilling	-	-	24,709	24,709
Engineering	14,645	102	18,561	33,308
Environmental & social	270	-	2,918	3,188
Technology	-	5,751	-	5,751
Capitalized interest	1,931	-	3,016	4,947
IDC Contribution	(3,000)	-	-	(3,000)
SNEL cash flow	(2,660)	-	-	(2,660)
	20,295	5,853	75,578	101,726

SUMMARY OF QUARTERLY RESULTS

A summary of the eight most recent quarters is as follows:

(thousands, except per share amounts)	December 31 2009 \$	September 30 2009 \$	June 30 2009 \$	March 31 2009 \$
Revenue	8,725	6,621	6,680	6,706
Net loss for the period	(27,230)	(6,569)	(10,426)	(10,702)
Net loss per share	0.07	0.02	0.04	0.04

(Thousands, except per share amounts)	December 31 2008 \$	September 30 2008 \$	June 30 2008 \$	March 31 2008 \$
Revenue	8,971	1,107	8,310	11,827
Net loss for the period	(23,473)	(17,886)	(7,748)	(6,727)
Net loss per share	0.12	0.09	0.04	0.03

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MagIndustries has undergone major changes that affect the summary of quarterly results in the last 8 quarters. In general, the Company has expanded the development of its projects and continues to ramp up the MagForestry operations. Specifically the major changes include:

- In February 2008 the Company completed a final feasibility study for the MagMinerals Project and an updated 43-101-compliant technical report.
- In March 2008 MagMinerals was granted a mining license (the Mengo Exploitation License) for an area of 136 km².
- In March, April and June 2008 the Company announced and completed the first phases of the funding of the equity required for the MagMinerals Project.
- In July 2008 MagMinerals signed a definitive off-take agreement for all planned production for the first two phases of the MagMinerals Project.
- In July 2008 MagForestry completed the first sales of woodchips from its completed chip mill.
- In August 2008 MagMinerals commenced detailed engineering and early-works for the construction of the MagMinerals Project.
- In the fourth quarter of 2008, the MagForestry wood chip plant achieved commercial production.
- In December 2008, the Company announced that the Company and MPC had signed a comprehensive agreement with the government of Republic of Congo ("ROC"), referred to as the Potash Investment Agreement ("PIA").
- In March 2009 MagMinerals Potasses Congo S.A. concluded a natural gas supply agreement with EniCongo S.A., completing the last material commercial agreement for the MagMinerals Project.
- In the quarter ended September 2009 the Company continued early works on the MagMinerals Project, and advanced negotiations with strategic partners and lenders.

Specific large variations in income over the quarters include:

- *September 30, 2008* – Increased stock-based compensation as a result of the MagMinerals stock option plan and options granted in MagIndustries. These higher charges continued to be recognized in the quarters ended December 31, 2008 to June 30, 2009
- *December 31, 2008* – project impairment charges of \$7.7 million relating to MagEnergy and MagMinerals, as well as a large unrealized foreign currency charge of \$8.3 million
- *December 31, 2009* – project impairment charges of \$19.1 million relating to MagEnergy

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2009, MagIndustries had net working capital of \$17.3 million and had 360,402,462 shares outstanding on an undiluted basis.

The Company had 19,065,000 stock options outstanding at December 31, 2009 (15,600,000 at December 31, 2008) with a weighted average exercise price \$1.43 per share and expiring no later than February 24,

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2014. The Company had 6,622,875 warrants outstanding at December 31, 2009 (7,622,875 at December 31, 2008) with exercise prices of CAD\$2.40 per share and expiring on December 20, 2012.

On April 2, 2009, the Company repurchased \$5.5 million principal amount of its 11% senior unsecured notes due December 20, 2012 for aggregate consideration (including accrued interest) of \$2.1 million, by way of private agreement. The repurchased notes were cancelled pursuant to the terms of the indenture governing such notes. Additionally the new holder of the associated 967,164 common share purchase warrants has undertaken not exercise such warrants prior to their expiry.

On February 24, 2010 the Company closed a prospectus offering of 57,500,000 common shares of the Company at a price of CAD\$0.40 per common share to raise gross proceeds of CAD\$23,000,000. The underwriters of the offering were paid a commission of 5% of the gross proceeds of the offering. The net proceeds of the Offering will be applied to working capital and general corporate purposes as the Company concludes the agreements contemplated in the PDF, and during the construction of the Project.

MagIndustries' need for additional funding is primarily driven by the MagMinerals Project, which had a total capital cost for phase I of \$833 million estimated in June 2009. MagIndustries has sought debt funding for the Project of between 70% and 100% of this cost, with the balanced to be provided by potential joint-venture partners, or by raising equity and using cash on hand. The PDF contemplates the arrangement of 100% of the required debt financing by Complant. Any future debt facility is, among other things, subject to satisfactory due diligence findings, sufficient equity capital being raised for the Project, market conditions, final credit committee approval and other conditions precedent. As such, development of the MagMinerals Project as described above is subject to raising this additional equity and the debt financing. If these financings are not completed successfully the Company may have to consider the sale of individual assets and/or other sources of capital or a combination thereof depending on prevailing market conditions at the time.

COMMITMENTS

As at December 31, 2009, the Company has not identified any claims, conditions or contingencies that had arisen that would result in a liability as a result of its guarantees and indemnifications. The Company and its subsidiaries may, from time to time, be involved in legal proceedings, claims and litigation that arise in the ordinary course of business which the Company believes would not reasonably be expected to have a material adverse effect on the financial condition of the Company.

In the normal course of operations, the Company and its subsidiaries execute agreements that provide for indemnification and guarantees to third parties in transactions such as capital project purchases, business acquisitions, and sales and purchases of assets and services.

The Company has also agreed to indemnify its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings prevents the Company from making a reasonable estimate of the maximum potential amount that the Company could be required to pay third parties as the agreements do not always specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, neither the Company nor its subsidiaries have made significant payments under such indemnification agreements.

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The future minimum lease payments on the Company's leased premises are:

(thousands)	\$
2010	595
2011	415
2012	235
2013	235
2014	235

Pending litigation

On December 28, 2008 a former employee of the Company's wholly owned subsidiary MagAlloy Congo SA filed a claim for payment in the amount of \$26.7 million. On May 5, 2009, however, a magistrate recognized the former employee's claim in the amount of \$16.5 million. The ultimate resolution of the claim is unknown, however, based on the status of the claim and legal advice the Company has received, management's estimate is that the resolution is not expected to be material to the Company's consolidated financial position.

On March 15, 2010 the Company received a statement of claim filed by a former employee made against the Company and MagMinerals Potash Corp. The claim relates to the alleged wrongful dismissal and the damages claimed total CAD\$2 million, plus interest and costs.

Supplier contracts

The Company has contracted with a shipping supplier for shipping of woodchips for a minimum of \$15 million over the next 18 months.

The Company had committed to a production well drilling contract of approximately Euro 12 million, of which approximately Euro 5.8 million was still unbilled. Subsequent to December 31, 2009 the Company opted for early termination of this contract and this has resulted in a penalty payment of 25% of the unbilled amount.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas where management's judgment is applied include net realizable value of inventory, plant and equipment estimated economic lives and salvage values, assessment of impairment, ultimate realization of deferred project evaluation and development costs, contingent liabilities, and stock based compensation. Actual results could differ from those estimates by material amounts. These estimates are reviewed at least annually, and changes in estimates are reported in earnings in the period in which they became known.

Impairment of long-lived assets

The Company reviews and evaluates the carrying value of its operations and projects for impairment when events or circumstances indicate that the carrying amounts of related assets or groups of assets may not be recoverable. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is measured and assets are written down to fair value, which is normally the discounted value of future cash flows. Future cash flows are estimated based on estimated future production, expected sales prices (considering current and historical commodity prices, price trends and related factors), production levels, cash costs of production, and capital and reclamation costs, all based on detailed engineering and production plans. For example, future recoverable production

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would be determined from reserves and resources after taking into account estimated dilution and recoveries during mining, and estimated losses during ore processing and treatment. Long-lived assets are grouped for purposes of estimating future cash flows at the lowest level of assets and liabilities for which identifiable cash flows are largely independent of the cash flows of other assets. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. It is possible that changes in estimates could occur which may affect the expected recoverability of the Company's investments in operations and projects.

Projects under evaluation and development

Exploration and development expenditures related to projects under development are deferred if it is estimated that it is probable that these costs will be recovered from future operations; otherwise they are recorded as an expense in the period in which they are incurred. Acquisition costs for projects under development are deferred until it is estimated that these costs will not be recovered from future operations, at which point these costs are written off to operations.

Inventories

MagIndustries' inventories are carried at the lower of cost or net realizable value ("NRV"). Inventory is written down to NRV at the time carrying value exceeds NRV. NRV is determined using the estimated selling price in the ordinary course of business, less estimated costs to make the sale.

Stock-based compensation

The Company uses the fair value based method to account for the grant of stock options. Under this method, compensation cost attributable to options granted is measured at fair value at the grant date. To determine the fair value of options, the Company uses a Black-Scholes option pricing model, which relies on estimates of the future risk-free interest rate, future dividend payments, future stock price volatility and the expected average life of the options.

CHANGES IN ACCOUNTING POLICY

Goodwill and Other Intangible Assets and Financial Statement Concepts

In November 2007, the CICA issued amendments to Section 1000 "Financial Statement Concepts," and AcG 11 "Enterprises in the Development Stage," issued a new Handbook Section 3064 "Goodwill and Intangible Assets" ("Section 3064"), to replace Section 3062 "Goodwill and Other Intangible Assets", withdrew Section 3450 "Research and Development Costs" and amended EIC 27 "Revenues and Expenditures During the Pre-operating Period" to not apply to entities that have adopted Section 3064. These amendments provide guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The amendments are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and therefore the Company has implemented them in the first quarter of 2009, retroactively with restatement of the comparative periods for the current and prior year. The adoption of the standard did not have a significant impact on the Company's financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee ("EIC") concluded that an entity's own credit risk and the credit risk of the counterparty should be accounted for in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable retrospectively without restatements of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for period ending on or after the date of the issue of the Abstract (January 20, 2009). Retrospective application with restatement of prior periods is permitted but not required. Early

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adoption is encouraged. The application of incorporating credit risk into the fair value should result in entities re-measuring the financial assets and financial liabilities as at the beginning of the period of adoption with any resulting difference recorded in retained earnings except when derivatives in a fair value hedging relationship accounted for by the short cut method (difference is adjusted to the hedged item) and for derivatives in cash flow hedging relationship (differences are recorded in accumulated other comprehensive income). The adoption of the standard did not have a significant impact on the Company's financial statements.

Mining exploration costs

In March 2009, the CICA issued EIC-174, "Mining Exploration Costs." The EIC provides guidance on the accounting and the impairment review of exploration costs. This standard is effective for our fiscal year beginning January 1, 2009. The application of this EIC did not have an effect on the Company's financial statements.

Financial Instruments Recognition and Measurement

In 2009, the CICA made several amendments and clarifications to Section 3855 Financial Instruments – Recognition and Measurement. The changes were as follows:

- Clarified the effective interest method which is a method of calculating the amortized cost of financial assets and financial liabilities and of allocating the interest income or interest expense over the relevant period
- Clarified the requirements regarding reclassification of held-for-trading financial instruments containing embedded derivatives
- Eliminated the distinction between debt securities and other debt instruments and changed the categories to which debt instruments are required or are permitted to be classified.

The adoption of these amendments did not have a material impact on the financial position, cash flow or earnings of the Company.

FUTURE CHANGES IN ACCOUNTING POLICY

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, replacing Section 1581 of the same name. The new section will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Section 1582, which provides the Canadian equivalent to International Financial Reporting Standard 3, Business Combinations (January 2008), establishes standards for the accounting for a business combination. Section 1582 requires business acquisitions (including non-controlling interests and contingent consideration) to be measured at fair value on the acquisition date, generally requires acquisition-related costs to be expensed, requires gains from bargain purchases to be recorded in net earnings, and expands the definition of a business. As Section 1582 will apply only to future business combinations, it will not have a significant effect on the Company's consolidated financial statements prior to such acquisitions.

Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which together replace the existing Section 1600, Consolidated Financial Statements, and provide the Canadian equivalent to International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). The new sections will be applicable to the Company on January 1, 2011. Section 1601 establishes standards for the preparation of consolidated financial statements, and Section 1602 establishes standards for accounting for a non-controlling interest in a

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subsidiary in consolidated financial statements subsequent to a business combination. The Company is assessing the impact, if any, of the adoption of these new sections on its consolidated financial statements.

Multiple Deliverable Revenue Arrangements

On December 24, 2009, the EIC issued EIC Abstract 175, "Multiple Deliverable Revenue Arrangements", which replaces EIC 142 "Revenue Arrangements with Multiple Deliverables". The Abstract provides guidance on the identification and accounting for multiple revenue generating activities and specifically requires a vendor to allocate consideration to multiple deliverables based on their relative selling price. The Abstract may be applied prospectively for annual fiscal periods beginning on or after January 1, 2011, and early adoption is permitted. The impact of implementing this Abstract on the Company's financial statements is currently being assessed.

International Financial Reporting Standards

The Accounting Standards Board (AcSB) has announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. MagIndustries has undertaken a project to assess the potential impacts of the transition to IFRS and has developed a detailed project plan to ensure compliance with the new standards.

The Company has completed the initial phase of the implementation project including the detailed diagnostic analysis which included a high-level impact assessment to identify key areas that may be impacted by the adoption of IFRS and a development of a project plan which is currently being carried out. This phase of work is currently in progress and the activities currently on-going are:

- Monitoring of the project plan structure including oversight of the process; this includes a project charter;
- the analysis of accounting policy alternatives available under IFRS;
- Drafting of accounting policies and position papers;
- the determination of changes required to existing information systems and business processes;
- Identifying resource and knowledge gaps and developing training plans to address those gaps.

The Company expects to complete this detailed technical analysis by second quarter of 2010. This will lead to the implementation phase during 2010 when the Company will put in place the requirements and resources necessary to implement accounting policies chosen, develop sample financial statements, implement changes necessary internal controls, and calculate the opening balance sheet at January 1, 2010 to facilitate transitional disclosure requirements. The last phase of post implementation will involve continuous monitoring of changes in IFRS throughout the implementation process.

OUTSTANDING SHARE DATA

MagIndustries is authorized to issue an unlimited number of common shares. Subsequent to the end of December 31, 2009, 20,000 employee stock options with an exercise price of CAD\$0.24 were exercised. As at March 25, 2009, the Company had 418,042,462 common shares outstanding.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date,

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based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Foreign exchange risk

Some of the Company's revenue and expenses are denominated in foreign currencies including the Canadian Dollar, the Euro, the Central African Franc and the South African Rand. The Company is therefore subject to gains or losses due to fluctuations in these currencies. The Company does not use derivatives to hedge these risks, however the Company does endeavor to hold currency in the denominations of its financial commitments in that currency.

Interest rate risk

The Company is exposed to interest rate risk to the extent of the funds invested in the Company's bank accounts. Based on the bank overdraft positions at December 31, 2009, a 1% increase or decrease in the market interest rate could increase or decrease the Company's annual interest expense by less than \$0.1 million.

Credit risk

The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

RELATED PARTY LOAN

On April 11, 2008 the Company extended a relocation loan of an original amount of CAD\$0.25 million to an employee and director of the Company. The loan bears interest at 4% per annum, is unsecured and was repayable on July 1, 2010, which date was extended at the request of the employee. The loan and interest are recorded at the exchange amount. The balance of the loan at December 31, 2009 is CAD\$0.13 million.

RISK FACTORS

There are numerous risk factors that could affect the Company's business prospects and future performance, including the following. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also affect the Company's business prospects and future performance.

Operating History

The Company has a very limited history of operations and must be considered a start-up. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and an absence of revenues. There is no assurance that the Company will be successful in achieving a return on shareholder investment and the likelihood of success must be considered in light of its early stage of operations. The Company has no intention of paying any dividends in the foreseeable future.

Key officers, consultants and employees

The success of the Company will be largely dependent upon the performance of its key officers, consultants and employees. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success. The Company has not purchased any key-man insurance with respect to any of its directors, officers or key employees and has no current plans to do so.

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Political stability

The Company's development projects are located in the ROC and DRC and the Company holds its interests in these projects and exploration properties (including the Kouilou deposits to be developed for the potash and magnesium projects) through licenses that enable it to conduct operations or development and exploration activities. The Company's projects in the ROC and the DRC may be subject to the effects of political changes, war and civil conflict, changes in government policy, lack of law enforcement and labour unrest and the creation of new laws. These changes (which may include new or modified taxes or other government levies as well as other legislation) may impact the profitability and viability of its properties. The ROC and DRC have physical and institutional infrastructure that is in dilapidated condition. Both economies are still transitioning from largely state-controlled economies to ones based on free market principles, and from non-democratic political systems to ones based on more democratic principles. There can be no assurance that these changes will be effected or that the achievement of these objectives will not have material adverse consequences for the Company and its operations.

Environmental regulations

All phases of the Company's operations are subject to environmental regulation. Environmental legislation is becoming more strict, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that environmental regulation will not adversely affect the Company's operations. Environmental hazards may exist on a property in which the Company holds an interest which are unknown to the Company at present which have been caused by previous or existing owners or operators of the property. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means standards, and enforcement, fines and penalties for non-compliance are more stringent.

Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. The Company intends to fully comply with all environmental regulations in the ROC and DRC.

Health and safety risks

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

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require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to its business and operations.

Conflicts of interest

Certain directors and officers of the Company are or may become associated with other industrial and natural resource companies which may give rise to conflicts of interest. In accordance with the Canada Business Corporations Act, directors who have a material interest in any entity who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the best interests of the Company. The directors and officers of the Company have either other full-time employment or other business or time restrictions placed on them and, accordingly, the Company will not be the only business enterprise of these directors and officers.

Labour relations

While labour relations at the Company's operations have been stable to date and there have not been any disruptions in operations as a result of labour disputes with employees, the maintenance of a productive and efficient labour environment cannot be assured. In the event of a labour disruption such as a strike or lock out, the ability of the Company's operations to generate income may be impaired.

Dividend policy

No dividends on the common shares of the Company have been paid by the Company to date. The Company intends to retain its earnings, if any, to finance the growth and development of its business and has no present intention of paying dividends or making any other distributions in the foreseeable future.

MagMinerals and MagMetals developments

The following are risks to the Company's planned development of the Potash plant and magnesium plant and related solution mining operations. The Company's primary plan to mitigate these risks is to hire experienced engineers and consultants to conduct detailed bankable feasibility studies on these projects before making the decision to enter the construction phase of any project.

Highly speculative business

The nature of the Company's business is highly speculative, primarily due to its proposed involvement in the exploration, development and production of minerals. The commercial viability of a mineral deposit depends upon a number of factors including the particular attributes of the deposit (principally size and grade), the proximity to infrastructure, the impact of mine development on the environment, environmental regulations imposed by various levels of government and the competitive nature of the industry which causes commodity prices to fluctuate substantially over short periods of time. Most of these factors are beyond the control of the Company.

Barriers to commercial production

The Company will rely upon consultants and others for construction and operating expertise. The economics of developing mineral properties is affected by many factors including, but not limited to, the cost of operations, grade of ore, fluctuating mineral markets (such as the price of potash and magnesium), costs of processing equipment, competition, extensions on licenses and such other factors as government regulations, including regulations relating to title to mineral concessions, royalties, allowable production, importing and exporting of minerals and environmental protection. Many of the above factors are beyond the control of the Company. Depending on the price of minerals produced, the Company may determine that it is impractical to either commence or continue commercial production.

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Additional capital

The further development of some of Company's projects – such as the potash and magnesium plants - will require additional financing. Failure to obtain sufficient financing may result in the delay or postponement of development or production of the projects. The Company would also require additional funding to acquire interests in additional projects. The ability of the Company to arrange such financing in the future will depend, in part, upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from treasury of the Company, control of the Company may change and security holders may suffer additional dilution.

Commodity price fluctuations

The feasibility of mineral exploration is significantly affected by changes in the market price of the minerals and metals – including potash and magnesium. Mineral and metal prices fluctuate widely and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, world supply of minerals and metals and stability of exchange rates can all cause significant fluctuations in mineral and metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Exchange rate fluctuations

Based on the selection of its suppliers the Company has agreed to pay many of its development costs relating to the potash plant in Canadian dollars and Euros and South African Rand. A significant change in these exchange rates with the US dollar would significantly affect the cost of these development activities.

Interest rate risk

Currently the Company's only interest bearing debt is at a fixed interest rate. However the Company plans to continue to finance capital expenditures. Upward fluctuations in interest rates increase the cost of new debt.

Maintaining interests in mineral properties

The Company's continuing right to maintain its licenses for its mineral claims and property interests will be dependent upon compliance with applicable laws and with agreements to which it is a party. There is no assurance that the Company will be able to obtain and/or maintain all required permits and licenses to carry on its operations. Additional expenditures will be required by the Company to maintain its interests in its properties. There can be no assurance that the Company will have the funds, will be able to raise the funds or will be able to comply with the provisions of the agreements relating to its properties which would entitle it to an interest therein and if it fails to do so its interest in certain of these properties may be reduced or be lost.

External market factors

The marketability and price of potash and magnesium which may be produced by the Company will be affected by numerous factors beyond the control of the Company. The Company will be affected by changing production costs, the supply of / demand for minerals and metals, the rate of inflation, the inventory levels of minerals and metals held by competing companies, the political environment and changes in international investment patterns.

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Governmental and regulatory requirements

Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent that such approvals are required and not obtained, the Company may be restricted or prohibited from proceeding with planned development activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in the development of properties.

MagForestry operations

Business and operating risk

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

To minimize the potential for adverse effects arising from these risk factors, the Company is developing procedures to monitor the utilization of these resources, the protection of assets, and establish control mechanisms. The Company believes it can develop procedures in place to track and monitor changes, along with adequate insurance coverage, protect the Company's assets from undue business operations risk.

Competition risk

The Company's competitors in the forest products businesses have substantially greater financial and operating resources and own more timberlands than the Company. Some of the Company's forest products competitors may also be lower cost producers in the businesses.

Forest resource risk

The Company's forestry concession is subject to the risks associated with standing forests. Forest fires are the primary risks. The Company has endeavoured to minimize these risks through prevention techniques such as building fire breaks and continuous monitoring. As is typical in the forest products industry, the Company does not maintain insurance coverage with respect to damage to the standing timber in its timberlands.

Exchange rate fluctuations

Forestry operations are primarily conducted in Euros and Congolese Francs (which has a fixed exchange rate with the Euro) and revenue is in US dollars. A significant change in the exchange rate between US dollars and Euros would significantly affect the reported costs and revenues from this operation. The Company does not use any derivatives to hedge foreign currency risk.

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End-market risk

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

The Company's business includes the sale of wood chips from its forestry concession for export, which is substantially dependent on market and economic conditions in Europe which may be affected by, among other things, demand for pulp and paper products, log supply in competing regions, fluctuations in exchange rates, the availability of substitute products. . The selling prices of its pulp and paper products, which have fluctuated significantly in the past. The markets for these products are highly cyclical and characterized by (i) periods of excess product supply due to industry capacity additions, increased production and other factors; and (ii) periods of insufficient demand due to weak general economic conditions. These selling prices have a direct relationship with the demand for wood chips as an input.

Input cost risk

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

MagEnergy operations

MagEnergy's relationship with SNEL as the funder and project manager creates a specific set of risks relating to SNEL's operations and the success of the refurbishment of the Inga turbines. Because MagEnergy's cash flow from its financing relationship with SNEL is contingent on SNEL delivering power to its international customers, MagEnergy is exposed to risk around the generation and transmission of that power. Those risks include hydrology and equipment failure.

Hydrology

The revenues generated by SNEL from the sale of power generated at Inga are proportional to the amount of electricity generated. The amount of electricity generated by the power systems is dependent upon available water flows. Accordingly, revenues and cash flows may be affected by low and high water flows in the watersheds. There can be no assurance that the long-term historical water availability will remain unchanged or that no material hydrologic event will impact the hydrologic conditions that exist within the watershed. However, based on historical water flows on the Congo River, this risk is not considered significant.

Equipment failure

There is a risk of equipment failure due to wear and tear, latent defect, design error or operator error, among other things, which could adversely affect revenues and cash flows. SNEL, with the assistance of the Company, is developing capital programs and prudent maintenance programs and improving operational flexibility as a result of having generating units which can operate independently.

MAGINDUSTRIES CORP.
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DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at December 31, 2009, the Company's management, with the participation of the CEO and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures ("DC&P) as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators and has concluded that such controls and procedures are effective.

National Instrument 52-109 also requires Canadian public companies to submit an annual certificate relating to the design and effectiveness of internal control over financial reporting ("ICFR"). ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management is responsible for establishing and maintaining ICFR and management, including the CEO and the CFO, has evaluated the design and effectiveness of ICFR at December 31, 2009. Based on this evaluation, management, with the participation of the CEO and CFO, has concluded that the design and operation of ICFR was effective as of December 31, 2009. We have used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") internal control framework to evaluate and operation of ICFR.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis as such systems can only be designed to provide reasonable as opposed to absolute assurance. Also projections of any evaluation of the effectiveness of ICFR to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

TECHNICAL REPORT

The authors of the MagMinerals technical report *Updated Reserve and Resource Estimate for MagMinerals Kouilou Potash Project, Republic of Congo* dated June 10, 2009 (the "Technical Report"), Dr. Henry Rauche, EurGeol, and Dr. Sebastiaan van der Klauw, EurGeol, are the qualified persons with respect to the technical reporting as that term is defined in National Instrument 43-101.

The Technical Report estimates proven reserves of 151.2 million tonnes of carnallite, at a carnallite grade of 64.4% of ore and a KCl grade of 17.3% of ore concluding with proven reserves of 26.1 million tonnes of KCl. The Technical Report further estimates probable reserves of 40.3 million tonnes of carnallite, at a carnallite grade of 65.7% of ore and a KCl grade of 17.6% of ore, concluding with probable reserves of 7.1 million tonnes of KCl.

The Technical Report estimates inferred reserves of 1215.7 million tonnes of carnallite, at a carnallite grade of 64.1% of ore and a KCl grade of 17.2% of ore, concluding with proven reserves of 209 million tonnes of KCl.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on beliefs of the management of MagIndustries Corp. as well as assumptions made by and information currently available to management of the Company. When used in this report, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in those forward-looking statements. The forward-looking statements contained in this report speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.