

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of MagIndustries Corp. were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the December 31, 2008 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are sufficient to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders. Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Consolidated Balance Sheets

(Expressed in thousands of US dollars)

As at (Unaudited)	March 31 2009 \$	December 31 2008 \$
ASSETS		
Current		
Cash and cash equivalents	70,315	91,494
Accounts receivable and prepaid expenses	9,180	10,870
Inventories (note 3)	4,843	5,346
	84,338	107,710
Non-current		
Timber holdings	16,515	15,744
Capital assets, net	52,996	51,453
Projects under evaluation and development (note 4)	114,663	101,726
	268,512	276,633
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	883	-
Accounts payable and accrued liabilities	11,411	14,807
	12,294	14,807
Non-current		
Corporate notes	32,395	32,162
Asset retirement obligation	90	88
	44,779	47,057
Commitments and contingencies (note 8)		
Non-controlling interest	10,826	7,496
Shareholders' equity		
Share capital (note 5)	328,566	327,037
Deficit	(115,659)	(104,957)
	212,907	222,080
	268,512	276,633

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Loss, Comprehensive Loss and Deficit

(Expressed in thousands of US dollars, except share and per share data)

Period ended March 31 (Unaudited)	2009 \$	2008 \$
Sales	6,706	11,827
Shipping	2,313	6,564
Cost of sales	3,127	2,662
	1,266	2,601
Expenses		
Stock based compensation (note 5)	4,859	1,538
General and administrative	3,152	3,146
Amortization and depreciation	1,071	212
Project expenditures	636	1,743
Interest expense	893	-
Accretion expense	2	6
	10,613	6,645
Operating loss	(9,347)	(4,044)
Interest income	169	286
Foreign exchange loss	(1,524)	(2,969)
Net loss and comprehensive loss	(10,702)	(6,727)
Deficit, beginning of period	(104,957)	(49,125)
Deficit, end of period	(115,659)	(55,852)
Basic and diluted net loss per share	0.04	0.03
Weighted average number of common shares outstanding	288,079,962	194,664,620

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Cash Flows

(Expressed in thousands of US dollars)

Period ended March 31 (Unaudited)	2009 \$	2008 \$
Operating activities		
Net loss	(10,702)	(6,727)
Operating items not involving cash		
Stock based compensation	4,859	1,538
Amortization, depreciation and accretion expense	1,399	922
Foreign exchange loss	1,798	4,026
Net changes in non-cash working capital balances relating to operating activities	(484)	(5,850)
Cash used in operating activities	(3,130)	(6,091)
Investing activities		
Additions to projects under development	(12,937)	(3,887)
Additions to capital assets	(2,614)	(3,242)
Additions to timber holdings	(864)	(1,214)
Net changes in non-cash working capital balances relating to investing activities	164	(2,959)
Cash used in investing activities	(16,251)	(11,302)
Financing activities		
Exercise of warrants	-	352
Exercise of options	-	261
Cash provided by financing activities	-	613
Effect of exchange rate changes on foreign cash	(1,798)	(2,923)
Net decrease in cash and cash equivalents	(21,179)	(19,703)
Cash and cash equivalents, beginning of period	91,494	40,711
Cash and cash equivalents, end of period	70,315	21,008

The accompanying notes are an integral part of these consolidated financial statements

Notes to consolidated financial statements

(Expressed in US dollars unless otherwise stated)

(Unaudited)

1. Nature of operations and basis of presentation

MagIndustries Corp. ("MagIndustries" or the "Company") has four business units, MagEnergy, MagMinerals, MagMetals and MagForestry. The Company is engaged in the financing, development and placing into production or operation of the following projects:

Project	Description	Location	Business unit
Potash plant	Construction of 600,000 tonnes per year potash plant and second phase resource estimate and feasibility study for an additional 600,000 tonnes of capacity	Pointe-Noire, Republic of Congo ("ROC")	MagMinerals
Magnesium plant	Evaluation of the Kouilou magnesium plant to be located adjacent to MagMinerals potash plant	Pointe-Noire, ROC	MagMetals
INGA II	Refurbishment of the hydroelectric facility	Democratic Republic of Congo ("DRC")	MagEnergy
Busanga	Feasibility study of a greenfield hydroelectric site	DRC	MagEnergy
Eucalyptus plantation and chipmill	Operation of a 68 thousand hectare eucalyptus forestry plantation (of which 25 thousand hectares is presently unplanted) and a 500,000 tonne per year wood chip mill	Pointe-Noire, ROC	MagForestry

The Company is a development stage enterprise where most of the Company's projects have yet to generate significant revenues. In addition these consolidated financial statements have been prepared on the "going concern" basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

As described in note 4 the development of the MagMinerals potash project is subject to raising additional equity and debt. The availability of such additional funds is not assured and, if available, the terms thereof are not yet determinable. If these financings are not completed successfully the Company would consider joint ventures with equity partners, and/or the sale of individual projects as well as other sources of capital, or a combination thereof depending on prevailing market conditions at the time. In addition, under the terms of its corporate notes the Company is required to meet certain restrictive covenants which limit the Company's ability to sell a majority share of this project. Should the Company be in default its restrictive covenants, the noteholders have the right to call for the acceleration of the payment of the notes. Management believes that the Company will be in compliance with the terms of these notes during fiscal 2009. Accordingly, the debt has been classified according to its repayment terms. If the Company is unable to comply with the terms the corporate notes will become due on demand, unless the Company is able to obtain waivers or extensions.

The Corporation's ability to continue as a going concern is dependent upon achieving and maintaining profitable operations and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The United States dollar is the principal currency of the Company's primary economic environment. These consolidated financial statements are expressed in United States dollars.

2. Summary of significant accounting policies

Basis of presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) with respect to preparation of interim financial statements on a basis consistent with the Company’s audited annual financial statements as at and for the year ended December 31, 2008 (except as noted below) and should be read in conjunction with those statements as they do not contain all information or disclosure to be accordance with Canadian generally accepted accounting principles for annual financial reporting. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the three months ended March 31, 2009 may not be indicative of the results that may be expected for the year ending December 31, 2009.

Use of estimates

The preparation of the unaudited interim period financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the unaudited interim period financial statements and accompanying notes. These estimates and assumptions are based on management’s historical experience, best knowledge of current events and conditions and activities that may be undertaken in the future. Actual results could differ from these estimates.

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 implement 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.

Changes in accounting policy - 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 taken into accounting 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 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.

Changes in accounting policy – 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.

3. Inventory

	March 31 2009	December 31 2008
(thousands)	\$	\$
Consumable supplies and production materials	3,998	3,951
Inventory of logs/work in progress	263	907
Wood chips	582	488
	4,843	5,346

The amount of inventory recognized as an expense and included in cost of goods sold during the period was \$3.1 million (2008: \$2.6 million). No amounts were charged to the income statement for the write-down of inventory for valuation issues for the first quarter of 2009 or for the year ended December 31, 2008.

4. Projects under evaluation and development

The Company has five principal projects under evaluation and development:

MagMinerals has completed a detailed feasibility study and is conducting pre-construction activities and planning for full construction of a stand alone potash plant. The completion of the feasibility study included drilling resource definition holes and solution mining rated production wells which will enable the production of a magnesium and potassium rich chloride brine from the Mengo brine field for delivery by pipeline to the MagMinerals' potash plant and MagMetals' Kouilou magnesium plant. Planning is underway to increase the targeted capacity from 600 thousand tpy to 1.2 million tpy.

MagMetals is responsible for the evaluation of the Kouilou magnesium project, which includes a proposed magnesium plant on the same site proposed for MagMinerals potash plant. Further development of this project is awaiting the full ramp-up of MagMinerals construction activities.

MagEnergy is currently refurbishing turbine G23 and conducting emergency repairs on three other turbines at the Inga II hydro electric facility located on the Congo River, 300 km southwest of Kinshasa in the DRC. The Inga II facility is owned by Société Nationale d'Electricité ("SNEL"), the public energy commission of the DRC. These emergency works involve an agreement whereby the Company contributes 70% of the costs of these works, with the remaining 30% contributed by Industrial Development Corporation ("IDC") of South Africa. The corresponding cash inflows from this phase are split by the same percentage.

The Company's role in the Inga project is that of financier and project manager. The Company expects realize its investment with two stages of cash inflows. In the initial stage, before the successful operation of the refurbished turbines, the Company has received a monthly fee of \$0.2 million (with 30% due to IDC) until January 2008, which is directed from the income received from SNEL's existing external electricity off-take contracts. Total fees earned to date amount to \$2.7 million (which is net of the 30% due to IDC). When these emergency repairs are complete the Company will begin to earn a return by sharing in the sale of electricity from INGA II to customers of SNEL. Until such time as the Company is certain that the return on the project will be in excess of its investment, the Company is treating the cash flows as a reduction of the amounts expended. This cash flow is therefore not considered revenue, but a repayment of advances.

MagEnergy also has the development rights for the construction of a potential hydroelectric facility at the Busanga site on the Lualaba River in the Katanga Province of the DRC. An interim feasibility study has been completed for this project.

Projects under development comprise the Company's most significant non-monetary asset. Currently, the Company has completed or is in the process of completing feasibility studies that include basic engineering studies,

environmental assessment, site selection surveys, and drilling. The recoverability of these costs will be influenced by a number of factors including environmental risks, political risks, title risks, commodity pricing risks and the Company's ability to attain profitable production from its projects, which can happen only following the obtaining of permits, project financing, additional equity financing, construction, and start-up, or to realize proceeds from disposal.

(thousands)	\$
Balance, December 31, 2008	101,726
Additions during period	12,937
Balance, March 31, 2009	114,663

(thousands)	March 31, 2009			
	Energy \$	Metals \$	Minerals \$	Total \$
Development & construction	9,117	-	28,743	37,860
Drilling	-	-	30,363	30,363
Engineering	14,760	102	22,841	37,703
Environmental & social	270	-	2,965	3,235
Technology	-	5,751	-	5,751
Capitalized interest	2,395	-	3,016	5,411
IDC Contribution	(3,000)	-	-	(3,000)
SNEL cash flow	(2,660)	-	-	(2,660)
	20,882	5,853	87,928	114,663

(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

5. Shareholders' equity

(thousands)	March 31 2009 \$	December 31 2008 \$
Common shares	308,327	308,327
Warrants	5,852	5,852
Contributed surplus	14,387	12,858
	328,566	327,037

Common shares

MagIndustries is authorized to issue an unlimited number of common shares.

As at December 31, 2008 and March 31, 2009 the Company had 288,079,962 common shares outstanding.

Options

As of March 31, 2009, 20,860,000 common shares were reserved for the exercise of stock options granted to directors, officers, employees and service providers in connection with the Company's stock option plan (the "Plan"). The Plan allows for the granting of up to 10% of the issued common shares of the Company at the time of the grant of the stock option. Each grant will not exceed 5 years, and will vest over 12 to 36 months from the date of grant.

The following summary sets out the activity in outstanding Plan options for the period ended March 31, 2009:

	Options #	Weighted-average exercise price (CAD) \$
Outstanding, beginning of period	15,600,000	1.75
Granted	5,480,000	0.24
Expired	(220,000)	0.59
Outstanding, end of period	20,860,000	1.36
Options exercisable at end of period	11,904,165	1.59

The details of stock options outstanding at March 31, 2009 are as follows:

Exercise price per share (CAD)	Outstanding options	Remaining contractual life	Weighted average strike price (CAD)	Vested options	Remaining contractual life (vested)	Weighted average strike price (CAD)
\$0 - \$0.99	8,310,000	4.1	\$0.45	2,074,991	1.9	\$0.86
\$1.00 - \$1.99	9,175,000	3.4	\$1.48	8,141,680	3.3	\$1.42
\$3.28	3,375,000	4.2	\$3.28	1,687,494	4.2	\$3.28
	20,860,000	3.8	\$1.36	11,904,165	3.2	\$1.59

MagMinerals share option plan

In 2008 MagMinerals granted 10,500,000 stock options to directors, officers, employees and service providers in connection with MagMinerals' stock option plan. The options vest over 18 months with an exercise price of \$4.00. 5,062,000 options were exercisable at March 31, 2009. MagMinerals recognized stock based compensation expense of \$3.3 million in respect of these options. The contributed surplus of MagMinerals has been recorded as non-controlling interest in these consolidated financial statements.

The fair value of the options estimated at the date of grant under both plans, and which vested during the period used the Black-Scholes pricing model with the following weighted average assumptions: risk-free interest rate of 2.0%, expected dividend yield of nil, expected volatility of 93% and expected life term of 3.9 years.

Warrants

The following table summarizes information about the Company's warrants outstanding at March 31, 2009:

Description	Warrants	Exercise Price Range
Outstanding, beginning of the period	7,622,875	\$1.00 to CAD\$2.40
Exercised	-	-
Outstanding, end of the period	7,622,875	\$1.00 to CAD\$2.40

The details of warrants outstanding at March 31, 2009 are as follows:

Exercise price per share	Expiry date	Number of warrants outstanding	Remaining contractual life
\$1.00	December 21, 2009	1,000,000	0.7 years
CAD\$2.40	December 20, 2012	6,622,875	3.7 years
		7,622,875	

Contributed surplus

(thousands)	\$
Beginning balance	12,858
Stock-based compensation expense	1,529
Balance end, of period	14,387

6. Segmented operating information

Reportable segments are identified by the end product or services of the segment. MagForestry operates in Pointe-Noire in the Republic of Congo. All MagForestry sales consist of shipments to customers in Europe. The rest of the Company's continuing activities are considered to be in the evaluation and development stage. The accounting policies of these reportable segments are the same as those described in note 2. The Company analyzes the performance of operating segments based on net income/loss.

Period ended	MagForestry	MagEnergy	MagMinerals	MagMetals	Corporate	Total
March 31						
2009 (thousands)	\$	\$	\$	\$	\$	\$
Sales	6,706	-	-	-	-	6,706
Cost of sales*	(5,440)	-	-	-	-	(5,440)
Project expenses	-	(156)	(473)	(7)	-	(636)
Expenses	(1,665)	(45)	(540)	(10)	(1,787)	(4,047)
Options expense	-	-	(3,330)	-	(1,529)	(4,859)
Depreciation and amortization	(938)	(11)	-	-	(122)	(1,071)
Interest income	4	-	159	-	6	169
Foreign exchange	2,339	973	2,208	171	(7,215)	(1,524)
Net income (loss)	1,006	761	(1,976)	154	(10,647)	(10,702)

*Including shipping

Period ended	MagForestry	MagEnergy	MagMinerals	MagMetals	Corporate	Total
March 31						
2008 (thousands)	\$	\$	\$	\$	\$	\$
Sales	11,827	-	-	-	-	11,827
Cost of sales*	(9,226)	-	-	-	-	(9,226)
Project expenses	-	(488)	(1,255)	-	-	(1,743)
Expenses	(1,713)	(1)	(24)	(1)	(1,413)	(3,152)
Options expense	-	-	-	-	(1,538)	(1,538)
Depreciation and amortization	(25)	(20)	(158)	-	(9)	(212)
Interest income	65	5	17	-	199	286
Foreign exchange	(3,193)	(1,086)	(1,697)	(14)	3,021	(2,969)
Net (loss) income	(2,265)	(1,590)	(3,117)	(15)	260	(6,727)

*Including shipping

As at	March 31, 2009		December 31, 2008	
	Capital assets	Total assets	Capital assets	Total assets
(thousands)	\$	\$	\$	\$
MagMinerals	7,281	153,840	6,411	161,483
MagMetals	13	5,999	10	6,031
MagEnergy	337	19,029	348	18,871
MagForestry	40,613	75,593	41,288	77,201
Corporate	4,752	14,051	3,396	13,047
	52,996	268,512	51,453	276,633

7. 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 repayable on November 10, 2009. The loan and interest are recorded at the exchange amount. The balance of the loan at March 31, 2009 is CAD\$0.13 million and is classified in *Accounts receivable and pre-paid expenses*. This amount has been measured at the exchange amount.

8. Commitments, contingencies and guarantees

As at March 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.

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

(thousands)	\$
2009	518
2010	595
2011	415
2012	235
2013	235

The Company has committed to a production well drilling contract of approximately Euro 12 million. Early cancellation of this contract would result in a penalty payment of 25% of the unbilled amounts.

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, 2008, a magistrate validated 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.

9. Financial instruments and risk management

Categories of financial assets and liabilities

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following five categories: held-for-trading, held to maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Company's financial instruments, including those held for sale on the consolidated balance sheet are classified into the following categories:

(thousands)	March 31 2009 \$	December 31 2008 \$
Held for trading ⁽¹⁾	70,315	91,494
Loans and receivables ⁽²⁾	4,683	6,168
Other financial liabilities ⁽³⁾	(43,806)	(46,969)
	31,192	50,693

1) Includes cash and cash equivalents.

(2) Includes accounts receivable.

(3) Includes accounts payable and accrued liabilities, bank indebtedness, and corporate notes

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying value.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks.

Risk management is carried out by management in conjunction with an outsourced treasury management organization under policies approved by the Board of Directors. Management identifies, evaluates and executes the hedging of financial risks.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The company is primarily operates in Republic of Congo, which has a currency which has a fixed exchange rate to the Euro (the "FCFA"). Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's risk management policy is to review its exposure to non-US dollar forecast operating costs on a case by case basis. Future revenue from forecast potash sales is likely to be denominated in US Dollars. The majority of the Company's forecast operating cost is in US dollars and FCFA/Euros and Canadian dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Company's monetary assets and liabilities at March 31, 2009 is as follows:

(thousands)	Assets \$	Liabilities \$
US dollars	38,792	32,722
Euros	28,547	8,264
Canadian dollars	7,603	2,794
South African rand	56	25
	74,998	43,805

Sensitivity

Based on the financial instruments held at March 31, 2009, had the US Dollar weakened/strengthened by 10% against these foreign currencies with all other variables held constant, the Company's post-tax loss for the quarter would have been \$2.5 million higher/lower as a result of foreign exchange gains/losses on translation of non-US dollar denominated financial instruments as detailed above. Equity would have been \$2.5 million higher/lower had the US Dollar weakened/strengthened by 10% as a result of foreign exchange gains/losses on translation of non-US dollar denominated financial instruments.

(ii) Price risk

Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from revenue derived from future wood fibre sales and forecast future potash or electricity sales. The Company does not manage commodity price risk through the use of derivative instruments.

Sensitivity

At March 31, 2009 a change in the value of potash, wood fibre or electricity would not change the recognized value of any of the Company's financial instruments.

(iii) Cash flow fair value interest rate risk

The Company does not have significant variable interest-bearing borrowings for which general rate fluctuations apply. The Company is exposed to interest rate risk to the extent of the funds invested in the Company's bank accounts.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to outstanding receivables.

The Company has policies in place to ensure that sales of products are made to credit worthy customers and where necessary credit risk is effectively eliminated or substantially reduced by using bank instruments to secure payment. Credit worthiness is determined using external credit rating agencies.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. The main long-term financial obligation of the Company is the \$37.8 million face value of the Notes which are due December 20, 2012.

As at March 31, 2009, MagIndustries had net working capital of \$72.3 million and had 288,079,962 shares outstanding on an undiluted basis. The Company currently has sufficient resources to continue MagForestry operations through the 2009 year and continue advancing MagEnergy's development plans. Development of the MagMinerals potash project as described above is subject to raising additional equity and debt the project financing for the project. If these financings are not each completed successfully the Company would consider joint ventures with equity partners, and/or the sale of individual projects as well as the issuance of additional shares.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value less impairment provision of trade receivables and payables are assumed

to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments.

10. Subsequent event

On April 2, 2009 the Company repurchased \$5.5 million principal amount of its Notes 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 and MagIndustries has reached an agreement with the holder of the associated 967,164 common share purchase warrants to not exercise such warrants prior to their expiry.