



**MANAGEMENT DISCUSSION AND
ANALYSIS**
September 30, 2008

MagIndustries Corp.
TSX-V: MAA

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Management's Discussion and Analysis of Operating Results

AMOUNTS ARE IN U.S. DOLLARS UNLESS OTHERWISE STATED

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 three and nine month periods ended September 30, 2008. This discussion dated November 14, 2008 should be read in conjunction with the accompanying interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2008 and notes thereto, and the annual consolidated financial statements as at and for the year ending December 31, 2007 and notes thereto. Results are reported in United States dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

The Company trades in Canadian currency on the TSX Venture Exchange 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.

Overall performance

The Company is organized around four principal business units: MagMinerals, MagMetals, MagForestry and MagEnergy. MagEnergy's operations are currently focused on the Inga II Hydroelectric facility and the Busanga Hydroelectric site in the Democratic Republic of Congo ("DRC") while MagMinerals, MagMetals, and MagForestry are all located in the Pointe-Noire area of the Republic of Congo ("ROC").

The Company is engaged in five significant development projects:

- **MagMinerals**, in August 2008, released an updated 43-101 technical report entitled Reserve Estimate for MagMinerals, Makola Permit Area, Kouilou Region, Republic of Congo and a final feasibility study for a 600,000 tonne per year ("tpy"), stand alone potash plant near Mengo in the Kouilou Province of ROC. MagMinerals has since completed private placements of subscription receipts which have raised gross proceeds of CDN\$182 million to be part of initial equity required to build the plant (as described further below) and is completing work to expand planned capacity to 1.2 million tonnes.
- **MagMetals** is engaged in the evaluation of the Kouilou magnesium plant to be located adjacent to MagMinerals potash plant. MagMetals plans to produce high quality magnesium and magnesium alloys for the automotive industry.
- **MagForestry** operates a 68,000 hectare eucalyptus forestry plantation that is currently selling wood chips and pulpwood logs to the European market. The Company has constructed and commenced operations of the wood chip plant at the port of Pointe-Noire in the ROC. The initial targeted volume for wood chips on an annualized basis is 400,000 to 500,000 tonnes. The majority of the forestry plantation overlies MagIndustries Makola mineral license including the area chosen for the site of the Mengo brine mining field and the planned location of MagMinerals' potash plant and MagMetals' magnesium plant.
- **MagEnergy** expects to complete the refurbishing one turbine (G23) once it has concluded a final agreement for the rehabilitation of four additional turbines at the Inga II Hydro-electric station located on the Congo River about 300 km south west of the DRC capital of Kinshasa. The Inga II facility is operated by Société Nationale d'Electricité (SNEL), the electricity commission of the DRC. Electric energy resulting from these works is intended to supply existing demand from regional and international electrical grids.
- **MagEnergy** is reviewing the results of its independent technical studies for the evaluation of two "greenfield" hydroelectric sites, Busanga on the Lualaba River in the Katanga Province of the DRC, and the Zongo II hydroelectric site on the Inkisi River, 70 km west of Kinshasa.

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Segment financial summary

Three months ended						
September 30 2008	MagForestry	MagEnergy	MagMinerals	MagMetals	Corporate	Total
	\$	\$	\$	\$	\$	\$
Sales	1,106,749	-	-	-	-	1,106,749
Cost of sales*	(916,392)	-	-	-	-	(916,392)
Project expenses	-	(274,599)	(1,625,384)	(58,173)	-	(1,958,156)
Other expenses	(2,517,982)	(13,223)	(7,574,613)	(15,770)	(5,164,301)	(15,285,888)
Depreciation and amortization	(71,111)	(12,290)	-	-	(37,261)	(120,662)
Interest received	10,685	2,094	638,876	2,832	107,881	762,368
Foreign exchange	4,274,608	1,404,873	(3,692,523)	232,737	(3,693,377)	(1,473,681)
Net loss	1,886,557	1,106,855	(12,253,644)	161,627	(8,787,058)	(17,885,663)

Three Months ended						
September 30 2007	MagForestry	MagEnergy	MagMinerals	MagMetals	Corporate	Total
	\$	\$	\$	\$	\$	\$
Sales	8,008,408	-	-	-	-	8,008,408
Cost of sales*	(6,477,465)	-	-	-	-	(6,477,465)
Expenses	-	(503,309)	(2,035,989)	-	-	(2,539,299)
Project expenses	(1,178,684)	(11,190)	(1,171,462)	-	(1,317,483)	(3,678,819)
Depreciation and amortization	(22,859)	(4,754)	(160,204)	-	(25,114)	(212,931)
Interest received	13,337	8,692	13,355	368	165,205	200,957
Foreign exchange	(375,862)	(747,867)	(594,443)	(7,017)	1,627,513	(97,676)
Net loss	(33,124)	(1,258,428)	(3,948,743)	(6,649)	450,120	(4,796,824)

Nine months ended						
September 30 2008	MagForestry	MagEnergy	MagMinerals	MagMetals	Corporate	Total
	\$	\$	\$	\$	\$	\$
Sales	21,243,732	-	-	-	-	21,243,732
Cost of sales*	(17,142,412)	-	-	-	-	(17,142,412)
Project expenses	-	(1,287,590)	(4,716,865)	(93,392)	-	(6,097,847)
Other expenses	(6,763,396)	(13,150)	(8,069,244)	(1,942,936)	(12,536,659)	(29,325,387)
Depreciation and amortization	(208,134)	(54,450)	(322,421)	-	(56,354)	(641,359)
Interest received	110,982	9,829	1,221,304	3,932	401,245	1,747,292
Foreign exchange	1,668,766	346,769	(3,808,212)	203,300	(554,862)	(2,144,240)
Net loss	(1,090,464)	(998,592)	(15,695,438)	(1,829,097)	(12,746,630)	(32,360,221)

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Nine Months ended September 30 2007	MagForestry \$	MagEnergy \$	MagMinerals \$	MagMetals \$	Corporate \$	Total \$
Sales	9,810,890	0	0	0	0	9,810,890
Cost of sales*	(7,915,189)	0	0	0	0	(7,915,189)
Expenses	0	(1,307,599)	(5,600,744)	(33,544)	(103,419)	(7,045,305)
Project expenses	(2,875,513)	(183,830)	(1,582,735)	(6,443)	(4,395,633)	(9,044,153)
Depreciation and amortization	(130,922)	(90,373)	(431,010)	0	(64,135)	(716,441)
Interest received	35,561	19,994	34,731	984	997,487	1,088,757
Foreign exchange	(66,998)	(758,201)	(427,525)	(7,874)	1,332,223	71,625
Net loss	(1,142,171)	(2,320,008)	(8,007,284)	(46,877)	(2,233,476)	(13,749,816)

*Including shipping

As at	September 30, 2008		December 31, 2007	
	Capital assets	Total assets	Capital assets	Total assets
	\$	\$	\$	\$
MagMinerals	6,543,938	174,444,221	4,214,218	57,645,809
MagMetals	9,850	9,570,161	-	4,547,692
MagEnergy	354,931	20,910,181	366,420	18,591,713
MagForestry	44,222,080	67,854,966	29,115,729	53,192,061
Corporate	1,693,636	26,564,547	752,501	31,748,322
	52,824,434	299,344,076	34,358,868	165,725,597

All amounts are from continuing operations

Outlook

The objective of MagIndustries is to develop the Company's mineral, energy and forestry interests to provide growth for its shareholders. The Company's mining divisions are proceeding with a plan to develop a potash plant and magnesium plant based on brine mining of the Companies Kouilou salt deposits that underlie the Company's Makola license, specifically those lying within the Mengo Exploitation (Mining) License. MagMinerals' potash plant is projected to produce potash fertilizers principally to supply growing agricultural demand in South America and South Africa. MagMetals' proposed magnesium plant would produce magnesium alloys to supply the rapidly growing demand for magnesium die-cast automotive parts worldwide and high purity magnesium metal for the aluminum and steel industries. MagForestry will support the development and marketing of new and existing wood products. MagEnergy is completing the phase 1 refurbishment work at Inga II and looks to begin Phase 2 rehabilitation work in 2009. MagEnergy proposes to commercialize its Independent Power Producer status in 2009 with electricity sales to customers in central and southern Africa.

The Company plans to finance the necessary expenditures for the development of these business units through cash-flow, equity financing, pre-production loans, debt financing, joint venture participation, or a combination thereof, depending upon prevailing market conditions at the time. While the Company is actively pursuing various options in this regard, there can be no assurance that the Company will be successful or that sufficient proceeds will be realized.

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Proposed transactions

The Company currently has proposed the following transactions:

- Signing a commercial operating agreement with the Republic of Congo which will require the constitution of a Congo mining company to own and operate the potash plant.
- The completion of the debt and equity financing of the potash project.
- The completion of a timetable for the Phase 2 rehabilitation works at Inga II.

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 and acquisition costs to Sept 30, 2008	Expected future expenditures to complete the next phase of plan
MagForestry eucalyptus plantation and chipmill	68,000 hectare eucalyptus forestry plantation (of which 20,000 hectares is presently unplanted)	Start-up and commissioning of a 500,000 tpy chip mill and forestry harvesting operation.	\$66 million	\$2 million
MagMinerals potash plant	Development of a stand alone potash plant near Pointe-Noire.	Construction of a plant to be operational in 2011 and studies to double capacity.	\$77 million	\$723 million plus associated financing costs
MagMetals magnesium project	Evaluation of the Kouilou magnesium project proposed to be located adjacent to MagMinerals potash plant.	Commence feasibility study upon the continued development of the MagMinerals potash plant.	\$11 million	\$3 million
MagEnergy Inga II Phase 1 (refurbishment)	Emergency repairs and refurbishment of one turbine at the Inga II hydroelectric site.	Emergency repairs completed. Refurbishment of G23 on hold pending SNEL decision.	\$18 million	\$7 million
MagEnergy Inga II Phase 2 (rehabilitation)	Rehabilitation of four turbines at the Inga II hydroelectric site.	Final approvals to proceed are pending.	\$1 million	\$25 million equity commitment after finalization of definitive agreement, project finance and tender of work.
MagEnergy Busanga	Feasibility study of greenfield hydroelectric site.	Interim feasibility study completed Q2 2007. Decision pending on whether to proceed with full feasibility.	\$2.3 million	\$2.4 million - pending decision to follow on with full feasibility study.

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

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 from the government of the ROC.

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 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 tpy 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 was in the final stages of commissioning, but had not yet achieved full commercial production.

Results for the three months ended Sept 30, 2008, compared with 2007

Overall net income for the quarter was \$1,886,557 (A loss of \$33,124 for the three months ended Sept 30, 2007). The results included an unrealized foreign exchange translation gain of \$4,274,608 (as compared to a loss of \$375,862 in the comparative period in 2007). The strengthening of the US dollar resulted in a gain when translating the Company's results from the local Euro-pegged currency to US dollars. This is specifically attributable to financing the purchase of \$44 million in fixed assets with intercompany debt which includes debt denominated in Euros and US dollars.

Sales of logs for the quarter ended Sept 30, 2008 were \$1,106,749 (\$8,008,408 for the three months ended June 30, 2007). The cost of sales for the quarter ended Sept 30, 2008 were \$916,392 (\$6,477,465 for the three months ended Sept 30, 2007). This decrease in log sales is primarily attributable to the Company switching from raw log sales to chipped product during the quarter.

Wood chip sales for the quarter were \$6,280,998. The MagForestry wood chip mill is in the final stages of ramp up, but as at September 30, 2008 had not reached full commercial production. As such, the sales and cost of sales during the quarter have been deferred as part of the capital cost of the plant.

Results for the nine months ended Sept 30, 2008, compared with 2007

Overall net loss for the first nine months of 2008 was \$1,090,464 (\$1,142,171 for the nine months ended Sept 30, 2007). The loss included an unrealized foreign exchange translation gain of \$2,605,843 (as compared to a loss of \$66,998 in the comparative period in 2007). The strengthening of the US dollar resulted in a gain when translating the Company's results from the local Euro-pegged currency to US dollars. This is specifically attributable to financing the purchase of \$44 million in fixed assets with intercompany debt which includes debt denominated in Euros and US dollars.

Forest product sales for the nine months ended Sept 30, 2008 were \$21,243,732 (\$9,810,809 for the nine months ended Sept 30, 2007). The cost of sales for the nine months ended Sept 30, 2008 were \$16,226,020 (\$7,915,189 for the nine months ended Sept 30, 2007). The modernization strategy undertaken during 2007 has led to higher volumes, and the division has begun to take advantage of the new forestry equipment and harvesting procedures which were put in place in the fourth quarter of 2007. With the conversion to the sale of wood chips significant changes in operating methods and costs are expected. Meaningful comparison of gross profit margins will be difficult until the chipmill is fully operational and volumes predictable.

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Forestry Outlook

The Company considers that it is in the start-up phase of its operation of the forestry business, which it has controlled since October 2005. Significant efforts have been made to upgrade equipment and facilities, to learn the dynamics of operating in the Republic of Congo, train its workforce and increase forest harvesting volumes. As such the sales and gross profits have been unpredictable. All forestry equipment purchased in 2007 is operational and significant efforts have been made to integrate the equipment and new processes. The Company has achieved its targeted harvesting volumes and is expecting consistent operating results subject to the conversion to the sale of wood chips.

MagMinerals

MagMinerals is proceeding with the financing and construction of a 600,000 tpy potash plant at Mengo in the Kouilou region of the ROC, near the port city of Pointe-Noire, as well as the evaluation of expansion plans for an additional 600,000 tpy of production capacity. The plant is designed to produce granular K60 agricultural grade potash fertilizers using potassium rich brines from the Kouilou salt deposits. The feasibility study estimates 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 the Makola Exploration Licence which lies in the Kouilou region of the ROC. The Makola Exploration Licence which covers an area of about 1,472 km² is underlain by extensive deposits of magnesium and potassium salts, including carnallite, bischofite and sylvanite. The carnallite (a magnesium and potassium salt) deposits are among the largest and cleanest of their kind in the world.

The evaluation of the Makola Exploration Licence 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 Reserve Estimate for MagMinerals, Makola Licence Area, Kouilou Region, Republic of Congo 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 licence (the "Mengo Exploitation Permit") by the government of the ROC on April 3, 2008. The Potash Investment Agreement ("PIA") is currently being finalized with the government of the ROC. The PIA requires the constitution of a Congo company to be the operator of solution mining operations and the potash plant. MagMinerals has incorporated MagMinerals Potasses Congo SAU ("MagPotasses") as the operating entity with respect to the project and, in accordance with the Congolese mining code, MagPotasses will be 10% owned by the government of the ROC.

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, considered to be one of West Africa's best deep-water ports, has successfully served as the operations base for major international oil companies for the past 30 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. It is intended that the government of the ROC, the owner of the land on which the project will be located, will provide access to the land for the life of the project to MagMinerals as part of the PIA to be executed between MagMinerals and the government of the ROC.

MagMinerals Outlook

The project and its adjacent brine mining field are expected to enter the construction phase in the fourth quarter of 2008. The first phase of operations has been designed as a 600,000 tpy, potash plant. The plant is based on a modular design and layout which will allow for the inclusion of an additional 600,000

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

tpy unit bringing the total production 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 oil production.

MagMinerals has signed an off-take agreement with 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.

MagMinerals is currently mobilizing to commence production-well drilling and is conducting preconstruction design and engineering. In addition, MagMinerals is conducting site preparation tasks including the harvesting of the eucalyptus trees at the plant site and preparing for the levelling of the ground for site works.

MagMetals

In 2007 MagMetals commissioned a scoping study to evaluate 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 most recent quarter MagMetals completed the acquisition of this technology through a license agreement for a complete electrolytic magnesium extraction processes, including key technical equipment.

MagMetals Outlook

MagMetals is planning to commence a feasibility study for a magnesium plant, upon continued development of the MagMinerals potash plant, based on the recent 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.

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 and operated by the state electric utility SNEL, and is the major supplier of electricity for the region. It was commissioned in the early 1980's with a nameplate capacity of 1,424 megawatts. Due to years of low maintenance budgets the site is currently delivering approximately 20% of its installed capacity.

MagEnergy has entered into a public-private partnership agreement with SNEL and is proceeding with two phases of works at the facility:

- Phase 1 includes the refurbishment of turbine G23 and emergency repairs to three other turbines ("the Emergency Works") which is intended to ensure a reliable supply of energy into the current grid during a six year period (2008-2013). The total expected expenditures are approximately \$25 million.
- Phase 2 involves the complete rehabilitation of four turbines (G25, G26, G27, G28) with a proposed budget of \$140 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% MagEnergy and 30% IDC. This

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

arrangement also gave IDC the rights to participate in the Phase 2 rehabilitation by contributing 25% of the costs for 15% of the returns.

MagEnergy Outlook

The Phase 1 refurbishment works are currently on hold, as the project has encountered a Euro 5 million cost overrun that is required to be financed by SNEL. MagEnergy has proposed funding options for this cost overrun and is currently awaiting a decision from SNEL on how to proceed. The refurbishment works are currently scheduled to be completed, subject to the approval of funding, in the second quarter of 2009.

During Phase 1 the Company is realizing its investment with two stages of cash flows. In the initial stage, before the successful commercial operation of the refurbished turbine, the Company has received \$200,000 per month until January 2008 and efforts to move the project to the next stage are on hold during discussions with SNEL about the cost overrun. When the emergency repairs are complete (estimated in the first quarter of 2009) the Company expects to earn a return by sharing in the sale of electricity from turbine G-23. 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. This initial stage commenced in May 2006. Total fees earned to date amount to \$3,080,000 (which is net of the 30% due to IDC).

Phase 2 of MagEnergy's work at Inga II entails the full rehabilitation of four turbines at an estimated total cost of \$140 million. A definitive agreement has been negotiated and is now undergoing an extensive review process involving the Ministry of Energy, the Ministry of Public Enterprise, The Prime Minister's office and The Economic and Finance Committee of the DRC government (ECOFIN, the Government body appointed to review international contracts). The timing and final outcome of this government review process is unknown. The tender and project finance of Phase 2 should begin after completion of the review process. On-site rehabilitation work is scheduled for soon thereafter. The rehabilitation of the first turbine is expected to be completed and on line 12-18 months after commencement of the works.

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

General and administrative expenses

	Three months ended		Nine months ended	
	2008	Sept 30 2007	2008	Sept 30 2007
	\$	\$	\$	\$
Wages, benefits and consulting	2,566,076	1,416,300	7,096,097	4,306,674
Office costs	1,447,738	714,057	3,041,690	1,396,306
Professional fees	1,102,811	76,502	2,105,575	175,483
Travel	535,982	256,160	1,514,579	903,329
Stakeholder communications	132,869	32,062	311,298	415,205
	5,785,476	2,495,081	14,069,239	7,196,997

General and administrative expenses for the quarter ended Sept 30, 2008 for the Company were \$5,785,476 (\$2,495,081 for the three months ended Sept 30, 2007). General and administrative expenses increased as a result of MagForestry ramp up and development of the MagMinerals project. General and administrative expenses include the costs for offices in Pointe-Noire, Republic of Congo,

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Bridgetown, Barbados and Toronto, Canada. Additional consulting, legal, professional and registration fees were also incurred relating to the Company's re-organization of the MagMinerals division.

Expensed Project Evaluation and Development Costs

	Three months ended		Nine months ended	
	2008	Sept 30 2007	2008	Sept 30 2007
	\$	\$	\$	\$
MagMinerals	1,625,384	2,035,989	4,716,865	5,600,430
MagEnergy	274,599	503,310	1,287,590	1,411,331
MagMetals	58,173	-	93,392	33,544
	1,958,156	2,539,299	6,097,847	7,045,305

The Company incurred \$1,958,156 in project development expenditures for the quarter ended Sept 30, 2008 (\$2,539,299 in three months ended Sept 30, 2008). For the nine months ended Sept 30, 2008 the Company incurred \$6,097,847 (\$7,045,305 for the comparative period in 2007). These costs included consulting fees, office costs and travel related to the development of the Company's projects. Office costs are for offices in Kinshasa, DRC which supports MagEnergy's developments and Pointe-Noire, ROC which supports MagMinerals drilling operations on a full time basis. The decrease in project expenses during the quarter was primarily driven by the MagMinerals project, which focused more during the quarter on activities which met the Company's criteria for deferral and therefore have been included in capitalized project evaluation and development costs. This decrease was offset by an increase in project expenses for MagEnergy which devoted more expenses to its efforts to finalize the Inga II phase 2 definitive agreement.

Capitalized project evaluation and development costs

	Energy \$	Metals \$	Minerals \$	Total \$
Project development	9,819,857	1,421,390	15,609,840	26,851,087
Drilling	-	-	21,371,024	21,371,024
Engineering	14,332,388	756,512	23,410,376	38,499,276
Environmental	229,478	67,552	2,714,012	3,011,042
Technology	0	5,747,363	0	5,747,363
Capitalized interest	1,520,151	1,283,102	3,015,653	5,818,906
IDC Contribution	(3,000,000)	-	-	(3,000,000)
SNEL cash flow	(3,080,000)	-	-	(3,080,000)
	19,821,874	9,275,919	66,120,905	95,218,698

Summary of quarterly results

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

	September 30 2008	June 30 2008	March 31 2008	December 31 2007
	\$	\$	\$	\$
Revenue	1,106,749	8,310,453	11,826,530	5,532,874
Net loss for the period	(17,885,663)	(7,747,678)	(6,726,880)	(2,744,167)
Net loss per share				
Continuing operations	0.09	0.04	0.03	0.01
Discontinued operations	0.00	0.00	0.00	0.00

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

	September 30 2007 \$	June 30 2007 \$	March 31 2007 \$	December 31 2006 \$
Revenue	8,209,365	1,400,562	1,289,720	1,965,762
Net loss for the period	(6,414,544)	(5,484,459)	(3,778,841)	(7,113,300)
Net loss per share				
Continuing operations	0.03	0.03	0.02	0.04
Discontinued operations	0.01	0.00	0.00	0.00

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 operations. Specifically the major changes include:

- In July 2006 the Company began phase 2 of the final feasibility study on the potash plant. This was followed by the ramp up of the supporting drilling campaign
- In November 2006 the Company began construction of a chip mill as a key component of MagForestry's operations
- October/November 2007 saw the completion of the evaluation drilling campaign at Kouilou and the receipt of a resource estimation
- In February 2008 the Company completed a final feasibility study on the MagMinerals Kouilou potash 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 potash plant
- 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 potash plant

Liquidity and capital resources

As at Sept 30, 2008, MagIndustries had net working capital of \$120,712,215 and had 197,514,016 shares outstanding on an undiluted basis. The Company currently has sufficient resources to continue operations through the balance of the year and continue implementation of its development plans as described above subject to the success of the project financing plans described in this section. If these financings are not each completed successfully the Company would consider additional equity financings, taking on equity partners for individual projects, and/or the sale of individual projects.

On April 4, 2008 and April 29, 2008 the Company closed a private placement offering of securities in the capital of MagMinerals Potash Corp. (a company, newly incorporated for the purposes of financing the potash project, "MagPotash"). The securities were priced at CDN\$4.00 each for gross proceeds of CDN\$100,000,000 prior to agents' commission of CDN\$4,000,000 and other expenses of the offering. The Offering was structured as an offering of 25,000,000 common shares in a newly formed entity, MagMinerals Holdings Corp. ("MagHoldings"), which used the proceeds from the offering to subscribe for CDN\$100,000,000 of subscription receipts in the capital of MagPostash at a price of CDN\$4.00 per subscription receipt.

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

MagPotash, the Company and MagHoldings have agreed to use their best efforts to cause a liquidity event to occur before October 3, 2008 (the Liquidity Event Deadline). Such liquidity event involves (i) the completion of a reorganization to, among other things, cause MagMinerals Inc. ("MagBarbados") (the entity which holds the potash assets) to become a wholly-owned subsidiary of MagPotash, (ii) causing MagPotash to become a reporting issuer in one or more provinces of Canada and (iii) causing the common shares of MagPotash to become listed on a Canadian exchange.

Each subscription receipt will entitle the holder thereof to acquire (for no additional consideration) at any time, and will be deemed to cause the holder thereof to acquire, on the completion of a liquidity event, one common share in the capital of MagPotash (or in the event that the aforementioned liquidity event does not occur by the Liquidity Event Deadline, 1.05 common shares in the capital of MagPotash).

In connection with the transaction, the Company issued each purchaser of MagHoldings shares a right (an "Exchange Right"). In the event that a listing of the common shares of MagPotash does not occur by December 31, 2008, the Exchange Right will entitle and obligate each holder of MagHoldings shares to exchange such shares for common shares in the capital of MagIndustries ("MagIndustries Shares"). The number of shares to be issued on such exchange will be calculated by dividing the issue price of the MagHoldings shares (multiplied by 1.05) held by each such holder by the lower of (i) 92.5% of the volume weighted average price of the MagIndustries Shares for the twenty trading day period ending on December 31, 2008, and (ii) the closing price of the MagIndustries Shares on the closing date, subject to the restriction that the effective issue price of the MagIndustries Shares will in no case be less than \$1.79.

Pursuant to the Offering, the agents were entitled to receive from the Company a cash fee equal to 5% of the gross proceeds. As permitted under the terms of the offering, the agents elected to receive their commission in respect of the second tranche in securities. This resulted in the issuance of an additional 250,000 MagHoldings shares (and related Exchange Rights) and an additional 250,000 subscription receipts. As a result, pursuant to the first and second tranches, a total of 25,250,000 MagHoldings shares (and related Exchange Rights) and 25,250,000 subscription receipts of MagPotash have been issued.

On July 14, 2008 the Company completed the issuance of an additional CDN\$70 million in subscription receipts, at a price of CDN\$5.00 per subscription receipt under the same terms and conditions as the April 4, 2008 and April 29, 2008 private placement offering mentioned above. On September 22, 2008 the Company completed an additional private placement of CDN\$12.16 million in subscription receipts (a price of CDN\$5.00 per subscription receipt) under the same terms and conditions as the April 4 and April 29, 2008 offering mentioned above. In connection with these offerings, the Company issued each purchaser of MagHoldings shares an Exchange Right. In the event that a listing of the common shares of MagPotash does not occur by December 31, 2008, the Exchange Right will entitle and obligate each holder of MagHoldings shares to exchange such shares for MagIndustries Shares. The number of shares to be issued on such exchange will be calculated by dividing the issue price of the MagHoldings shares (multiplied by 1.05) held by each such holder by the lower of (i) 92.5% of the volume weighted average price of the MagIndustries Shares for the twenty trading day period ending on December 31, 2008, and (ii) the closing price of the MagIndustries Shares on the closing date, subject to the restriction that the effective issue price of the MagIndustries Shares will in no case be less than \$2.79.

At September 30, 2008 the Company had 15,825,000 stock options outstanding at Sept 30, 2008 (8,195,000 at December 31, 2007) with exercise prices ranging from \$0.10 to CDN\$3.28 per share and expiring no later than June 4, 2013. The Company had 7,942,875 warrants outstanding at Sept 30, 2008 (7,942,875 at December 31, 2007) with exercise prices ranging from \$1.00 to CDN\$2.40 per share and expiring no later than December 20, 2012.

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Subsequent to the end of the quarter on October 1, 2008 the Company granted 1,100,000 incentive stock options to officers, employees and consultants of the Company and its subsidiaries. These options vest over a period of 18 months, have an exercise price of CDN\$0.91 per share and a term of five years.

Commitments

As at Sept 30, 2008, 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:

	\$
2008	160,000
2009	640,000
2010	640,000
2011	640,000
2012	640,000
2013	640,000

Future 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 will implement them in the first quarter of 2009, retroactively with restatement of the comparative periods for the current and prior year. The impact of implementing these amendments on the Company's financial statements is currently being assessed.

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to use IFRS, replacing Canadian GAAP. The effective date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Outstanding share data

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

	Number of Shares	Amount \$
Balance December 31, 2007	193,924,016	133,789,803
Exercise of options	925,000	261,250
Original fair value of options exercised	-	74,500
Exercise of warrants	320,000	352,000
Original fair value of warrants exercised	-	178,075
Balance March 31, 2008	195,169,016	134,655,628
Exercise of options	2,345,000	1,025,500
Original fair value of options exercised	-	430,200
Balance June 30, 2008 and November 12, 2008	197,514,016	136,111,328

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, 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 does not have significant interest-bearing borrowings for which general rate fluctuations apply.

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 CDN\$250,000 to an employee and director of the Company. The loan bears interest at 4% per annum, is unsecured and repayable on April 10, 2009. The loan and interest are recorded at the exchange amount. The balance of the loan at September 30, 2008 is CDN\$125,823.

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

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.

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

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

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 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 person 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

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

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.

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 licences 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 licences 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

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

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.

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.

Supply of gas

MagMinerals is also in negotiations to complete a definitive agreement for natural gas supply for the project. The project currently has an agreement at the "memorandum of understanding" level.

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

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

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.

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 logs and wood products 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 logs 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, log supply in competing regions, fluctuations in exchange rates, the availability of substitute products, the level of housing starts, changes in building practices.

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, oil and natural gas costs have increased substantially in recent years. 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

MAGINDUSTRIES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

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.

Disclosure controls and procedures

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 Sept 30, 2008, the Company's management, with the participation of the CEO and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Multilateral 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.

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.