

MAGINDUSTRIES CORP.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010

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, 2009 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.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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Consolidated balance sheets (note 1 – Nature of operations and basis of presentation)

(Expressed in thousands of US dollars)

As at	March 31	December 31
(Unaudited)	2010	2009
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	28,413	24,379
Restricted cash	773	717
Accounts receivable and prepaid expenses	6,466	3,628
Inventories (note 3)	7,233	7,928
	42,885	36,652
Non-current		
Timber holdings	21,930	20,792
Capital assets, net	45,998	47,392
Projects under evaluation and development (note 4)	158,182	154,815
Mineral exploration rights (note 5)	11,050	6,750
	280,045	266,401
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	582	1,001
Accounts payable and accrued liabilities	16,128	18,398
	16,710	19,399
Non-current		
Corporate notes	28,817	28,520
Future income taxes (note 5)	3,000	1,700
Asset retirement obligation	93	97
	48,620	49,716
Commitments and contingencies (note 8)		
Shareholders' equity		
Share capital (note 6)	397,436	376,569
Deficit	(166,011)	(159,884)
	231,425	216,685
	280,045	266,401

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

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Consolidated statements of loss, comprehensive loss and deficit

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

Three months ended March 31 (Unaudited)	2010 \$	2009 \$
Sales	10,210	6,706
Shipping	3,898	2,313
Cost of sales	6,701	4,065
	(389)	328
Expenses		
General and administrative	2,465	3,152
Project expenditures	1,610	636
Interest expense	1,119	893
Amortization and depreciation	185	133
Stock based compensation	39	1,529
Accretion expense	2	2
MagMinerals stock option cancellation	-	3,330
	5,420	9,675
Operating loss	(5,809)	(9,347)
Interest income	2	169
Foreign exchange loss	(320)	(1,524)
Net loss and comprehensive loss for the period	(6,127)	(10,702)
Deficit, beginning of period	(159,884)	(104,957)
Deficit, end of period	(166,011)	(115,659)
Basic and diluted net loss per share	\$0.04	\$0.04
Weighted average number of common shares outstanding	383,533,240	288,079,962

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Consolidated statements of cash flows

(Expressed in thousands of US dollars)

Three months ended March 31 (Unaudited)	2010 \$	2009 \$
Operating activities		
Net loss for the period	(6,127)	(10,702)
Operating items not involving cash		
Amortization, depreciation and accretion expense	1,789	1,399
MagMinerals stock option cancellation	-	3,330
Stock-based compensation	39	1,529
Foreign exchange loss	359	1,798
Net change in non-cash working capital balances relating to operating activities	190	(484)
Cash used in operations	(3,750)	(3,130)
Investing activities		
Additions to projects under development (note 4)	(3,035)	(12,937)
Additions to capital assets	(230)	(2,614)
Additions to timber holdings	(1,336)	(864)
Restricted cash	(56)	-
Purchase of mineral exploration rights (note 5)	(3,000)	-
Net changes in non-cash working capital balances relating to investing activities	(4,603)	164
Cash used in investing activities	(12,260)	(16,251)
Financing activities		
Common shares issued, net of fees (note 6)	20,823	-
Bank indebtedness	(419)	-
Exercise of options	5	-
Cash provided by financing activities	20,409	-
Effect of exchange rate changes on foreign cash	(365)	(1,798)
Net increase (decrease) in cash and cash equivalents	4,034	(21,179)
Cash and cash equivalents, beginning of period	24,379	91,494
Cash and cash equivalents, end of period	28,413	70,315

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Notes to interim 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, MagMinerals, MagMetals, MagForestry and MagEnergy. The Company is engaged in financing, developing and placing into production or operation the following projects:

Project	Description	Location	Business unit
Potash plant	Construction of 1.2 million tonne per year potash plant in two phases of 600,000 tonnes per year	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 interim 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 and 9(c), 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 "Notes" or individually a "Note") 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 of 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 the next 12 months. Accordingly, the debt has been classified according to its repayment terms. If the Company is unable to comply with their terms, the 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 interim 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.

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The United States dollar is the principal currency of the Company's primary economic environment. These interim 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, 2009 (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, 2010 may not be indicative of the results that may be expected for the year ending December 31, 2010.

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.

Comparative figures

Certain of the prior period's figures have been reclassified to conform to the current presentation.

Changes in accounting policy – Business Combinations

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

3. Inventories

	March 31	December 31
	2010	2009
(thousands)	\$	\$
Consumable supplies and production materials	5,477	4,962
Inventory of logs/work in progress	676	680
Wood chips	1,080	2,286
	7,233	7,928

The amount of inventory recognized as an expense and included in cost of goods sold for the period was \$6.7 million (2009: \$3.1 million). No amounts were charged to the interim consolidated statement of loss

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for the write-down of inventory for valuation issues for the first quarter ended March 31, 2010 or for the quarter ended March 31, 2009.

4. Projects under evaluation and development

The Company has four principal projects under evaluation and development:

MagMinerals has completed a detailed feasibility studies and is planning for full construction of a standalone 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. Pre-construction activities have also included building of an 11.2 km gas pipeline, drilling of 25 production wells and site preparation.

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. Per the agreement between the Company and SNEL the Company will earn a return by sharing in the sale of electricity from INGA II to customers of SNEL when additional capacity comes on line. The Company is currently treating any 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, 2009	154,815
Additions during period (including depreciation of \$332)	3,367
Balance, March 31, 2010	158,182

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(thousands)	March 31, 2010			
	Energy \$	Metals \$	Minerals \$	Total \$
Development & construction	9,232	-	42,684	51,916
Drilling	-	-	60,322	60,322
Engineering	-	102	36,095	36,197
Environmental & social	-	-	6,640	6,640
Technology	-	5,751	-	5,751
Capitalized interest	-	-	3,016	3,016
IDC Contribution	(3,000)	-	-	(3,000)
SNEL cash flow	(2,660)	-	-	(2,660)
	3,572	5,853	148,757	158,182

(thousands)	December 31, 2009			
	Energy \$	Metals \$	Minerals \$	Total \$
Development & construction	9,102	-	40,662	49,764
Drilling	-	-	57,921	57,921
Engineering	-	102	37,628	37,730
Environmental & social	-	-	6,293	6,293
Technology	-	5,751	-	5,751
Capitalized interest	-	-	3,016	3,016
IDC Contribution	(3,000)	-	-	(3,000)
SNEL cash flow	(2,660)	-	-	(2,660)
	3,442	5,853	145,520	154,815

5. Mineral exploration rights

In October, 2009 the Company agreed to acquire the Congolese company Potasse du Congo ("PdC") through an arm's length transaction. PdC holds three mineral exploration licenses in the Kouilou region surrounding the Mengo Exploitation Permit. The shares of PdC were purchased for a consideration of \$0.5 million and the vendor retained a royalty interest in the exploration permits, the value of which was capped at \$9.5million. The Company agreed to reduce this royalty interest from 10% to 6% by the payment of \$3.5 million in October 2009. In January 2010, the Company reduced the royalty interest from 6% to 3% with a further payment of \$3 million.

	Amount \$(thousands)
Beginning balance	6,750
Cash paid	3,000
Future income taxes	1,300
Mineral exploration rights	11,050

The mineral exploration rights have associated research budgets totaling \$7.5 million over 3 years.

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6. Shareholders' Equity

(thousands)	March 31 2010	December 31 2009
	\$	\$
Common shares	353,900	333,070
Warrants	5,430	5,430
Contributed surplus	38,106	38,069
	397,436	376,569

Common Shares

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

	Number of Shares	Amount \$(thousands)
Balance December 31, 2009	360,522,462	333,070
Exercise of options	20,000	5
Issued by short form prospectus (a)	57,500,000	20,823
Original fair value of options issued	-	2
Balance, March 31, 2010	418,042,462	353,900

- (a) On February 24, 2010 the Company issued 50,000,000 common shares at a price of CAD\$0.40 per common share to raise gross proceeds of CAD\$20.0 million (\$19.2 million). Pursuant to an overallotment option granted to the agents of the offering an additional 7,500,000 common shares were issued on February 24, 2010 for gross proceeds of CAD\$3.0 million (\$2.9 million). Expenses of the offering, including agents' commission, were CAD\$1.3 million (\$1.3 million).

Options

As of March 31, 2010, 17,970,000 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 10 years. The following summary sets out the activity in outstanding Plan options:

	Options #	Weighted- average exercise price CAD\$
Outstanding, beginning of period	19,065,000	1.44
Exercised	(20,000)	0.24
Expired	(1,075,000)	0.85
Outstanding, end of period	17,970,000	1.47
Options exercisable at end of period	17,961,665	1.47

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The details of stock options outstanding at March 31, 2010 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	5,570,000	3.5	\$0.38	5,561,665	3.5	\$0.38
\$1.00 - \$1.99	9,025,000	2.4	\$1.47	9,025,000	2.4	\$1.47
\$3.28	3,375,000	3.2	\$3.28	3,375,000	3.2	\$3.28
	17,970,000	2.7	\$1.47	17,961,665	2.9	\$1.47

The fair value of the options granted during the year was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions: risk-free interest rate of 2% (2009 – 2%), expected dividend yield of nil (2009 – nil), expected volatility of 93% (2009 – 93%) and expected life term of 3.9 years (2009 – 3.9 years).

Warrants

The following table summarizes information about the Company's warrants outstanding at March 31, 2010.

Description	Warrants	Exercise Price
Outstanding, beginning of period	6,622,875	CAD\$2.40
Expired	-	-
Exercised	-	-
Outstanding, end of period	6,622,875	CAD\$2.40

The details of warrants outstanding March 31, 2010 are as follows:

Exercise price per share	Expiry date	Number of warrants outstanding	Remaining contractual life
CAD\$2.40	December 20, 2012	6,622,875	3.0 years
		6,622,875	

Contributed surplus

(thousands)	\$
Beginning balance	38,069
Stock-based compensation expense	39
Transfer to common shares on exercise of stock options	(2)
Balance end, of period	38,106

7. 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.

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Three months ended March 31 2010 (thousands)	MagForestry	MagEnergy	MagMinerals	MagMetals	Corporate	Total
	\$	\$	\$	\$	\$	\$
Sales	10,210	-	-	-	-	10,210
Cost of sales*	(10,599)	-	-	-	-	(10,599)
Project expenses	-	(179)	(1,424)	(7)	-	(1,610)
Expenses	(1,565)	(40)	-	(10)	(1,971)	(3,586)
Options expense	-	-	-	-	(39)	(39)
Depreciation and amortization	-	(16)	(16)	(1)	(152)	(185)
Interest income	-	-	1	-	1	2
Foreign exchange	3,679	892	(5,469)	(131)	709	(320)
Net income (loss)	1,725	657	(6,908)	(149)	(1,452)	(6,127)

*Including shipping of \$3,898 and depreciation and amortization of \$1,120.

Three months ended March 31 2009 (thousands)	MagForestry	MagEnergy	MagMinerals	MagMetals	Corporate	Total
	\$	\$	\$	\$	\$	\$
Sales	6,706	-	-	-	-	6,706
Cost of sales*	(6,378)	-	-	-	-	(6,378)
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	-	(11)	-	-	(122)	(133)
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 of \$2,313 and depreciation and amortization of \$938.

(thousands)	March 31, 2010		December 31, 2009	
	Capital assets	Total assets	Capital assets	Total assets
	\$	\$	\$	\$
MagMinerals	3,936	171,112	4,339	169,466
MagMetals	9	5,987	10	6,007
MagEnergy	266	3,931	292	3,886
MagForestry	37,328	82,493	37,955	80,304
Corporate	4,459	16,522	4,796	6,738
	45,998	280,045	47,392	266,401

8. Commitments, contingencies and guarantees

As at March 31, 2010, 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.

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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)	\$
2010	419
2011	235
2012	235
2013	235
2014	260
2015	238

Pending litigation

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

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

Supplier contract

The Company has contracted with a shipping supplier for shipping of woodchips for a minimum of \$12 million over the next 15 months.

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 sheets are classified into the following categories:

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(thousands)	Classification	March 31 2010 \$	December 31 2009 \$
Financial assets			
Cash, cash equivalents and restricted cash (1)	Held for trading, Fair value through earnings	29,186	25,096
Accounts receivable and employee loan (1)	Loans and receivables	4,936	1,783
Financial liabilities			
Bank indebtedness (1)	Held for trading, Fair value through earnings	(582)	(1,001)
Accounts payable (1)	Other financial liabilities	(16,128)	(18,398)
Corporate notes (2)	Amortized cost	(28,817)	(28,520)
Net financial liabilities		(11,405)	(21,294)

(1) Carrying values of cash, cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities approximate their fair values due to their short-term nature and thus have not been classified within the fair value hierarchy.

(2) Corporate notes are measured at amortized cost which approximated its fair value and thus have not been classified within the fair value hierarchy.

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

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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, 2010 is as follows:

(thousands)	Assets \$	Liabilities \$
US dollars	21,560	35,289
Euros	5,594	6,716
Canadian dollars	6,919	1,788
South African rand	49	1,734
	34,122	45,527

Sensitivity

Based on the financial instruments held at March 31, 2010, 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 period would have been \$0.2 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 \$0.2 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, 2010 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 creditworthy customers and where necessary credit risk is effectively eliminated or substantially reduced by using bank instruments to secure payment. Creditworthiness may be 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

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cash flows. The main long-term financial obligation of the Company is the \$32.3 million face value of the Notes which are due December 20, 2012.

As at March 31, 2010, MagIndustries had net working capital of \$26.2 million and had 418,042,462 shares outstanding on an undiluted basis. The Company currently has sufficient resources to continue MagForestry operations through 2010 year and, subject to DRC government ratification, 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. The Company is in discussions for the issuance of debt to strategic investors which have progressed to a written project development framework which carries the weight of a memorandum of understanding. The issuance as contemplated would be sufficient to fund the capital requirements of the MagMinerals project. However there can be no assurance that these discussions will conclude on this basis.

(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 is assumed to approximate fair values due to its 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 events

On April 17, 2010 the Company granted a total of 6,625,000 stock options. These options vest in five equal instalments over a period of 12 months commencing on the date of grant, have an exercise price of CAD\$0.50 per share and have a term life of five years.