

MAGINDUSTRIES CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED MARCH 31, 2013

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 quarter ended March 31, 2013. This discussion dated May 13, 2013 should be read in conjunction with the accompanying unaudited consolidated financial statements and notes thereto. Results are reported in United States dollars unless otherwise stated, and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

The Company is controlled by Evergreen Resources Holding (BVI) Ltd., a subsidiary of the Evergreen Industries Group ("Evergreen"), which owns 86% of the Company's common shares.

OUR BUSINESS

MagIndustries is focused on the development of its wholly-owned subsidiary, MagMinerals Potash Corp. ("MagMinerals"), Mengo potash project (the "Project") which proposes a 1.2 million tonnes per year potash mine and processing plant. The Project is located near the village of Mengo, 25 kilometers east of the Atlantic port city of Pointe-Noire, Republic of Congo. A feasibility study for the first phase of the Project was completed in 2008 and management believes the Project remains construction-ready; however capital constraints have delayed the full development of the Project. In 2012 management is re-addressing the financing requirements with a plan to source project financing from policy banks in China. Also, MagIndustries' MagForestry division operates a Eucalyptus plantation outside of Pointe-Noire selling woodchips to the pulp market in Europe and North Africa. A portion of this plantation overlies the mining exploitation permit for the Project.

EXECUTIVE SUMMARY

MagIndustries' focus in 2013 to date has been on the furthering of the detail design and engineering works for the under-mentioned projects.

In 2012, the Company signed an engineering and design contract with the Changsha Design & Research Institute of the Ministry of Chemical Industry ("Changsha Institute"), People's Republic of China ("China"). This contract is for the full design, engineering services and procurement assistance associated with the construction of the Mengo Project, including brine extraction, transfer, processing plant, waste brine transmission, brine effluent handling, thermal power station, offices and housing, public utility interfaces, auxiliary engineering and the external transportation, external engineering work (including supply of water, natural gas, electricity supply and access roads) and the water supply and pumping. The total contract price is approximately \$17.8 million. Work on the contract is currently underway.

The Company also signed a contract for exploration well drilling with No.417 Team of Bureau of Geology and Mineral Exploration and Development Hunan province ("417 Team"), a public institution registered under the laws of China. MagIndustries holds three mineral exploration licenses in the Kouilou region surrounding the Mengo License: Makola, Loango, and Tchizalamou. The drilling contract calls for the drilling of 6 exploration wells or approximately 5,400 metres of drilling in about 7 months.

On October 16, 2012, the Company entered into a port facility design contract to further the development of its flagship Mengo potash project in the ROC. The contract is with China Shipbuilding NDRI Engineering Co., Ltd. ("NDRI") and calls for the design of all necessary facilities for the operation of a potash export terminal in the New Port area of Point-Noire, ROC.

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This contract is for the full design services for an export facility suited to load potash bulk carriers including a jetty and trestle, a breakwater, a 150,000-tonne storage facility, transfer stations, ancillary facilities and transportation corridors. NDRI will work together with the Changsha Design & Research Institute of the Ministry of Chemical Industry, People's Republic of China, which is performing overall engineering and design for the Project. NDRI will also provide data necessary for any environmental and social impact assessment requirements. The total price of the contract is approximately US\$6.2 million.

Financial summary

During the quarter ended March 31, 2013, MagIndustries recorded revenue of \$5.3 million (2012 - nil) and held cash, cash equivalents and restricted cash of \$14.6 million and \$3.2 million at March 31, 2013 and December 31, 2012 respectively. Net loss from continuing operations for the quarter was \$6.7 million, compared to a loss of \$7.1 million last quarter. The lower loss was mainly attributable to:

- A gross margin of \$1.1 million for the quarter. There were no sales during the same period last year.
- Lower timber revaluation loss of \$0.5 million compared to \$1.2 million last quarter.
- Lower depreciation and amortization costs of \$0.1 versus \$0.9 million for the same period last year mainly resulting from the impairment charge recorded in 2012 relating to MagForestry impaired assets.

Partly offsetting these above savings are:

- Higher project costs of \$2.4 million this quarter versus \$1.4 million for the same period last year due to ongoing project work.
- General and administrative expenses were higher this quarter at \$2.3 million compared to \$1.0 million last quarter due to higher employee and consultancy costs.

MAGINDUSTRIES BUSINESS UNITS

The Company is organized around three principal business units: MagMinerals, MagForestry, and MagMetals which are located in the Pointe-Noire area of the ROC.

MagMinerals

MagMinerals intends to build, own, and operate a stand-alone potash plant. The proposed plant site, near the village of Mengo, is located 25 kilometers east of the Atlantic port city of Pointe-Noire, Republic of Congo. Pointe-Noire, West Africa's best deep-water port, has successfully served as the operations base for major international oil companies for the past 35 years. Total planned production is 1.2 million tonnes per year.

In June 2009, the Company released an updated 43-101 technical report entitled *Updated Reserve and Resource Estimate for MagMinerals Kouilou Potash Project, Republic of Congo* (see section entitled "Technical Report") for the first-phase 600,000 tonnes per year plant near.

In October 2009 the Company agreed to acquire the Congolese company Potasse du Congo SARL ("PdC") through an arms-length transaction. PdC holds three mineral exploration licenses in the Kouilou region surrounding the area covered by the mining exploitation permit relating to the Project. The shares of PdC were purchased for a consideration of \$0.5 million and the vendor retained a carried interest in the exploration permits, the value of which was capped at \$9.5 million. As at September 30, 2010, the Company had eliminated this carried interest with payments of \$3.5 million in 2009, and \$3 million in January 2010 and \$3 million in April 2010.

On August 12, 2010, the Company issued a press release reporting that its subsidiary, MagMinerals Potash Corp. ("MagMinerals"), had completed a National Instrument 43-101 ("NI 43-101") compliant Technical Scoping report (the "Report") for the 1,111 square kilometer Makola exploration license on the Atlantic coast of the republic of Congo. The

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Report estimates inferred resources of 9.2 billion tonnes of carnallite at an average K20 grade of 12.1%, for a total inferred resource of 1.7 billion tonnes of potash (KCl).

On October 26, 2010 the Company issued a press release to report that it had received written confirmation of the passage of the Potash Investment Agreement ("PIA") into law in the Republic of Congo ("ROC") by the promulgation today of ROC Law 14-2010 by the President, Minister of Mines and Minister of Finance. The Company previously reported on December 29, 2008, that it and its subsidiary, MagMinerals Potasses Congo S.A. ("MPC"), had signed a comprehensive agreement with the government of the ROC, referred to as the Potash Investment Agreement (also referred to within the ROC as the Convention d'Exploitation Miniere). The PIA addresses all aspects of the Company's planned Mengo Potash Project (the "Project") near the ROC port city of Pointe-Noire, including key fiscal and development terms. On September 3, 2010, the Company reported that it had received verbal communication from ROC government officials that the PIA was passed into law by the National Assembly and the Senate of the ROC on August 30, 2010.

The PIA was a binding legal agreement between the Company and the government of the ROC when it was originally signed. However, having the PIA promulgated as a law in ROC provides MagIndustries with additional assurance that the benefits and features conferred by the PIA will be maintained through the life of the Project and that it will have a status equal to other legislation governing the development of and value creation from Congolese resources. The passage of the PIA into law is a unique step in the history of the ROC confirming the importance it places on the Project and confirming to the Company the ROC's merits as a country for resource investment.

MagForestry

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

MagMetals

After the commencement of construction of the MagMinerals potash plant, MagMetals will evaluate the potential for a magnesium plant to utilize the magnesium brine output of that plant. MagMetals is currently inactive.

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SEGMENT FINANCIAL SUMMARY

March 31, 2013 (thousands)	MagForestry \$	MagMinerals \$	MagMetals \$	Corporate \$	Total \$
Sales	5,280	-	-	-	5,280
Cost of sales*	(4,175)	-	-	-	(4,175)
Project expenditures	-	(2,378)	-	-	(2,378)
Reforestation costs	(1,145)	-	-	-	(1,145)
Expenses	(1,450)	-	-	(2,120)	(3,570)
Timber revaluation	(471)	-	-	-	(471)
Depreciation and amortization	(7)	(16)	-	(76)	(99)
Interest income	-	-	-	4	4
Foreign exchange gain (loss)	1	(35)	-	(77)	(111)
Net loss from continuing operations	(1,967)	(2,429)	-	(2,269)	(6,665)

March 31, 2012 (thousands)	MagForestry \$	MagMinerals \$	MagMetals \$	Corporate \$	Total \$
Project expenditures	-	(1,402)	-	-	(1,402)
Reforestation costs	(953)	-	-	-	(953)
Expenses	(851)	-	(6)	(1,800)	(2,657)
Timber revaluation	(1,171)	-	-	-	(1,171)
Depreciation and amortization	(758)	(13)	-	(124)	(895)
Interest income	-	-	-	2	2
Foreign exchange gain (loss)	5	(12)	-	(27)	(34)
Net loss from continuing operations	(3,728)	(1,427)	(6)	(1,949)	(7,110)

March 31, 2013 (thousands)	MagForestry \$	MagMinerals \$	MagMetals \$	Corporate \$	Total \$
Property, plant and equipment	1,049	83,248	-	2,056	86,353
Evaluation and exploration	-	22,180	-	-	22,180
Total assets	12,292	119,077	-	12,659	144,028
Total liabilities	4,392	1,265	-	50,286	55,943

December 31, 2012 (thousands)	MagForestry \$	MagMinerals \$	MagMetals \$	Corporate \$	Total \$
Property, plant and equipment	1,169	85,864	-	2,174	89,207
Evaluation and exploration	-	17,640	-	-	17,640
Total assets	13,676	116,494	-	3,382	133,552
Total liabilities	6,505	1,530	-	76,109	84,144

All amounts are for continuing operations.

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RESULTS OF OPERATIONS

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

Business unit and project	Description	Status and next stage of plan	Approximate net expenditures & acquisition costs to March 31, 2013	Expected future expenditures to complete the next phase of plan
MagMinerals potash plant	Development of a stand-alone potash plant near Pointe-Noire.	Pre-construction activities and studies to double capacity.	\$203.4 million	Approximately \$1.1 billion
MagMetals magnesium project	Evaluation of the Kouilou magnesium project proposed to be located adjacent to MagMinerals potash plant.	Commence feasibility study upon the final development of the MagMinerals potash plant.	\$11 million	To be determined

MagMinerals

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

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

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

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

On December 22, 2008, the Company and its subsidiary, MagMinerals Potasses Congo S.A. ("MPC S.A."), signed a comprehensive agreement with the government of Republic of Congo ("ROC"), referred to as the Potash Investment Agreement ("PIA") or within the ROC as the Convention d'Exploitation Miniere. The PIA addresses all aspects of the Company's planned Kouilou Potash Project in the Mengo area near the ROC port city of Pointe-Noire, including key fiscal and development terms. The PIA requires the constitution of a Congo company to be the operator of solution mining operations and the potash plant. During 2008 MagMinerals incorporated MPC S.A. as the operating entity with

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respect to the Project and, in accordance with the Congolese mining code, MPC S.A. is 10% owned by the government of the ROC. The PIA was passed into law by the National Assembly and the Senate of the ROC on August 30, 2010.

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

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

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

MagMinerals Outlook

The development of the MagMinerals potash project is contingent on the Company raising further debt and/or equity financing. The Company believes the Project continues to be among most attractive greenfield potash projects in the world and is working continuously to achieve the financing to move the Project into construction. Completion of the transaction with Evergreen has improved the chances of gaining access to the capital as management believes project financing from Chinese policy banks is achievable in the first half of 2013.

MagForestry

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

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

- Operation of the plantation in good condition;
- The building and subsequent operation of a woodchip plant;
- Refraining from subleasing the land; and
- Maintenance of certain social responsibilities including the employment of a local workforce.
- At the end of the lease in 2076, EFC must leave all buildings and improvements on the land.

MagForestry constructed and is operating a 500,000 tonnes per year capacity wood chipping plant on its harbour-side lands located in Pointe-Noire. Chips from the facility are exported to Europe and North Africa.

Results for the quarter ended March 31, 2013, compared to March 31, 2012

Overall net loss for the quarter ended March 31, 2013 is \$2.0 million, lower than last quarter at \$3.7 million, explained by the following significant variances:

- A gross margin of \$1.1 million during this quarter. There were no sales recorded for the same period last year.
- Depreciation and amortization costs were lower by \$0.8 million compared to last year due to the effect of the impairment write-down of assets recorded in 2012.
- Revaluation loss on timber holdings at \$0.5 million was lower than the loss of \$1.2 million last quarter.

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Partly offsetting the above positive variances is:

- General and administrative expenses were \$0.6 higher than last quarter as a result of increased salary costs due to the addition of new employees.

Forestry Outlook

MagForestry continues to experience costs higher than expected, and has entered into a period of diminished exports while the Company evaluates its ability to reduce those costs and to increase its revenue base, potentially through harvesting material for the biomass market. Based on this evaluation the Company will be able to better evaluate its ability to continue with MagForestry as an ongoing business.

GENERAL AND ADMINISTRATIVE EXPENSES

(thousands)	2013 \$	2012 \$
Wages, benefits and consulting	1,411	442
Office costs	406	223
Professional fees	287	194
Travel	174	116
Stakeholder communications	39	44
	2,317	1,019

The Company continues to focus on effective cost management and focused spending, but is in the process of increasing its presence in Congo and now has several full-time employees supporting work ongoing in China.

EXPENSED PROJECT EVALUATION AND DEVELOPMENT COSTS

(thousands)	2013 \$	2012 \$
MagMinerals	2,378	1,402
	2,378	1,402

Costs are higher in 2013 from increasing activity due to the design and engineering work undertaken for the potash project, as well as preparations for additional drilling on the Company's exploration licenses.

CAPITALIZED PROJECT COSTS

MagMinerals potash project

(thousands)	March 31 2013 \$	December 31 2012 \$
Feasibility and geological studies	52,829	52,829
Environmental & social	8,275	8,275
Engineering works	11,743	7,203
Capitalized interest	1,105	1,105
Foreign currency translation difference	2,505	2,505
Impairment recognized	(54,277)	(54,277)
	22,180	17,640

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Additions to capitalized project costs during the year related to the engineering and design work for the project, drill work preparation, updates to the environmental and social impact assessment for the project, as well as expenditures made in securing surface rights to the solution mining area. In 2011 the Company did an impairment write-down of \$54.3 million based on the presence of a third party offer for all of the outstanding shares of the Company and a third party fairness opinion.

SUMMARY OF QUARTERLY RESULTS

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

(thousands, except per share amounts)	March 31 2013 \$	December 31 2012 \$	September 30 2012 \$	June 30 2012 \$
Revenue	5,280	5,125	4,549	3,659
Net loss for the period	(6,665)	(16,332)	(7,540)	(7,593)
Net loss per share				
- Continuing operations	(0.01)	(0.03)	(0.02)	(0.02)
- Discontinued operations	-	-	-	-

(thousands, except per share amounts)	March 31 2012 \$	December 31 2011 \$	September 30 2011 \$	June 30 2011 \$
Revenue	-	2,665	3,824	6,377
Net loss for the period	(6,767)	(11,028)	(13,519)	(3,904)
Net loss per share				
- Continuing operations	(0.01)	(0.03)	(0.03)	(0.01)
- Discontinued operations	-	-	-	-

Specific large variations in income over the quarters include:

- *December 31, 2009* – project impairment charges of \$19.1 million relating to MagEnergy; \$30 million impairment charge for MagForestry
- *June 30, 2010* – MagForestry terminated a long-term contract for shipping of wood chips with a termination payment of \$4 million.
- *December 31, 2010* – Share purchase warrants issued to TSC for a total cost of \$6.2 million as consideration for entering into a letter of intent with respect to an investment by TSC in the Company.
- *December 31, 2010* – additional impairment charge of \$10.8 million for MagForestry
- *December 31, 2010* – Write-off of MagMetals deferred expenses of \$5.9 million.
- *March 31, 2011* – impairment charge of \$10.4 million for MagForestry and \$54.3 million for MagMinerals.
- *September 30, 2011* – loss of \$2.4 million on debt retirement.
- *December 31, 2011* – accrual of \$2.3 million in restructuring costs related to the change of control of the Company.
- *December 31, 2011* – net loss of \$2.2 million in connection with the modification of the Shareholder Loan and the Conversion Feature.
- *December 31, 2012* – MagForestry impairment write-down of \$6.0 million.
- *December 31, 2012* – Shipping contract settlement of \$1.6 million.
- *December 31, 2012* – Loss of \$3.0 million on the revaluation of timber holdings.

The Company does not consider the effects of seasonality to be significant on its business.

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LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2013, MagIndustries had a working capital deficit of \$31.7 million and had 755,942,674 shares outstanding on an undiluted basis.

The Company has no stock options outstanding at March 31, 2013. In order to comply with the conditions of Closing of the Evergreen take-over bid, all unexercised stock options were cancelled by the Board of Directors of the Company on July 22, 2011 in accordance with the Company's stock option plan. The Company has no warrants outstanding at March 31, 2013 as they all expired on December 22, 2012 (19,122,875 at March 31, 2012).

On August 23, 2012 the Company entered into an agreement with Evergreen to provide the Company with a CAD\$50.7 million principal amount term loan and that bears interest at a rate of 10.5% per annum calculated daily and compounded monthly, which interest, if unpaid, will be expensed. This loan was a renewal of a loan made the previous year. As approved by the Company's disinterested shareholders on October 9, 2012 (but still subject to regulatory approval), the Shareholder Loan will be convertible, in whole or in part, at the option of Evergreen, into common shares of the Company on the basis of a conversion price of \$0.1712 per share.

On March 11, 2013, Evergreen converted the Shareholder Loan into 295,770,211 common shares. Such conversion resulted in Evergreen's ownership interest in MagIndustries increasing from approximately 77% to approximately 86%.

MagIndustries' need for additional funding is primarily driven by the MagMinerals potash project, which had a total capital cost for phase I of \$833 million estimated in June 2009. MagIndustries has been seeking debt funding for the project. Any future debt facility is, among other things, subject to satisfactory due diligence findings, sufficient equity capital being raised for the project, market conditions, final credit committee approval and other conditions precedent. As such, development of the MagMinerals potash project as described above is subject to raising this additional equity and the debt financing for the project. If these financings are not completed successfully the Company may have to consider the sale of individual projects and/or other sources of capital or a combination thereof depending on prevailing market conditions at the time.

COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company has entered into three contracts to further the development of its potash projects in the Republic of Congo.

The first two contracts are for engineering design work for the Company's flagship Mengo potash project (the "Mengo Project"):

- An engineering and design contract has been entered into with the Changsha Design & Research Institute of the Ministry of Chemical Industry ("Changsha Institute"), People's Republic of China ("China"). This contract is for the full design, engineering services and procurement assistance associated with the construction of the Mengo Project. The total price of the contract is approximately \$17.8 million, subject to adjustment mechanism for the US dollar/Chinese Yuan exchange rate, plus performance incentives of up to 18%.
- A design contract has been entered into with China Shipbuilding NDRI Engineering Co., Ltd. ("NDRI") of Shanghai, China, and calls for the design of all necessary facilities for the operation of a potash export terminal in the New Port area of Point-Noire, ROC. The total price of the contract is approximately US\$6.2 million.

The third contract is for exploration well drilling at the Company's additional exploration licenses which surround the Mengo mining license. The exploration well drilling contract has been entered into with No.417 Team of Bureau of Geology and Mineral Exploration and Development Hunan province ("417 Team"), a public institution registered under the laws of China. MagIndustries holds three mineral exploration licenses in the Kouilou region surrounding the Mengo

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License: Makola, Loango, and Tchizalamou. The three licenses total 2,056 km². In August 2010, the Company published a report (amended in November 2010) with a total inferred resource of 1.7 billion tonnes(3)(4) of potash (KCl) within the 1,111 km² Makola exploration license area. The drilling contract calls for the drilling of 6 exploration wells or approximately 5,400 metres of drilling in about 7 months. The price of the contract is approximately \$4.6 million.

As at March 31, 2013, 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.

Eucalyptus Fiber Congo SA (EFC) is currently non-compliant with certain foreign currency and exchange regulations imposed by Economic and Monetary Community of Central Africa (CEMAC). The regulations can be enforced with fines when contraventions of the regulations are done without just cause or justification. EFC believes its non-compliance is justified given the international nature of its business and practices in its industry. EFC has fully informed the authorities of its activities and the rationale for its practice. Fines for non-compliance can be judged at up to 50% of the total sales or international payments; however in the Company's experience penalties have been immaterial. While the final outcome with respect to this non-compliance pending at December 31, 2012 cannot be predicted with certainty, in the opinion of management, any liability which may arise from such non-compliance would not have a material adverse effect on the consolidated financial position or the business of the Company.

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

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

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

(thousands)	\$
2013	82
2014	109
2015	109
2016	109
2017	109

Pending litigation

The Company is contingently liable for payment of the amount of US\$5 million to a former employee of the Company in respect of services provided by the former employee to Interco S.A.M. and PdC, in the event that (a) Interco S.A.M., the company that sold the shares of PdC to MagIndustries, fails to pay such amount, which it has been adjudged liable to pay pursuant to the final decision of the arbitrator in the matter of the former employee v. MagIndustries Corp., Interco S.A.M., et al.; and (b) demand for such payment by the former employee. As at the date hereof, the Company has no knowledge of the status of payment by Interco S.A.M. and has not received a demand for payment from the former employee.

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CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements:

CHANGES IN ACCOUNTING POLICY

A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended March 31, 2013, and have not been applied in preparing these unaudited interim consolidated financial statements. The following standards and interpretations have been issued by the IASB and the IFRIC Committees with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

International Accounting Standards		Effective Date
IFRS 9 - Financial Instruments	In November 2009 as part of the project to replace International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments ("IFRS 9"), which introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.	January 1, 2015
IAS 32 – Financial Instruments, Presentation	In December 2011, IAS 32 Financial Instruments, Presentation has been amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right to offset must be available on the current date and cannot be contingent on a future event.	January 1, 2014

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not been determined.

OUTSTANDING SHARE DATA

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

On July 22, 2011, Evergreen acquired 353,838,683 common shares of the Company pursuant to the Offer, representing approximately 75.9% of the issued and outstanding common shares of the Company. Concurrent with completion of the Offer, 3,400,000 common share purchase options were exercised at price of CAD\$0.24 per share for net proceeds of CAD\$816,000. These shares were also tendered to the Offer resulting in an additional 3,400,000 common shares being tendered to the Offer and resulting in Evergreen owning a total 357,238,683 common shares of the Company representing approximately 77.6% of the issued and outstanding shares.

The Company currently has no employee stock options outstanding. All outstanding warrants expired on December 22, 2012.

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On March 11, 2013, Evergreen converted the Shareholder Loan into 295,770,211 common shares. Such conversion resulted in Evergreen's ownership interest in MagIndustries increasing from approximately 77% to approximately 86%.

MagIndustries has 755,942,674 common shares outstanding as of the date of this MD&A.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

IFRS requires 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 is exposed to interest rate risk to the extent of the funds invested in the Company's bank accounts. Based on the bank overdraft positions at March 31, 2013, a 1% increase or decrease in the market interest rate would have an insignificant impact on the annual interest expense of the Company.

Credit risk

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

RELATED PARTY TRANSACTIONS

The Company is controlled by Evergreen, which owns 86% of the Company's shares (77.6% as of December 31, 2012). The remaining shares are widely held. In addition to the Shareholder Loan, the following transactions were carried out with Evergreen:

Period ended March 31, (thousands)	2013 \$	2012 \$
Purchases paid for by Evergreen on behalf of MagIndustries	64	-
Purchases paid for by MagIndustries on behalf of Evergreen	-	28

As at March 31, the balances arising from purchases of goods/services and for working capital (other than the Shareholder Loan) are as follows:

(thousands)	2013 \$	2012 \$
Due to Evergreen	(49,500)	(4,103)
Due from Evergreen	28	28

These balances arise mainly from purchase transactions and are due on demand. The balances bear no interest. Evergreen also provides the Company with the use of its office space and facilities in China. There is currently no charge to the Company for this use.

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Key management personnel

Key management includes members of the Board of directors of the company and executive officers, as they have the collective authority and responsibility for planning, directing and controlling the Company. The compensation expense for key management for services is as follows:

Period ended March 31, (thousands)	2013 \$	2012 \$
Salaries and other short-term employee benefits	455	318
	455	318

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.

Going Concern

The Company is presently reporting losses and management's plan to continue development of the Project and ultimately to production is heavily dependent on the success of the following initiatives: (a) successful completion of additional financing, (b) completion of a transaction to finance the Project through either a sale or joint venture, and (c) achieving a sale or revised management plan for MagForestry to mitigate losses. Should the Company not be able to successfully complete these initiatives then it will become necessary to secure additional sources of financing. There can be no assurances that any such additional sources of financing will be available to the Company or that such funds will be available on acceptable terms. If the Company is not able to successfully execute on any of the initiatives described above, then it may not be able to continue to develop the Project or continue as a going concern.

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 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 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 has physical and institutional infrastructure that is in dilapidated condition. Its economy is still transitioning from

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largely state-controlled economies to ones based on free market principles, and from non-democratic political systems to ones based on more democratic principles. There can be no assurance that these changes will be effected or that the achievement of these objectives will not have material adverse consequences for the Company and its operations.

Environmental regulations

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

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

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 entity who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the best interests of the Company. The directors and officers of the Company have either other full-time employment or other business or time restrictions placed on them and, accordingly, the Company will not be the only business enterprise of these directors and officers.

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Labour relations

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

Dividend policy

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

MagMinerals and MagMetals developments

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

Highly speculative business

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

Barriers to commercial production

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

Additional capital

The further development of the Company's Project 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, 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

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factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Exchange rate fluctuations

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

Interest rate risk

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

Maintaining interests in mineral properties

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

External market factors

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

Governmental and regulatory requirements

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

MagForestry operations

Business and operating risk

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

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

Competition risk

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

Forest resource risk

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

Exchange rate fluctuations

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

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

Input cost risk

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

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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 March 31, 2013, 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 National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators and has concluded that such controls and procedures are effective.

Changes in Internal Control over Financial Reporting

NI 52-109 also requires Canadian public companies to disclose in their MD&A any change in Internal Control over Financial Reporting ("ICFR") during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting. There were no changes to ICFR during the year quarter ended March 31, 2013 that materially affected or are reasonably likely to materially affect the Company's ICFR.

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

TECHNICAL REPORTS

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

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

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

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.