

**EARLY WARNING REPORT PURSUANT TO
NATIONAL INSTRUMENT 62-103**

1. Name and Address of the Offeror

**Confederation Minerals Ltd. (“Confederation”)
1980 - 1075 West Georgia Street
Vancouver, British Columbia
V6E 3C9**

2. Designation and number or principal amount of securities and the Offeror’s securityholding percentage in the class of securities of which the Offeror acquired ownership or control in the transaction or occurrence giving rise to the obligation to file the news release, and whether it was ownership or control that was acquired in those circumstances

On January 19, 2012, in consideration for the transfer of Confederation’s 50% interest in American Potash LLC (the “LLC Interest”) to Magna Resources Ltd. (“Magna”), Confederation acquired ownership and control of 22,420,000 common shares (“Common Shares”) and 2,400,000 common share purchase warrants (“Warrants”) in the capital of Magna. Concurrent with the transfer of the LLC Interest, Confederation acquired an additional 6,666,666 Common Shares at \$0.30 per Common Share. The Common Shares acquired represent 56.47% of the outstanding common shares and the Warrants represent 50% of the Magna warrants issued and outstanding, in each case, on a non-diluted basis.

3. Designation and number or principal amount of securities and the Offeror’s securityholding percentage in the class of securities immediately after the transaction or occurrence giving rise to obligation to file the news release

See paragraph 2 above.

4. Designation and number or principal amount of securities and the percentage of outstanding securities of the class of securities referred to in paragraph 3 over which:

- (a) the Offeror, either alone or together with any joint actors, has ownership and control

See paragraph 2 above.

- (b) the Offeror, either alone or together with any joint actors, has ownership but control is held by other persons or companies other than the Offeror or any joint actor, and

Not applicable.

- (c) the Offeror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

Not applicable.

5. Name of the market in which the transaction or occurrence that gave rise to the news release took place

Not applicable.

6. The value, in Canadian dollars, of any consideration offered per security if the Offeror acquired ownership of a security in the transaction or occurrence giving rise to the obligation to file a news release

The 22,420,000 Common Shares and 2,400,000 Warrants were acquired in exchange for the LLC Interest, at a deemed value of C\$4,480,000. The additional 6,666,666 Common Shares were acquired at a price of C\$0.30 per Common Share, for aggregate consideration of C\$2,000,000.

7. Purpose of the Offeror and any joint actors in effecting the transaction or occurrence that gave rise to the news release, including any future intention to acquire ownership of, or control over, additional securities of the reporting issuer

Confederation's purpose in effecting the transaction was to transfer the LLC Interest to Magna in order to allow Confederation to focus on gold exploration while maintaining an indirect, major position in the potash holdings of American Potash LLC.

8. General nature and the material terms of any agreement, other than lending arrangements, with respect to securities of the reporting issuer entered into by the Offeror, or any joint actor, and the issuer of the securities or any other entity in connection with the transaction or occurrence giving rise to the news release, including agreements with respect to the acquisition, holding, disposition or voting of any of the securities

Confederation acquired the Common Shares and Warrants pursuant to a purchase agreement dated November 21, 2011 (the "Purchase Agreement") between Confederation and Magna.

9. Names of any joint actors in connection with the disclosure required herein

Not applicable.

10. In the case of a transaction or occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, the nature and value, in Canadian dollars, of the consideration paid by the Offeror.

Pursuant to the terms of the Purchase Agreement, Confederation acquired the 22,420,000 Common Shares and 2,400,000 Warrants in exchange for the LLC Interest and paid \$2,000,000 (C\$0.30 per Common Share) for the additional 6,666,666 Common Shares.

11. If applicable, a description of any change in any material fact set out in a previous report by the entity under the early warning requirements or Part 4 in respect of the reporting issuer's securities

Not applicable.

12. If applicable, a description of the exemption from securities legislation being relied on by the Offeror and the facts supporting that reliance

In respect of the 22,420,000 Common Shares and 2,400,000 Warrants acquired in exchange for the LLC Interest, Confederation is relying on Section 2.12 of National Instrument 45-106 – Prospectus and Registration Exemptions ("NI 45 106") on the basis that the securities were issued as consideration for an interest in mining properties. In respect of the 6,666,666 Common Shares concurrently subscribed for, Confederation is relying on section 2.10 of 45-106 on the basis that the acquisition cost to Confederation exceeded \$150,000.

DATED this 23rd day of January 2012.

CONFEDERATION MINERALS LTD.

“Kenneth R. Holmes”

Name: Kenneth R. Holmes
Title: Director