Magna Resources Ltd.

(an exploration stage enterprise)

Condensed Consolidated Interim Financial Statements
Three Months Ended October 31, 2011

(Expressed in Canadian Dollars)

(Unaudited – prepared by Management)

Condensed consolidated interim statement of financial position

Condensed consolidated interim statement of comprehensive income (loss)

Condensed consolidated interim statement of cash flows

Condensed consolidated interim statement of changes in shareholders' equity

Notes to the condensed consolidated interim financial statements

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of Magna Resources Ltd. (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 financial statements in accordance with the standards of the Canadian Institute of Chartered Accountants for a review of interim financial statements.

MAGNA RESOURCES LTD.
An Exploration Stage Enterprise
Condensed consolidated interim statements of financial position
(Expressed in Canadian dollars - unaudited)

	Notes	**October 31, 2011**	**July 31, 2011**	**August 1, 2010**
ASSETS			(Note 12)	(Note 12)
Current				
Cash and cash equivalents	3	$ **52,806**	$ 34,250	$ 58,311
HST receivable		**14,135**	8,232	1,176
Other receivables		**4,587**	2,766	-
Other assets		**-**	-	48,609
Prepaid expenses		**4,956**	-	-
Marketable securities	4	**-**	106,382	-
		76,484	151,630	108,096
Other Assets				
Website development (net of amortization)		**9,219**	4,633	-
Mineral properties	4, 12	**304,899**	275,754	134,816
Total Assets		$ **390,602**	$ 432,017	$ 242,912
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		$ **82,153**	$ 51,392	$ 56,501
Future income taxes payable		**9,722**	9,372	-
		91,875	60,764	56,501
Shareholders' Equity				
Share capital	5	**1,322,961**	1,322,961	1,220,052
Reserves		**314,194**	314,194	225,103
Accumulated Other Comprehensive Loss		**(25,298)**	(23,733)	(4,330)
Deficit		**(1,313,130)**	(1,242,169)	(1,254,414)
Total Shareholders' Equity		**298,727**	371,253	186,411
Total Liabilities and Shareholders' Equity		$ **390,602**	$ 432,017	$ 242,912

Authorized for issue by the Board of Directors
on January 27, 2012 and signed on its behalf.

"*Rudy de Jonge*"	"*Darryl Yea*"
Director	Director

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

MAGNA RESOURCES LTD.
An Exploration Stage Enterprise
Condensed consolidated interim statements of comprehensive income (loss)
(Expressed in Canadian dollars - unaudited)

For the three months ended October 31,	Notes		2011		2010 (*Note 12*)
Operating Expenses					
Amortization		**$**	**681**	$	-
Filing and transfer agent fees			**3,311**		1,427
Interest and bank charges			**164**		-
Management fees			**15,000**		-
Office and miscellaneous			**144**		333
Accounting and audit fees			**16,920**		12,883
Legal			**8,128**		1,546
Dissemination, advertising and promotion			**1,540**		-
NET LOSS BEFORE OTHER EXPENSES			**(45,888)**		(16,189)
OTHER INCOME (EXPENSES)					
Loss on marketable securities			**(25,073)**		-
NET LOSS FOR THE PERIOD			**(70,961)**		(16,189)
OTHER COMPREHENSIVE LOSS					
Cumulative translation gain (loss)			**(1,565)**		(2,254)
TOTAL COMPREHENSIVE LOSS			**(72,526)**		(18,443)
Basic and diluted loss per share		**$**	**(0.00)**	$	(0.00)
Weighted average number of common shares – basic and diluted			**11,210,000**		10,010,000

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

MAGNA RESOURCES LTD.
An Exploration Stage Enterprise
Condensed consolidated interim statements of cash flows
(Expressed in Canadian dollars - unaudited)

For the three months ended October 31,		**2011**		**2010**
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Net loss for the period	**$**	**(70,962)**	$	(16,189)
Items not affecting cash:				
Amortization		**681**		-
Changes in non-cash operating working capital:				
Increase in receivables		**(7,724)**		(567)
Increase in prepaid expenses		**(4,956)**		-
Increase (decrease) in accounts payable and accrued liabilities		**6,108**		2,933
Increase (decrease) in future income taxes		**350**		-
Net cash flows used in operating activities		**(76,503)**		(13,823)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:				
Acquisition and exploration of mineral properties		**(10,720)**		(9,378)
Sale of marketable securities		**106,382**		-
Website development		**(5,267)**		-
Net cash flows used in investing activities		**90,395**		(9,378)
Effects of exchange rates on cash and cash equivalents		**4,664**		4,755
Changes in and cash equivalents for the period		**18,556**		(18,446)
Cash and cash equivalents, beginning of period		**34,250**		58,311
Cash and cash equivalents, end of period	**$**	**52,806**	$	39,865

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

MAGNA RESOURCES LTD.
An Exploration Stage Enterprise
Condensed consolidated interim statement of changes in shareholders' equity
(Expressed in Canadian dollars - unaudited)

	Common shares			Accumulated Other Comprehensive		
	Number	Amount	Reserves	Loss	Deficit	Total
Balance, August 1, 2010	10,010,000	$ 1,220,052	$ 225,103	$ (4,330)	$ (1,254,414)	$ 186,411
Translation adjustment on foreign operations	-	-	-	(2,254)	-	(2,254)
Net income (loss) for the period	-	-	-	-	(16,189)	(16,189)
Balance, October 31, 2010	10,010,000	1,220,052	225,103	(6,584)	(1,270,603)	167,968
Shares issued for cash @ $0.16/share	1,200,000	192,000	-	-	-	192,000
Share issuance costs	-	(89,091)	-	-	-	(89,091)
Warrants	-	-	89,091	-	-	89,091
Translation adjustment on foreign operations	-	-	-	(17,149)	-	(17,149)
Net income (loss) for the period	-	-	-	-	28,434	28,434
Balance, July 31, 2011	11,210,000	1,322,961	314,194	(23,733)	(1,242,169)	371,253
Translation adjustment on foreign operations	-	-	-	(1,565)	-	(1,565)
Net income (loss) for the period	-	-	-	-	(70,961)	(70,961)
Balance, October 31, 2011	11,210,000	$ 1,322,961	$ 314,194	$ (25,298)	$ (1,313,130)	$ 298,727

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

1. Nature of operations

The Company was incorporated on June 5, 2006 under the laws of British Columbia and is listed on the Canadian National Stock Exchange ("CNSX") under the symbol "MNA". The Company's principal business activity is the acquisition and exploration of mineral properties.

The head office and principal address of the Company is located at 221 Union Street, Suite 219, Vancouver, British Columbia, Canada, V6A 0B4. The Company's registered and records office address is 1066 West Hastings Street, Suite 2610, Vancouver, British Columbia, Canada, V6E 3X1.

2. Significant accounting policies and basis of preparation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in Part I of the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 Interim Financial Reporting and IFRS 1 First-time adoption of International Financial Reporting ("IFRS 1"). The Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at July 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 12 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended July 31, 2011.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of January 27, 2012, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending July 31, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed consolidated interim financial statements should be read in conjunction with the Company's Canadian GAAP annual audited financial statements for the year ended July 31, 2011 and the explanation of how the transition to IFRS has affected the reported consolidated balance sheets, statements of operations and cash flows of the Company provided in Note 12.

Basis of preparation

The condensed consolidated interim financial statements of the Company have been prepared on an accrual basis and are on historical costs basis, except for certain financial instruments which are measured at fair value. The condensed consolidated financial interim statements are presented in Canadian dollars unless otherwise noted.

2. Significant accounting policies and basis of preparation (cont'd)

Consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage owned*	
	Country of incorporation	**October 31, 2011**	**October 31, 2010**
American Potash LLC	U.S.	50%	50%

*Percentage of voting power is in proportion to ownership.

All inter-company balances, transactions and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets and fair value measurements for financial instruments and share-based payments and other equity-based payments. Actual results may differ from those estimates and judgments.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed consolidated interim financial statements within the next financial year are discussed below:

Exploration and Evaluation Assets
The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of such expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

2. Significant accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions *(cont'd)*

Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The condensed consolidated interim financial statements are presented in Canadian dollars which is the parent company's functional currency. The functional currency of the Company is Canadian dollars and the functional currency of its 50% controlled entity is US dollars.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of loss in the period in which they arise.

The financial statements of entities that have a functional currency different from that of the parent Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation and amortization are calculated using the straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of equipment are as follows:

2. Significant accounting policies and basis of preparation (cont'd)

Equipment *(cont'd)*

Class of property, plant and equipment	Depreciation rate
Website Development	55%

Exploration and evaluation assets

Exploration and evaluation expenditures relating to mineral properties include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment when events and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

Financial Assets

Financial assets are classified based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. There are no financial assets designated as fair value through profit or loss ("FVTPL"), held to maturity, or available for sale. The Company's accounting policy for the remaining category is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs.

2. Significant accounting policies and basis of preparation (cont'd)

***Financial instruments* - Loans and Receivables** (cont'd)

Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. The Company has no financial liabilities designated upon initial recognition as at FVTPL, or held for trading.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.

The Company has classified its cash and cash equivalents, accounts and other receivables and reclamation bonds as loans and receivables. Trade payables and accrued liabilities are classified as other financial liabilities.

Impairment of long lived assets

Long lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss.

The recoverable amount is the greater of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

2. Significant accounting policies and basis of preparation (cont'd)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and, other highly liquid investments with original maturities up to one year that can be redeemed at any time without penalty.

Income tax

Current income tax:

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is accounted for by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income taxes is not recognized for temporary differences related to the initial recognition of the assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries, associates and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred income tax provided is based on the expected manner and expected date of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred income tax asset is recognized only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilized.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from the exercise of such instruments were used to acquire common shares at the average market price during the reporting period.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2. **Significant accounting policies and basis of preparation** (cont'd)

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

Accounting standards issued but not yet effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This new standard is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation- Special Purpose Entities* and is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRS 11 "Joint Arrangements "

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRS 12 "Disclosure of Involvements with Other Entities"

IFRS 12 *Disclosure of Involvement with other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

2. Significant accounting policies and basis of preparation (cont'd)

Accounting standards issued but not yet effective *(cont'd)*

IFRS 13 "Fair Value Measurement"

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 *Share-based Payment*; leasing transactions within the scope of IAS 17 *Leases*; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets.* This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

3. Cash and cash equivalents

Cash and cash equivalents include guaranteed investment certificates with a term to maturity of one year from date of acquisition. They can be redeemed at any time without penalty. These investments are initially recorded at fair market value and are classified as loans and receivables.

4. Marketable securities and mineral properties

US potash prospects

American Potash, owned 50% by each of the Company and Confederation Minerals Ltd. ("Confederation"), has entered into an option agreement with Sweetwater River Resources LLC ("Sweetwater"), John Glasscock and Kent Ausburn (the "Sweetwater Option Agreement") (collectively called the "Optionors"), to acquire pending applications to the United States Bureau of Land Management ("BLM") for Utah property and the State of Arizona for exploration permits, together with all permits and other rights issued pursuant to the applications, to allow for the exploration of potash prospects in Utah and Arizona. On November 2, 2010 the Sweetwater Option Agreement was amended to exclude the Arizona permits and properties.

Under the Sweetwater Option Agreement, American Potash possesses exclusive priority application rights for 31 potash exploration permits covering approximately 63,000 acres (255 sq. km.) of land in the Paradox Basin, Utah. 24,040 acres (97 sq. km.) of the total 63,000 acres are within a proposed Known Potash Lease Area ("KPLA"), which may become available only under a separate competitive bidding process. KPLA boundaries are currently under review and until such time that they are defined, the size of the final area of interest remains uncertain. During the course of application, the Company incurred geological works of $294,179 that were required by the United States Bureau of Land Management ("BLM") for preparation of exploration plans for the Utah properties. The permits in Utah are pending for approval from the BLM.

4. Marketable securities and mineral properties (cont'd)

US potash prospects *(cont'd)*

The Sweetwater Option Agreement entitles American Potash to acquire a 100% interest in permits, subject to a 2% royalty to the Optionors which may be bought back for $2,000,000 USD. The option may be exercised by having Confederation and the Company each to pay a total of $135,000 USD and each to issue in aggregate, 1,000,000 shares to the Optionors upon receiving grant of permits for Utah property of not less than 25,000 acres (the "Grant Date"). The Company's payment and share issuance obligations under the agreement are as follow:

- $35,000 USD upon signing the option agreement (paid);
- 100,000 common shares of the Company on the Grant Date;
- $25,000 USD cash and 300,000 common shares of the Company on or before the first anniversary of the Grant Date;
- $25,000 USD cash and 300,000 common shares of the Company on or before the second anniversary of the Grant Date;
- $25,000 USD cash and 300,000 common shares of the Company on or before the third anniversary of the Grant Date; and
- $25,000 USD cash on or before the fourth anniversary of the Grant Date.

The option period is the earlier of the fourth anniversary of the Grant Date or December 31, 2018.

The Company will pay a finder's fee in connection with this acquisition. The fee will be US $3,500 and 10,000 common shares of the Company, payable on the Grant Date, and thereafter 10% of the cash and stock payments made under the option agreement, payable as and when such payments are made.

In addition, American Potash has nine non-contiguous Utah State trust land potash lease units in the potash-bearing Paradox Basin in Grand County, Utah. Each lease unit consists of one State section and covers a contiguous area of approximately one square mile. The nine lease units total approximately 9.5 square miles or 6,090 acres. The nine State potash lease units are all within the border of a large block of contiguous BLM potash prospecting permit applications held exclusively by American Potash, separated into contiguous north and south blocks by a proposed BLM Known Potash Lease Area. American Potash has submitted documentation requesting drill permits and is awaiting the granting thereof.

Lithium placer mining claims

In July, 2011 American Potash acquired 160 Federal lithium placer mining claims totally 3,200 acres in northwestern Paradox Basin, southeast Utah, USA. These claims are located on BLM administered Federal lands and are staked over a portion of existing American Potash BLM pending potash prospecting permit areas.

In August, 2011, the Company acquired 28 line-miles (46.7 line-km) of historic 2-D seismic data covering the approximate area of three proposed and three historic exploration well locations at its Green River Potash Project in the Paradox Basin of southeast Utah. During the three months ended October 31, 2011 the Company incurred $29,145 in Utah property acquisition and deferred exploration expenditures.

4. Marketable securities and mineral properties (cont'd)

Arizona property

On November 2, 2010, American Potash agreed to amend the Sweetwater Option Agreement to remove the Arizona permits and Arizona properties from the agreement because Sweetwater wanted to grant the option to Passport Potash Inc. ("Passport") to acquire 100% of Sweetwater's rights and interest in the Arizona properties, subject to a 2% royalty, in consideration of payments. In return, Sweetwater agreed to compensate American Potash for the expenditures already incurred by allocating a portion of option payments to American Potash. The allocation is based on a pre-determined formula. As a result, American Potash is entitled to 70.69% of the following:

i. 500,000 free trading shares (received) of Passport (the "Passport Shares") on the earlier of December 15, 2010 or within five business days of the date of receipt of the TSX Exchange acceptance of the option agreement (the "Acceptance Date"); and

ii. Three cash payments of $30,000 each within 12 (paid), 18 and 24 months of the Acceptance Date.

iii. Passport has the right, but not the obligation, to make the cash payments. Under the Agreement, Passport is subject to a 2% NSR royalty, with Passport retaining the option to buy one-half of the royalty for $150,000 USD and the remaining one-half of the royalty for an additional $150,000 USD.

The allocation of the payments and the royalty to Sweetwater and American Potash is according to each of their respective percentage of total expenses incurred by them on the Arizona permits.

During the year ended July 31, 2011 the Company received as consideration a 50% proportionate interest in 353,450 common shares of Passport Potash Inc. pursuant to an amendment of option agreement dated November 2, 2010 for a total of $91,897. During the three months ended October 31, 2011, all the shares were redeemed for net proceeds of $172,084. The Company's share, net of commission and foreign exchange (50%) was $86,042. At July 31, 2011, the market value of 50% of the 353,450 common shares of Passport Potash Inc., being 176,725 shares held by the Company, was $106,382 (2010 - $Nil). During the three months ended October 31, 2011, the Company recorded a loss on disposition of the shares of $25,073.

As at	**October 31 2011**	July 31 2011	August 1 2010
Acquisition Cost - Potash			
Balance, beginning of period	**$ 275,754**	$ 134,816	$ -
Acquisitions during the period	**29,145**	140,938	134,816
Balance, end of period	**$ 304,899**	$ 275,754	$ 134,816

5. Share capital

Authorized

Unlimited common shares without par value

Issued and outstanding

At October 31, 2011 there were 11,210,000 issued and fully paid common shares (July 31, 2011 – 11,210,000, August 1, 2010 – 10,010,000).

Share purchase warrants

The Company has 1,200,000 share purchase warrants outstanding, exercisable at a price of $0.20 per share, expiring February 26, 2016.

	Number of Warrants		Weighted Average Exercise Price
Outstanding as at July 31, 2010	-	$	-
Issued	1,200,000		0.20
Outstanding as at July 31, 2011 and October 31, 2011	1,200,000	$	0.20

Stock options

The Company has a stock option plan whereby the Company is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

Exercise price	Number of options	Expiry Date
$ 0.25	857,500	June 8, 2014

6. Reserves

Stock option reserve

The stock option reserve records items recognized as share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrant reserve

The warrant reserve records items recognized as part of a unit financing until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

7. Related party transactions

The following directors and/or senior officers transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

Paid	Three months ended October 31, 2011	2010
St. Cloud Mining (Rudy de Jonge) – Management Fees*	$ 10,000	$ -

Payable As At	October 31, 2011	July 31, 2011	August 1, 2010
St. Cloud Mining (Rudy de Jonge) – Management Fees*	$ 30,600	$ 30,600	$ 25,000

8. Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of any identified business opportunities and to maintain a flexible capital structure for the benefit of its stakeholders.

The Company includes equity, comprised of issued share capital, reserves and deficit in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture arrangements, acquire or dispose of assets or adjust the amount of cash.

The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable growth. The Company is not subject to externally imposed capital requirements. There has been no change with respect to capital risk management strategy during the three months ended October 31, 2011.

9. Financial instruments and risk factors

The Company classifies its cash and cash equivalents as financial assets at fair value through profit or loss and accounts payable and accrued liabilities as other financial liabilities.

The fair value of accounts payable and accrued liabilities approximate their carrying value due to the short-term nature of these liabilities.

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7 – *Financial Instruments – Disclosures*.

9. Financial instruments and risk factors (cont'd)

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets. The Company's cash and cash equivalents are measured as level 1 inputs.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs which are supported by little or no market activity.

Credit risk
Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents which are held in large Canadian financial institutions. The Company believes this credit risk is insignificant.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2011, the Company had cash and cash equivalent balance of $52,806 (July 31, 2011 - $34,250) (August 1, 2010 - $58,311) to settle current liabilities of $97,875 (July 31, 2011 - $60,764) (August 1, 2010 - $56,501). In general, the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company believes it has no significant interest rate risk.

10. Commitments

See Note 4.

11. Geographic information

The Company's activities are all in one industry segment of mineral property acquisition and exploration. The Company's mining operations are centralized whereby management of the Company is responsible for business results and the everyday decision-making. The Company's operations therefore are segmented on a geographic basis. All of the Company's resource properties are located in the United States. The Company's assets are located in the following geographic locations:

As at	**October 31 2011**	**July 31 2011**	**August 1 2010**
Total assets:			
Canada	$ 36,219	$ 33,764	$ 41,528
United States	354,383	398,253	201,384
	$ 390,602	$ 432,017	$ 242,912

12. Transition to international financial reporting standards

These are the Company's first condensed consolidated interim financial statements for the period covered by the first consolidated annual financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied in preparing the condensed consolidated interim financial statements for the three months ended October 31, 2011, the comparative information for the three months ended October 31, 2010 and the financial statements for the year ended July 31, 2011, and the preparation of an opening IFRS statement of financial position on the Transition Date, August 1, 2010, the first date at which the Company has applied IFRS.

The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the opening IFRS statement of financial position as at August 1, 2010, comparative information for the three months ended October 31, 2010 and financial statements for the year ended July 31, 2011, previously reported in accordance with Canadian GAAP.

First-time adoption of IFRS

The Company's financial statements for the year-ending July 31, 2012 are the first annual financial statement that will be prepared in accordance with IFRS. IFRS 1, First time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was August 1, 2010 (the "Transition Date"). IFRS 1 require first time adopters to retrospectively apply all effective IFRS standards as of the reporting date, and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-transition Canadian Generally Accepted Accounting Principles ("pre-transition Canadian GAAP).

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-transition Canadian GAAP.

i) Optional exemptions

Foreign currency translation
IFRS 1 allows a first-time adopter to not comply with the requirements of IAS 21 "The Effects of Changes in Foreign Exchange Rates" for cumulative foreign currency translation differences that existed at the date of transition to IFRS. The Company has chosen to apply this election and has eliminated the cumulative foreign currency translation difference and adjusted deficit by the same.

ii) Mandatory exceptions

Estimates
The estimates previously made by the Company under pre-transition Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise those estimates.

12. Transition to international financial reporting standards (cont'd)

IFRS 1 requires an entity to reconcile equity, comprehensive loss and cash flows for prior periods upon transition. No reconciliation of the statement of cash flows has been prepared as there have been no material adjustments to the net cash flows.

Reconciliations of Pre-transition Canadian GAAP statement of financial position to IFRS

Below is the reconciliation between Canadian GAAP and IFRS equity as at August 1, 2010 (date of transition to IFRS), October 31, 2010 and July 31, 2011.

		August 1 2010		**October 31 2010**		**July 31 2011**
Mineral properties under Canadian GAAP	$	137,100	$	178,085	$	294,179
IFRS adjustments						
Currency translation adjustment (note i)		(2,284)		(8,705)		(18,425)
Mineral properties under IFRS	$	134,816	$	137,773	$	275,754

Reconciliations of Pre-transition Canadian GAAP Equity to IFRS

Below is the reconciliation between Canadian GAAP and IFRS equity as at August 1, 2010 (date of transition to IFRS), October 31, 2010 and July 31, 2011.

		August 1 2010		**October 31 2010**		**July 31 2011**
Equity under Canadian GAAP	$	189,519	$	178,085	$	389,678
IFRS adjustments						
Currency translation adjustment (note i)		(3,108)		(10,118)		(18,425)
Equity under IFRS	$	186,411	$	167,968	$	371,253

Reconciliation of Pre-transition Canadian GAAP Comprehensive Loss to IFRS

Below is the reconciliation of Comprehensive Loss for the three months ended October 31, 2010 and year ended July 31, 2011:

		Year ended July 31, 2011		**Three months ended October 31, 2010**
Comprehensive income (loss) under Canadian GAAP	$	8,159	$	(11,434)
Increase (decrease) in statement of operations				
IFRS adjustments				
Cumulative translation gain (loss) (note i)		(15,317)		(7,009)
Total comprehensive loss reported under IFRS	$	(7,158)	$	(18,443)

12. Transition to international financial reporting standards (cont'd)

Explanatory notes

The following paragraphs explain the significant differences between Canadian GAAP and the current IFRS accounting policies applied by the Company. These differences result in the adjustments in the tables above.

(i) Adjustment on translation of foreign currency entity

Under Canadian GAAP, all the Company's subsidiaries were integrated foreign operations. Therefore, monetary items were translated at year-end rates and non-monetary items were translated at historic rates with all foreign currency gains and losses recognized in statement of operations. IFRS requires that the functional currency of each subsidiary of the Company be determined separately. It was determined that, as at the transition date, the functional currency of the Company is Canadian dollars and the functional currency of its joint venture is USD.

In accordance with the IFRS 1 optional exemptions, on transition date the Company has elected to transfer the currency translation differences recognized as a separate component of equity, to deficit.

The net impact of this change in policy was as follows:

- At August 1, 2010, a decrease to mineral property interests of $2,284 with the offsetting charge to deficit.
- At October 31, 2010, a decrease to mineral interests of $8,705 and a cumulative charge of $6,584 to other comprehensive income.
- At July 31, 2011, a decrease to mineral property interests of $18,425 and a cumulative charge of $23,733 to other comprehensive income.

Changes to accounting policies

The Company has changed certain accounting policies to be consistent with IFRS, however, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

a) Impairment of (Non-Financial) Assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimate future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

12. Transition to international financial reporting standards (cont'd)

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on the unaudited condensed interim financial statements.

b) Presentation

Certain amounts on the unaudited condensed consolidated statement of financial position, statement of loss and comprehensive loss and statement of cash flows have been reclassified to conform to the presentation adopted under IFRS.

13. Subsequent events

a. The Company and Confederation Minerals Ltd. (TSX: CFM) signed a purchase agreement ("Purchase Agreement") in respect of the acquisition by the Company of Confederation's 50% interest in American Potash LLC.

Under the terms of the Purchase Agreement, the Company completed a 2 for 1 subdivision of its outstanding common shares, resulting in the Company having 22,420,000 common shares being issued and outstanding. The aggregate purchase price for Confederation's 50% interest in American Potash LLC was $4,480,000, comprising 22,420,000 common shares and 2,400,000 common share purchase warrants. Each warrant entitles Confederation to purchase a further common share at a price of $0.10 until February 25, 2016. Concurrent with the transfer, Confederation subscribed for 6,666,666 common shares of Magna at $0.30 per Share for gross proceeds to Magna of $2,000,000.

As a result of the transaction, the Company now holds a 100% membership interest in American Potash LLC., which holds certain potash leases and an option in respect of certain potash lease applications in the State of Utah. With the share and warrant issuances on closing, the Company now has an aggregate of 51,506,666 common shares and 4,800,000 common share purchase warrants exercisable at $0.10 per share issued and outstanding (on a non-diluted basis), of which 56.47% of the shares and 50% of the warrants are held by Confederation.

b. American Potash LLC has submitted Potassium Prospecting Applications in respect of an additional 2,253.95 acres of BLM land contiguous to its existing applications in Utah.