MAGNA RESOURCES LTD.

(an exploration stage enterprise)

Condensed Consolidated Interim Financial Statements
For the nine months ended April 30, 2012 and 2011

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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)

	April 30, 2012	July 31, 2011
		(Note 13)
ASSETS		
Current		
Cash and cash equivalents	$ **1,762,468**	$ 34,250
HST receivable	**28,349**	8,232
Other receivables	**-**	2,766
Prepaid expenses and advances	**22,690**	-
Marketable securities (Note 5)	**-**	106,382
	1,813,507	151,630
Other assets		
Website development	**-**	4,633
Mineral properties (Note 5)	**4,826,134**	275,754
Total Assets	$ **6,639,641**	$ 432,017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ **155,518**	$ 51,392
Future income taxes payable	**19,233**	9,372
	174,751	60,764
Shareholders' Equity		
Share capital (Note 6)	**7,802,961**	1,322,961
Reserves (Note 7)	**1,002,605**	314,194
Accumulated other comprehensive income (loss)	**3,627**	(23,733)
Deficit	**(2,344,303)**	(1,242,169)
Total Shareholders' Equity	**6,464,890**	371,253
Total Liabilities and Shareholders' Equity	$ **6,639,641**	$ 432,017

Rudy de Jonge, Director

Darryl Yea, 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)

	Nine months ended April 30,		Three months ended April 30,	
	2012	**2011**	**2012**	**2011**
		(Note 13)		(Note 13)
Consulting fees	**$ 6,549**	$ -	**$ 482**	$ -
Administration	**2,906**	-	**2,906**	-
Filing and transfer agent fees	**16,147**	8,447	**3,524**	1,995
Interest expense and bank charges	**614**	10	**372**	-
Management fees	**45,000**	-	**15,000**	-
Office and miscellaneous	**2,381**	917	**2,044**	91
Salaries and benefits	**13,415**	-	**13,415**	-
Office rent	**1,442**	-	**1,442**	-
Accounting and audit	**56,007**	20,282	**25,649**	3,113
Dissemination, advertising and promotion	**1,575**	-	**-**	-
Travel and entertainment	**11,939**	-	**10,663**	-
Legal fees	**75,545**	12,924	**23,344**	9,197
Web site	**10,775**	-	**775**	-
Income tax	**1,454**	-	**347**	-
Property Investigation	**394,950**	-	**394,950**	-
Share-based payment expense	**688,410**	-	**688,410**	-
NET LOSS BEFORE OTHER EXPENSES	**(1,329,109)**	(42,580)	**(1,183,323)**	(14,396)
OTHER INCOME (EXPENSES)				
Interest income	**380**	-	**(330)**	-
Gain (loss) on sale of asset	**252,249**	(2,490)	**252,249**	(393)
Gain (loss) on marketable securities	**(25,654)**	85,237	**-**	64,949
NET INCOME (LOSS) FOR THE PERIOD	**(1,102,134)**	40,167	**(931,404)**	50,160
OTHER COMPREHENSIVE INCOME (LOSS)				
Cumulative translation gain (loss)	**27,360**	24,367	**(8,265)**	24,522
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ (1,074,774)**	$ 64,534	**$ (923,139)**	$ 74,682
Basic and diluted loss per share	**$ (0.03)**	(0.00)	**$ (0.02)**	$ (0.00)
Weighted average number of common shares – basic and diluted	**33,314,279**	10,329,708	**51,506,666**	10,983,333

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 cash flows
(Expressed in Canadian Dollars - unaudited)

	Nine months ended April 30, 2012	2011
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the period	**$ (1,102,134)**	$ 40,167
Adjustment for items not involving cash:		
Share-based payment expense	**688,410**	-
Changes in non-cash operating working capital:		
(Increase) decrease in receivables	**(17,351)**	(4,583)
(Increase) decrease in other assets	**-**	(72,507)
Increase (decrease) in accounts payable and accrued liabilities	**113,988**	(1,778)
(Increase) decrease in prepaid expenses	**(22,690)**	-
Net cash flows used in operating activities	**(339,777)**	(38,701)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Acquisition and exploration of mineral properties	**(70,380)**	(38,732)
Sale of marketable securities	**106,382**	-
Website development	**4,633**	-
Net cash flows used in investing activities	**40,635**	(38,732)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Shares issued for cash	**2,000,000**	192,000
Net cash flows provided by financing activities	**2,000,000**	192,000
Effects of exchange rates on cash and cash equivalents	**27,360**	6,955
Net change in cash and cash equivalents	**1,728,218**	121,522
Cash and cash equivalents, beginning of period	**34,250**	58,311
Cash and cash equivalents, end of period	**$ 1,762,468**	$ 179,833

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 Income (Loss)		
	Number	Amount	Reserves		Deficit	Total
Balance, August 1, 2010	20,020,000	$ 1,220,052	$ 225,103	$ (4,330)	$ (1,254,414)	$ 186,411
Shares issued for cash @ $0.16/share	2,400,000	192,000	-	-	-	192,000
Share issuance costs	-	(92,368)	-	-	-	(92,368)
Warrants	-	-	92,368	-	-	92,368
Translation adjustment on foreign operations	-	-	-	10,063	-	10,063
Net income (loss) for the period	-	-	-	-	40,167	40,167
Balance, April 30, 2011	20,020,000	1,319,684	317,471	5,733	(1,214,247)	428,641
Adjustment to share issuance costs	-	3,277	-	-	-	3,277
Adjustment to warrants	-	-	(3,277)	-	-	(3,277)
Translation adjustment on foreign operations	-	-	-	(43,750)	-	(43,750)
Net income (loss) for the period	-	-	-	-	(13,638)	(13,638)
Balance, July 31, 2011	22,420,000	1,322,961	314,194	(23,733)	(1,242,169)	371,253
Shares issued per Purchase Agreement	22,420,000	4,480,000	-	-	-	4,480,000
Shares issued for cash @ $0.30/share	6,666,666	2,000,000	-	-	-	2,000,000
Translation adjustment on foreign operations	-	-	-	27,360	-	27,360
Share-based payment expense	-	-	688,411	-	-	688,411
Net income (loss) for the period	-	-	-	-	(1,102,134)	(1,102,134)
Balance April 30, 2012	**51,506,666**	**$ 7,802,961**	**$ 1,002,605**	**$ 3,627**	**$ (2,344,303)**	**6,464,890**

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

(Expressed in Canadian Dollars - unaudited)

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 1220 – 1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X1. The Company's registered and records office address is 2610 - 1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X1.

2. Business acquisition

On January 19, 2012, the Company acquired an additional 50% interest in American Potash LLC ("American Potash") through a purchase agreement ("Purchase Agreement") with Confederation Minerals Ltd. ("Confederation"). As a result of this purchase, the Company owns 100% interest in American Potash. The total consideration is comprised of 22,420,000 common shares of the Company at a price of $0.20 per share and 2,400,000 common share purchase warrants totalling to $4,480,000. The common shares issued were valued using the share price of the Company on January 19, 2012. Any goodwill recognized on acquisition is attributed to the expected value of the potash properties held by American Potash and is included in mineral property and deferred exploration costs. The Purchase Agreement was accounted for as a business combination under the acquisition method of accounting. The allocation of the purchase price to acquired assets and liabilities is based on fair value assessed for each of the individual acquired assets and liabilities. The purchase price allocation is as follows:

Fair value of Net Assets Acquired	$
Cash and cash equivalent	1,900
Prepaid expenses	5,071
Trade and other payables	(84,512)
Mineral property and deferred exploration costs	4,851,086
Loans	(293,545)
Total net assets acquired	4,480,000
Consideration	
Common shares and warrants issued, being the total purchase price	4,480,000

3. Significant accounting policies and basis of preparation

The condensed consolidated interim financial statements of the Company for the nine months ended April 30, 2012 were authorized for issue in accordance with a resolution of the directors on June 29, 2012.

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 reports 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.

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

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 throughout all periods presented, as if these policies had always been in effect. Note 13 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 April 30, 2012. 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 13.

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.

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	April 30, 2012	April 30, 2011
American Potash LLC	U.S.	100%	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

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

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:

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 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.

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.

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

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.

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.

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.

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.

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

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.

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

<u>Current income tax:</u>

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

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

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.

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.

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

Accounting standards issued but not yet effective

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is yet to assess the full impact of IFRS 9.

IFRS 10 Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on or after January 1, 2013.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on or after January 1, 2013.

4. 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.

5. Mineral properties and marketable securities

Green River Potash Project
Utah potash prospects
Through an option agreement with Sweetwater River Resources LLC ("Sweetwater"), John Glasscock and Kent Ausburn (the "Sweetwater Option Agreement") (collectively called the "Optionors"), American Potash and the Company have the option to acquire 100% interest in pending applications to the United States Bureau of Land Management ("BLM") for Utah property 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.

Under the Sweetwater Option Agreement, American Potash possesses exclusive priority application rights for 31 potash exploration permits covering approximately 25,495 hectares (63,000 acres) (255 sq. km.) of land in the Paradox Basin, Utah (the "Green River Potash Project"). 9,729 hectares (24,040 acres) (97 sq. km.) of the total 25,495 hectares 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.

The Sweetwater Option is subject to a 2% royalty to the Optionors which may be bought back for $2,000,000 USD. The Sweetwater Option may be exercised by having the Company pay a total of $270,000 USD and to issue in aggregate, 4,000,000 shares to the Optionors upon receiving grant of permits for Utah property of not less than 25,000 acres (10,117 ha) (the "Grant Date"). The Company's payment and share issuance obligations under the agreement are as follow:

- $70,000 USD upon signing the option agreement (paid);
- 400,000 common shares of the Company on the Grant Date;
- $50,000 USD cash and 1,200,000 common shares of the Company on or before the first anniversary of the Grant Date;
- $50,000 USD cash and 1,200,000 common shares of the Company on or before the second anniversary of the Grant Date;
- $50,000 USD cash and 1,200,000 common shares of the Company on or before the third anniversary of the Grant Date; and
- $50,000 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 $7,000 and 40,000 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 July, 2011 American Potash acquired 160 Federal lithium placer mining claims totally 1,295 hectares (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.

5. Mineral properties and marketable securities (cont'd)

(Expressed in Canadian Dollars - unaudited)

Green River Potash Project - *Utah potash prospects* (cont'd)

In August, 2011, the Company acquired 46.7 line-km (28 line-miles) 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.

In December, 2011 the Company applied to the BLM for two additional potash exploration permits in the Paradox Basis, Utah, totalling 1,010 hectares.

In addition, American Potash has eleven non-contiguous Utah State trust land potash lease units in the potash-bearing Paradox Basin in Grand County, Utah. The eleven lease units total 2,853 hectares (7,050 acres) and 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.

On January 20, 2012, Confederation completed a transfer to the Company of its 50% interest in American Potash in exchange for 22,420,000 common shares and 2,400,000 common share purchase warrants in the Comapny. Each warrant entitles Confederation to purchase a further common share in the Company at a price of $0.10 until February 25, 2016. Concurrent with the transfer, Confederation subscribed for 6,666,666 common shares of the Company at $0.30 per Share for gross proceeds to the Company of $2,000,000. As a result of the transaction, the Company consolidated a 100% membership interest in American Potash, which holds certain potash leases and an option in respect of certain potash lease applications in the State of Utah.

On May 4, 2012, the US Department of the Interior, Bureau of Land Management, posted a notice on the Federal Registry regarding the establishment of the Ten Mile KPLA. This action establishes that the lands within the Ten Mile KPLA may no longer be available for non-competitive leasing for potash and may instead be available through a competitive leasing process. The newly established Ten Mile KPLA boundary overlies a portion of the Company's prospecting permit applications (non-competitive lease applications) and as a result has reduced the Property by 8,738 ha from 29,358 ha to 20,620 ha. As a result of this reduction, during the three months ended April 30, 2012, the Company expensed costs related to these properties of $394,950 to property investigation costs.

During the nine months ended April 30, 2012 the Company incurred $70,380 in Utah property acquisition and deferred exploration expenditures.

		2012		2011		2010
Property Costs - American Potash						
Balance, beginning of year	**$**	**275,754**	$	134,816	$	-
Property acquisition/deferred exploration expenditures		**70,380**		140,938		134,816
Purchase of Confederation Minerals 50% interest		**4,480,000**		-		-
Balance, end of period	**$**	**4,826,134**	$	275,754	$	134,816

5. Mineral properties and marketable securities (cont'd)

Arizona property and marketable securities

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. During the year ended July 31, 2011 the Company received as consideration a 50% proportionate interest in 353,450 common shares of Passport. During the nine months ended April 30, 2012, 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. In April, 2012, American Potash received full and final payment from Passport of the remaining US$60,000 due for option payments to acquire a 100% interest in five Arizona State Land Department exploration permits and US$300,000 to obtain 100% of the 2% NSR royalties in respect of option payments and NSR royalty interests. American Potash' share of the payment was US$254,854.

6. Share capital

Authorized

Unlimited common shares without par value

Issued and outstanding

At April 30, 2012 there were 51,506,666 issued and fully paid common shares (July 31, 2011 – 22,420,000).

During the nine months ended April 30, 2012, The Company and Confederation signed a Purchase Agreement in respect of the acquisition by the Company of Confederation's 50% interest in American Potash.

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 comprised 22,420,000 common shares of the Company at a price of $0.20 per share and 2,400,000 common share purchase warrants totalling to $4,480,000, which was allocated to share capital.

Concurrent with the purchase, Confederation subscribed for 6,666,666 common shares of the Company at $0.30 per share for gross proceeds to the Company of $2,000,000.

(Expressed in Canadian Dollars - unaudited)

6. Share capital (cont'd)

Share purchase warrants

The Company has 4,800,000 share purchase warrants outstanding, exercisable at a price of $0.10 per share, expiring February 25, 2016.

	Number of Warrants		Weighted Average Exercise Price
Outstanding as at July 31, 2010	2,400,000	$	0.10
Issued	2,400,000		0.10
Outstanding as at April 30, 2012	4,800,000	$	0.10

In January 2012, the Company issued 2,400,000 common share purchase warrants pursuant to the Purchase Agreement with Confederation. Each warrant entitles Confederation to purchase a further common share at a price of $0.10 until February 25, 2016.

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.

In February, 2012, the Company granted 3,285,000 stock options to directors, officers and consultants, exercisable at $0.40 per share for a term of five years, expiring February 2, 2017. The fair value of these stock options was calculated using the Black-Scholes option pricing model. The options were valued at fair value of $688,410 ($0.210 per share) where the exercise price is equal to the market price at the date of grant and the fair value of each option granted, assuming a risk-free interest rate of 1.29%, a dividend yield of nil, an expected volatility of 98.51% and an average expected life of 5 years. A share-based payment expense of $688,410 was charged to operations and added to reserves.

Exercise price	Number of options	Expiry date
$ 0.125	1,715,000	June 8, 2014
$0.400	3,285,000	February 2, 2017

7. 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.

(Expressed in Canadian Dollars - unaudited)

8. 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:

	Nine months ended April 30,	
Paid	**2012**	**2011**
St. Cloud Mining (Rudy de Jonge) – Management Fees	$ 45,000	$ -
St. Cloud Mining – payable from Fiscal 2009	25,000	-
Alexander Peck – CFO Consulting fees	9,000	-
	$ 79,000	$ -

Payable As At	April 30, 2012	July 31, 2011
St. Cloud Mining (Rudy de Jonge) – Management Fees*	$ -	$ 30,600
Global Mining Services (Kent Ausburn)	-	-
	$ -	$ 30,600

A director of the Company is a party to the Sweetwater Option Agreement with American Potash LLC.

9. 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 nine months ended April 30, 2012.

10. 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*.

> 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 April 30, 2012, the Company had cash and cash equivalent balance of $1,762,468 (July 31, 2011 - $34,250) to settle current liabilities of $174,751 (July 31, 2011 - $60,764). 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.

11. Commitments

See Note 5.

12. 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:

(Expressed in Canadian Dollars - unaudited)

12. Geographic information (cont'd)

As at	**April 30, 2012**	**July 31, 2011**
Total assets:		
Canada	$ 1,641,768	$ 33,764
United States	4,997,873	398,253
	$ 6,639,641	$ 432,017

13. Transition to international financial reporting standards

The accounting policies in Note 3 have been applied in preparing the condensed consolidated interim financial statements for the nine months ended April 30, 2012, the comparative information for the nine months ended April 30, 2011 and the financial statements for the year ended July 31, 2011.

The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on comparative information for the nine months ended April 30, 2011 and financial statements for the year ended July 31, 2011, previously reported in accordance with Canadian GAAP.

In preparing the Company's 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.

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.

(Expressed in Canadian Dollars - unaudited)

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

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

Below is the reconciliation between Canadian GAAP and IFRS equity as at April 30, 2011 and July 31, 2011.

		April 30 2011		**July 31 2011**
Mineral properties under Canadian GAAP	$	175,832	$	294,179
IFRS adjustments				
Currency translation adjustment (note i)		-		(18,425)
Mineral properties under IFRS	$	175,832	$	275,754

Reconciliations of Pre-transition Canadian GAAP Equity to IFRS

Below is the reconciliation between Canadian GAAP and IFRS equity as at April 30, 2011 and July 31, 2011.

		April 30 2011		**July 31 2011**
Equity under Canadian GAAP	$	428,641	$	389,678
IFRS adjustments				
Currency translation adjustment (note i)		-		(18,425)
Equity under IFRS	$	428,641	$	371,253

Reconciliation of Pre-transition Canadian GAAP Comprehensive Loss to IFRS

Below is the reconciliation of Comprehensive Loss for the nine months ended April 30, 2011 and year ended July 31, 2011:

		Year ended July 31, 2011		**Nine months ended April 30, 2011**
Comprehensive income (loss) under Canadian GAAP	$	8,159	$	47,122
Increase (decrease) in statement of operations (note i)		4,086		(6,955)
IFRS adjustments				
Cumulative translation gain (loss) (note i)		(23,733)		24,367
Total comprehensive loss reported under IFRS	$	(11,488)	$	64,534

13. 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, the Company 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 April 30, 2011, a decrease in statement of operations of $6,955 and a cumulative gain of $24,367 to other comprehensive income.
- At July 31, 2011, a decrease to mineral property interests of $18,425, an increase in statement of operations of $4,086 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.

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.

13. Transition to international financial reporting standards (cont'd)
Changes to accounting policies *(cont'd)*

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.

14. Subsequent events

On May 4, 2012, the US Department of the Interior, Bureau of Land Management, posted a notice on the Federal Registry regarding the establishment of the Ten Mile KPLA. This action establishes that the lands within the Ten Mile KPLA may no longer be available for non-competitive leasing for potash and may instead be available through a competitive leasing process. The newly established Ten Mile KPLA boundary overlies a portion of the Company's prospecting permit applications (non-competitive lease applications) and as a result has reduced the Property by 8,738 ha from 29,358 ha to 20,620 ha. See Note 5 "*Mineral properties and marketable securities*".