MAGNA RESOURCES LTD.

An Exploration Stage Enterprise

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JANUARY 31, 2013

Expressed in Canadian Dollars

Unaudited – Prepared by Management

Management's Responsibility for the Condensed Interim Consolidated 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 the interim financial statements by an entity's auditor.

MAGNA RESOURCES LTD.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars - unaudited)

	Notes	**January 31, 2013**	**July 31, 2012**
ASSETS		**$**	**$**
Current			
Cash and cash equivalents		20,258	-
Short-term investments	3	740,450	1,484,273
Prepaid expenses		27,697	25,791
HST/GST receivable		47,792	22,844
Other receivable	4	162,680	162,680
Total current assets		998,877	1,695,588
Non-current assets			
Exploration and evaluation assets	5	2,979,953	2,935,031
Intangible assets	6	731,388	480,986
Total non-current assets		3,711,341	3,416,017
Total assets		4,710,218	5,111,605
LIABILITIES			
Current liabilities			
Bank indebtedness		-	65,788
Accounts payable and accrued liabilities		117,621	85,310
Other payable	4	162,680	162,680
Future income taxes payable		20,600	54,776
Deferred income tax liability		339,747	340,595
Due to related parties	8	40,842	42,486
Total liabilities		681,490	751,635
EQUITY			
Equity attributable to shareholders			
Share capital	7	4,622,161	4,622,161
Reserves		1,454,326	1,330,204
Accumulated deficit		(2,044,030)	(1,591,598)
Accumulated other comprehensive income (loss)		(3,729)	(797)
Total equity		4,028,728	4,359,970
Total liabilities and equity		4,710,218	5,111,605

These condensed consolidated financial statements are authorised by the Board of Directors on March 27, 2013. They are signed on the Company's behalf by:
On behalf of the Board:

"*Rudy de Jonge*" (signed) "*Darryl Yea*" (signed)

Rudy de Jonge Darryl Yea

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

MAGNA RESOURCES LTD.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars - unaudited)

	Six months ended January 31, 2013	Six months ended January 31, 2012	Three months ended January 31, 2013	Three months ended January 31, 2012
General and administrative expenses				
Amortization	$ -	$ -	$ -	$ (681)
Accounting fees	40,059	15,970	20,237	11,290
Audit and related fees	41,000	14,420	41,000	2,180
Bank charges and interest	583	243	319	79
Consulting fees	76,838	37,517	47,002	22,517
Foreign exchange loss/(gain)	(762)	-	(762)	-
Legal fees	41,678	52,207	14,791	44,079
Licenses and permits	295	-	-	-
Insurance	6,614	-	3,307	-
Share-based payments	124,122	-	124,122	-
Office expenses	9,469	1,616	4,054	1,472
Rent	9,072	-	4,572	-
Transfer agent and filing fees	10,399	12,623	8,277	9,313
Travel and accommodation	6,520	1,291	7,486	1,291
Salaries and benefits	76,660	-	38,434	-
Website, advertising and promotion	16,495	5,366	15,745	3,826
Total income (expenses)	(459,042)	(141,253)	(328,584)	(95,366)
Other income (expenses)				
Interest income	6,610	(674)	2,799	(674)
FIT expense	-	10,057	-	10,057
Gain on business combination achieved in stage	-	1,001,754	-	1,001,754
Gain (loss) on marketable securities	-	(25,937)	-	(864)
Loss on sale of asset	-	-	-	-
Net income (loss) for the period	(452,432)	843,947	(325,785)	914,907
Other comprehensive income (loss)				
Foreign currency translation	(2,932)	17,335	(3,709)	18,900
Total comprehensive loss	$ (455,364)	$ 861,282	$ (329,494)	$ 933,807
Earnings (loss) per share, basic and diluted	$ (0.01)	$ 0.04	$ (0.01)	$ 0.04
Weighted average common shares outstanding – basic and diluted	51,506,666	24,463,928	51,506,666	26,485,878

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

MAGNA RESOURCES LTD.

Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars - unaudited)

For the six months ended January 31,	**2013**	**2012**
	$	**$**
Cash provided by (used in):		
Operating activities:		
Net profit (loss) for the period	(452,432)	843,947
Items not involving cash		
Gain on remeasurement of property purchase	-	(1,001,754)
Loss/(gain) on disposal of short-term investment	-	25,390
Deferred taxes	-	(9,953)
Share-based payments	124,122	-
Changes in non-cash working capital:		
Receivables	(24,948)	(11,323)
Prepaid expenses	(1,906)	(5,019)
Due to related parties	(42,486)	60,590
Accounts payable and accrued liabilities	(20,345)	30,951
	(417,995)	(67,171)
Investing activities:		
Cash acquired on acquisition of subsidiary	-	1,884
Sale of marketable securities	-	86,370
Exploration and evaluation assets and intangible assets	(236,850)	(57,807)
Sale (purchase) of short-term investment	743,823	(1,800,710)
Bank indebtedness	(65,788)	-
Net cash used in investing activities	441,185	(1,770,263)
Financing activities:		
Shares issued for cash	-	2,000,000
Net cash provided by financing activities	-	2,000,000
Net change in cash and cash equivalents	23,190	162,566
Effect of exchange rate changes on cash	(2,932)	3,685
Cash and cash equivalents, beginning of period	-	34,250
Cash and cash equivalents, end of period	20,258	200,501

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

MAGNA RESOURCES LTD.
Condensed Consolidated Interim Statements of Changes in Shareholders’ Equity
(Expressed in Canadian Dollars - unaudited)

	Common Shares				Accumulated	Total
	Number of Shares	Amount	Reserve	Deficit	Other Comprehensive Income (Loss)	Shareholders' Equity
		$	$	$	$	$
				-		
Balance on July 31, 2011	22,420,000	1,322,961	314,194	(1,255,219)	(18,426)	363,510
Common shares issued:						
Shares issued for cash @ $0.16/share	22,420,000	1,299,200	-	-	-	1,299,200
Finders shares issued in private placement	6,666,666	2,000,000	-	-	-	2,000,000
Warrants	-	-	327,600	-	-	327,600
Net income (loss) for the period	-	-	-	843,947	-	843,947
Translation adjustment on foreign operations	-	-	-	-	17,335	17,335
Balance on January 31, 2012	51,506,666	4,622,161	641,794	(411,272)	(1,091)	4,851,592
Share-based payments	-	-	688,410	-	-	688,410
Net income (loss) for the period	-	-	-	(1,180,326)	-	(1,180,326)
Other comprehensive income (loss)	-	-	-	-	294	294
Balance on July 31, 2012	51,506,666	4,622,161	1,330,204	(1,591,598)	(797)	4,359,970
Share-based payments	-	-	124,122	-	-	124,122
Net income (loss) for the period	-	-	-	(452,432)	-	(452,432)
Other comprehensive income (loss)	-	-	-	-	(2,932)	(2,932)
Balance on January 31, 2013	51,506,666	4,622,161	1,454,326	(2,044,030)	(3,729)	4,028,728

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

1. NATURE OF OPERATIONS

Magna Resources Ltd. (the "Company") was incorporated on June 5, 2006 under the laws of British Columbia. The Company's principal business activity is the acquisition and exploration of exploration and evaluation assets. The shares of the Company are traded on the Canadian National Stock Exchange ("CNSX") under the symbol "MNA".

The business of exploring for and mining of exploration and evaluation assets involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

The financial information is presented in Canadian Dollars (CDN$), which is the presentation and functional currency of the Company.

The Company has working capital as at January 31, 2013 of $317,387 (July 31, 2012: $943,953) and an accumulated deficit of $2,044,030 (July 31, 2012: $1,591,598). The Company incurred a net loss of $452,432 for the six months ended January 31, 2013 (2012: $202,337) These financial statements have been prepared under the assumptions of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to maintain its existence is dependent upon the continuing support of its creditors and its success in obtaining new equity financing for its ongoing operations. Financing options available to the Company include public equity financings, loans and tax credit refunds. Realization values may be substantially different from carrying values, as shown in these financial statements, should the Company be unable to continue as a going concern.

The Company's head office and registered and records office is 2600 - 1066 West Hastings Street, Vancouver, BC, Canada V6E 3X1.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements are unaudited and prepared on a condensed basis in accordance with the International Accounting Standards ("IAS") 34, *Interim Financial Reporting* issued by the International Accounting Standard Board. These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies described in Note 2 of the Company's Annual Financial Statements as at and for the year ended July 31, 2012. Accordingly, these condensed consolidated interim statements for the six months ended January 31, 2013 and 2012 should be read together with the Annual Financial Statements as at and for the year ended July 31, 2012.

(Expressed in Canadian Dollars - unaudited)

3. SHORT-TERM INVESTMENT

Short-term investments consist of marketable securities and short-term deposit. As at January 31, 2013, the Company has a short term deposit of $740,000 of principal (July 31, 2012: $1,475,000) and $450 of accrued interest due on January 18, 2014 (July 31, 2012: $9,273) with an annual yield of prime minus 1.250%.

	January 31, 2013	July 31, 2012
	$	$
Short-term deposit	740,450	1,484,273

For the marketable securities, the fair market value are measured using quoted prices in active market for the identical assets, the total fair market value is the published market price per unit multiplied by the number of units held without consideration of transaction costs.

4. BUSINESS ACQUISITION

On November 21, 2011, the Company and Confederation signed a purchase and sale agreement in respect of the acquisition of the remaining 50% interest in American Potash previously held by Confederation ("Purchase and Sale Transaction"). Under the terms of the agreement the Company also 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 immediately prior to closing of the Purchase and Sale Transaction. When combined with the Company's previously held 50% interest in American Potash, American Potash became a wholly-owned subsidiary of the Company.

In consideration for Confederation's 50% interest in American Potash, the Company issued 22,420,000 common shares of the Company (the "Consideration Shares") to Confederation using a deemed value of $0.20 per share and 2,400,000 common share purchase warrants to exactly match the number of issued and outstanding securities of the Company immediately prior to closing of the Purchase and Sale Transaction. Each warrant entitles Confederation to purchase a further common share at a price of $0.10 until February 25, 2016. Under IFRS 3, the considerations transferred were measured using the acquisition-date fair value. As a result, a discount from the deemed value of $0.20 per share has been applied due to a lack of marketability of the Consideration Shares held as a block in the hands of Confederation which resulted in the fair value of the Consideration Shares at $0.06 being assigned per share.

The reassessment at fair value of the previously held interest in American Potash gave rise to a gain of $1,001,754 that was recognized in the statements of operations and comprehensive loss under "Gain on business combination achieved in stage". The fair value of the previously held 50% interest was set at $1,328,805, being the same value as the 50% interest of American Potash acquired.

On January 19, 2012, the Purchase and Sale transaction was completed. As a result of the Purchase and Sale Transaction, the Company holds a 100% interest in American Potash.

(Expressed in Canadian Dollars - unaudited)

4. BUSINESS ACQUISITION (continued)

American Potash holds State potash leases and an option in respect of potash exploration permit applications in the State of Utah.

The Purchase and Sale Transaction was accounted for using the acquisition method with operating results included in the Company's statements of operations and comprehensive loss

from the date of acquisition in accordance with IFRS 3, Business Combination and the Company is considered to be the accounting acquirer.

The purchase price allocation is as follows:

Consideration	$
Fair value of 50% interest in American Potash	1,328,805
Fair Value of Net Asset Acquired	
Cash	1,884
Prepaid	5,047
Trade an other payables	(74,220)
Exploration and evaluation costs	1,234,689
Intangible assets	161,405
	1,328,805

In addition to the above transaction, Confederation subscribed for 6,666,666 common shares of the Company at $0.30 per share for gross proceeds of $2,000,000. As at January 31, 2013, the Company 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).

As at January 31, 2013, a 10% withholding tax on the gross sales price of American Potash in the amount of $162,680 is held by the Company.

5. EXPLORATION AND EVALUATION ASSETS

Green River Potash Project

In May, 2009, and amended on November 2, 2010 and further amended on December 6, 2011, American Potash entered into an option agreement (the "Sweetwater Option Agreement") with Sweetwater River Resources LLC ("Sweetwater"), John Glasscock and Kent Ausburn (collectively called the "Optionors"), to acquire pending exploration permit applications to the United States Bureau of Land Management ("BLM") in respect of certain Utah prospects and to the State of Arizona, together with all permits and other rights issued pursuant to the applications, to allow for the exploration of potash prospects in Utah.

5. EXPLORATION AND EVALUATION ASSETS (continued)

The 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 the Company pay a total of $270,000 USD and issue in aggregate, 4,000,000 shares of Company to the Optionors upon receiving grants of exploration permits for not less than 25,000 acres of Utah property, as follow:

- $70,000 USD upon signing the option agreement (paid);
- 400,000 shares of Magna upon grant of the permits representing not less than 25,000 acres;
- $50,000 USD cash and 1,200,000 shares of Magna on or before the first anniversary date;
- $50,000 USD cash and 1,200,000 shares of Magna on or before the second anniversary date;
- $50,000 USD cash and 1,200,000 shares of Magna on or before the third anniversary date; and
- $50,000 USD cash on or before the fourth anniversary 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 shares of 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 2011, American Potash acquired 160 Federal lithium placer mining claims totalling 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 American Potash’s BLM pending potash prospecting permit areas.

In 2011, American Potash acquired eleven non-contiguous Utah State Trust Land potash lease units in the potash bearing Paradox Basin. The eleven lease units total 2,853 hectares, (7,050 acres) and are all within the boundaries of the BLM potash prospecting permit applications held by American Potash.

As at January 31, 2013 the applications in Utah are pending approval from the BLM.

(Expressed in Canadian Dollars - unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Property Expenditures

	Green River Potash
	$
Mineral acquisition	
Opening balance, July 31,2011	115,515
Cash payments	18,830
	134,345
Deferred exploration expenditures	
Opening balance, July 31, 2011	57,215
Bonding	10,123
Geological surveys	17,827
Geological consulting	181,084
	266,249
Reassessment exploration and evaluation asset through business acquisition (Note 4)	2,534,437
Total as at July 31, 2012	2,935,031
Mineral acquisition	
Cash payments	28,212
Deferred exploration expenditures	
Geological surveys	3,754
Geological consulting	15,909
	19,663
Foreign exchange translation adjustment	(2,953)
Total as at January 31, 2013	2,979,953

6. INTANGIBLE ASSETS

	January 31, 2013	July 31, 2012
	$	$
Potash Prospects Applications	731,388	480,986
	731,388	480,986

7. SHARE CAPITAL

a) Authorized: Unlimited common shares with no par value.

b) Issued and outstanding:

At January 31, 2013 there were 51,506,666 issued and fully paid common shares (July 31, 2012: 51,506,666).

c) Common shares

During the year ended July 31, 2011, the Company completed a non-brokered private placement raising an aggregate of $192,000 by the issuance of 1,200,000 units ("Units") at a price of $0.16 per Unit. Each Unit consists of one common share and one share purchase warrant ("Warrant"). Each Warrant is exercisable into one additional common share for a period of five years at a price of $0.20 per share ("Warrant Share"), expiring February 26, 2016. The Warrants were valued at $207,777 based on the Black Scholes model which utilizes the following assumptions: expected dividend yield of nil, expected volatility of 131%, expected life of 5 years and a risk free interest rate of 2.60%. The relative fair value allocated is $89,091.

During the year ended July 31, 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. On January 19, 2012, the Company issued 22,420,000 common shares at the fair value of $0.20 and 2,400,000 common share purchase warrants to Confederation. Each warrant entitles the Company to purchase a further common share at a price of $0.10 until February 25, 2016 (Also see note 4).

Also during the year ended July 31, 2012, 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.

In December, 2012, Confederation distributed 21,086,656 common shares of the Company to Confederation shareholders. The distribution of the Company's shares by Confederation resulted in Confederation no longer maintaining a control block of the Company.

d) 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.

On February 2, 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.

7. SHARE CAPITAL (continued)

d) Stock options (continued)

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 ($0.21 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.

On December 14, 2012, the Company cancelled 3,285,000 stock options granted on February 2, 2012 and on January 16, 2013 the Company issued 3,285,000 stock options to directors, officers and consultants, exercisable at $0.10 per share for a term of five years, expiring January 16, 2018. The options were valued at fair value of $115,943 ($0.04 per share) where the exercise price is $0.055 per share at the date of grant and the fair value of each option granted, assuming a risk-free interest rate of 1.40%, a dividend yield of nil, an expected volatility of 96.69% and an average expected life of 5 years. A share-based payment expense of $115,943 was charged to operations and added to reserves.

On December 14, 2012, the Company granted 250,000 stock options to an officer and employee of the Company, exercisable at $0.10 per share for a term of five years, expiring December 14, 2017 (the "Sieb Grant"). The options will vest in equal quarterly amounts over the course of the first three years of employment commencing April 1, 2012. At January 31, 2013, 62,500 options vested. The options were valued at fair value of $4,544 ($0.08 per share) where the exercise price is $0.10 per share at the date of grant and the fair value of each option granted, assuming a risk-free interest rate of 1.36%, a dividend yield of nil, an expected volatility of 96.14% and an average expected life of 5 years. A share-based payment expense of $4,544 was charged to operations and added to reserves.

On December 14, 2012, the Company granted 50,000 stock options to a consultant of the Company, exercisable at $0.10 per share for a term of five years, expiring December 14, 2017. The options were valued at fair value of $3,635 ($0.08 per share) where the exercise price is $0.10 per share at the date of grant and the fair value of each option granted, assuming a risk-free interest rate of 1.36%, a dividend yield of nil, an expected volatility of 96.14% and an average expected life of 5 years. A share-based payment expense of $3,635 was charged to operations and added to reserves.

(Expressed in Canadian Dollars - unaudited)

7. SHARE CAPITAL (continued)
d) Stock options (continued)

The continuity of stock options for the period ended January 31, 2013 is as follows:

	Number of Options Outstanding	Weighted Average Exercise Price ($)
Balance July 31, 2011 and 2010	**1,715,000**	**0.25**
Granted, exercisable on or before February 2, 2017	3,285,000	0.40
Balance, July 31, 2012	5,000,000	0.35
Cancelled	(3,285,000)	(0.40)
Granted, exercisable on or before December 14, 2017	300,000	0.10
Granted, exercisable on or before January 16, 2018	3,285,000	0.10
Balance, January 31, 2013	**5,300,000**	**0.15**

The options outstanding and exercisable at January 31, 2013 are as follows:

Number Outstanding	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)
1,715,000	0.25	1.40
3,285,000	0.10	4.96
300,000	0.10	4.87
5,300,000*	0.15	3.54

*Following the re-issuance of stock options in January, 2013, options to purchase a total of 5,300,000 shares are outstanding, which exceeds the maximum number of shares currently available under the Stock Option Plan by 193,334 shares. Accordingly, options to purchase up to 193,334 shares granted as part of the Sieb Grant will not be exercisable until such shares become available under the plan.

e) Share purchase warrants

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. The fair value of these warrants was calculated using the Black-Scholes option pricing model. The warrants were valued at fair value of $327,600 where the exercise price is equal to the market price at the date of grant and the fair value of each warrant granted, assuming a risk-free interest rate of 1.25%, a dividend yield of nil, an expected volatility of 100.01% and an average expected life of 2 years.

(Expressed in Canadian Dollars - unaudited)

7. SHARE CAPITAL (continued)

e) Share purchase warrants (continued)

The continuity of warrants for the period ended January 31, 2013 is as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, July 31, 2010	-	-
Issued, exercisable on or before February 25, 2016	2,400,000	0.10
Balance, July 31, 2011	**2,400,000**	**0.10**
Issued, exercisable on or before February 25, 2016	2,400,000	0.10
Balance, July 31, 2012 and January 31, 2013	**4,800,000**	**0.10**

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:

Services provided by:		**January 31, 2013**	**January 31, 2012**
		$	**$**
Alexander Peck	a)	10,920	3,500
St. Cloud Mining Services Inc.	b)	30,000	55,000
Mike Sieb	c)	75,000	-
Global Mining Services Inc.	d)	21,405	2,567
Compensation benefits to key management	e)	91,501	-
		228,826	61,067

a) Alexander Peck, the CFO of the Company provided management services to the Company.
b) St. Cloud Mining Services Inc. is a privately held corporation controlled by a director who provided consulting services to the Company.
c) Mike Sieb, the president of the Company provided management services to the Company.
d) Global Mining Services Inc. is a privately held corporation controlled by a director, who provided geological consulting services to American Potash LLC.
e) Compensation benefits to key management personnel consist of share-based payments made during the period.

(Expressed in Canadian Dollars - unaudited)

8. RELATED PARTY TRANSACTIONS (continued)

Accounts payable (receivable) at:	January 31, 2013		January 31, 2012
	$		$
Global Mining Services Inc.	3,000	*	2,567
St. Cloud Mining Services Inc.	-		30,000
Rudy de Jonge	7,000	*	-
Confederation Minerals Ltd.	(121,838)	**	-
	(111,838)		32,567

*The balance is included in accounts payable and accrued liabilities.
**The balance included $162,680 withholding tax receivable and $40,842 shareholder's loan which is unsecured, non-interest bearing, and payable on demand.

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

Also see Notes 5 and 10.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2013	2012
	$	$
Stock options granted	124,122	-

10. COMMITMENTS

a) See Note 5.

b) On April 1, 2012, American Potash renewed a consulting agreement with an independent party to provide advice and consultation to American Potash regarding exploration, leasing and mining on public lands. Compensation is $5,000 USD for 35 hours of service per month for a period of one year. Additional hours to complete services will be billed at $165 USD per hour.

c) On June 1, 2011, the Company entered into an agreement with St. Cloud Mining Services Inc. (wholly owned by one of the directors) to provide management/consulting services to the Company.

d) On January 1, 2012, the Company entered into an agreement with Alec Peck to provide consulting services as CFO of the Company.

(Expressed in Canadian Dollars - unaudited)

10. COMMITMENTS (continued)

e) On September 1, 2012, American Potash LLC entered into an agreement with Global Mining Services (wholly owned by one of the directors) to provide services as Chief Operating Officer of American Potash LLC.

11. FINANCIAL INSTRUMENTS

(a) Fair Values

Financial instruments recognized at fair value on the consolidated statement of financial position must be classified in one of the following three fair value hierarchy levels:

Level 1 – measurement based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;
Level 2 – measurement based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability; or
Level 3 – measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statements of financial position are as follows:

	Fair Value Measurements Using		
As at January 31, 2013	**Quoted prices in active markets for identical instruments (Level 1) $**	**Significant other observable inputs (Level 2) $**	**Significant unobservable inputs (Level 3) $**
Cash and cash equivalents	20,258	-	-
Short term investments	740,450	-	-
Total	760,708	-	-

	Fair Value Measurements Using		
As at July 31, 2012	**Quoted prices in active markets for identical instruments (Level 1) $**	**Significant other observable inputs (Level 2) $**	**Significant unobservable inputs (Level 3) $**
Cash and cash equivalents	-	-	-
Short term investments	740,450	-	-
Total	740,450	-	-

The fair values of other financial instruments, which include other receivable, other assets, bank indebtedness, accounts payable and accruals and due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

(Expressed in Canadian Dollars - unaudited)

11. FINANCIAL INSTRUMENTS (continued)

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and short-term investments. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The functional currency of the Company's subsidiary American Potash is the US dollar. Foreign currency risk arises from the fluctuation in currency exchange between the Canadian dollar and US dollar. The Company has not entered into financial instruments to hedge against this risk.

(d) Liquidity Risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

Contractual maturity analysis is as follows:

	Less than 3 months	3-12 months	1-5 years	Longer than 5 years	Total
	$	$	$	$	$
January 31, 2013					
Accounts payable and accrued liabilities	117,621	-	-	-	117,621
Due to related parties	-	40,842	-	-	40,842
July 31, 2012					
Bank indebtedness	65,788	-	-	-	65,788
Accounts payable and accrued liabilities	85,310	-	-	-	85,310
Due to related parties	-	42,486	-	-	42,486
January 31, 2012					
Accounts payable and accrued liabilities	229,322	-	-	-	229,322
Due to related parties	-	60,235	-	-	60,235

11. FINANCIAL INSTRUMENTS (continued)

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

(f) Interest Rate Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest bearing assets in relation to cash at banks carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered immaterial. As at January 31, 2013, the Company has in total $740,450 (July 31, 2012: $1,484,273) in guaranteed investment certificates.

The policies to manage interest rate risk have been followed by the Company during prior periods and are considered to be effective.

12. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated any revenues since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

(Expressed in Canadian Dollars - unaudited)

13. SEGMENTAL 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 total assets are located in the following geographic locations:

		January 31, 2013		July 31, 2012
Canada	$	994,739	$	1,750,634
United States		3,715,479		3,360,971
	$	4,710,218	$	5,111,605

14. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform with the presentation adopted in the current period.