

MAGNA RESOURCES LTD.

An Exploration Stage Enterprise

CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2013 and 2012

Expressed in Canadian Dollars

INDEPENDENT AUDITOR'S REPORT

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Magna Resources Ltd.:

We have audited the accompanying consolidated financial statements of Magna Resources Ltd., which comprise the consolidated statements of financial position as at July 31, 2013, and the consolidated statements of comprehensive loss, cash flows, and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence that we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Magna Resources Ltd. as at July 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The consolidated financial statements of Magna Resources Ltd. for the year ended July 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on November 28, 2012 (prior to the restatement described in Note 4).

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
November 21, 2013

Magna Resources Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at:	Note	July 31, 2013	July 31, 2012 (Re-stated) (Note 4)
ASSETS		\$	\$
Current			
Cash		21,217	-
Short-term investments	3	145,963	1,484,273
Prepaid expenses		33,104	25,791
HST/GST receivable		57,001	22,844
Other receivable	4	-	162,680
Total current assets		257,285	1,695,588
Non-current assets			
Exploration and evaluation assets	5	2,017,260	1,943,766
Intangible assets	6	928,802	480,986
		2,946,062	2,424,752
Total assets		3,203,347	4,120,340
LIABILITIES			
Current liabilities			
Bank indebtedness		-	65,788
Accounts payable and accrued liabilities	7	55,635	72,202
Withholding tax payable	4	-	162,680
Income tax payable		-	54,776
Due to related parties	9	14,651	13,108
Total liabilities		70,286	368,554
EQUITY			
Equity attributable to shareholders			
Share capital	8	4,628,161	4,622,161
Share based payment reserve	8	1,406,605	1,330,204
Foreign currency translation reserve		38,871	(797)
Accumulated deficit		(2,940,576)	(2,199,782)
Total equity		3,133,061	3,751,786
Total liabilities and equity		3,203,347	4,120,340

Going concern – Note 1

Commitments – Notes 5 and 11

Subsequent event – Note 16

On behalf of the Board:

“Rudy de Jonge” (Director)

“Darryl Yea” (Director)

Magna Resources Ltd.

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

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

		Years Ended July 31,	
	Note	2013	2012 (Re-stated) (Note 4)
General and administrative expenses		\$	\$
Accounting fees		58,323	38,941
Audit and related fees		67,163	28,069
Interest expense and bank charges		1,512	951
Consulting and management fees	9	151,565	72,366
Foreign exchange		5,613	1,209
Legal fees		77,206	37,694
Insurance		13,229	252
Research		949	-
Licenses and permits		452	623
Travel and entertainment		19,779	31,744
Office expenses		23,811	21,365
Project investigation		-	148,934
Rent		20,680	5,769
Share-based payments	8	76,401	688,410
Transfer agent and filing fees		31,469	21,645
Wages	9	159,365	52,878
Investor relations, website and promotion		72,068	6,242
		(779,585)	(1,157,092)
Loss on marketable securities		-	(25,634)
Interest income		9,209	8,871
Other income		-	256,571
Net loss before tax		(770,376)	(917,284)
Deferred tax recovery	15	-	8,412
Income tax (expenses) recovery	15	29,582	(35,691)
Net loss for the year		(740,794)	(944,563)
Other comprehensive income			
Foreign currency translation		39,668	17,629
Total comprehensive loss		(701,126)	(926,934)
Loss per share - basic and diluted		(0.01)	(0.02)
Weighted average common shares outstanding - basic and diluted		51,531,529	37,879,762

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

Magna Resources Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years Ended July 31,	
	2013	2012
		(Re-stated)
		(Note 4)
Cash provided by (used in):	\$	\$
Operating activities:		
Net loss	(740,794)	(944,563)
Items not involving cash:		
Share-based payments	76,401	688,410
Loss on disposal of short-term investment	-	25,634
Shares issued per employment agreement	6,000	-
Deferred income tax expense (recovery)	-	(8,412)
Income tax expense (recovery)	(29,582)	35,691
Changes in non-cash working capital:		
HST/GST receivable	(34,157)	(11,846)
Other receivable	162,680	(162,680)
Prepaid expenses	(7,313)	(20,769)
Accounts payable and accrued liabilities	(39,444)	157,413
Withholding tax payable	(162,680)	162,680
Due to related parties	1,543	13,108
Income taxes (paid) recovered	(25,194)	19,206
	(792,540)	(46,128)
Investing activities:		
Bank indebtedness	(65,788)	65,788
Sale (purchase) of short-term investment	1,338,310	(1,397,972)
Exploration and evaluation assets	(35,267)	(268,859)
Intangible assets	(436,219)	(381,072)
	801,036	(1,982,115)
Financing activities:		
Proceeds from shares issued	-	2,000,000
	-	2,000,000
Net change in cash	8,496	(28,243)
Effect of exchange rate changes on cash	12,721	(6,007)
Cash, beginning of year	-	34,250
Cash, end of period	21,217	-

Supplemental cash flow information is included in Note 10.

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

Magna Resources Ltd.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Note	Common Shares		Share based payment reserve	Foreign currency translation Reserve	Deficit	Total Equity
		Number of Shares	Amount				
Balance on July 31, 2011		22,420,000	\$ 1,322,961	\$ 314,194	\$ (18,426)	\$ (1,255,219)	\$ 363,510
Common shares issued:							
Issuance of shares per purchase agreement	8	22,420,000	1,299,200	-	-	-	1,299,200
Shares issued for cash @ \$0.30/share	8	6,666,666	2,000,000	-	-	-	2,000,000
Warrants	8	-	-	327,600	-	-	327,600
Share-based payment	8	-	-	688,410	-	-	688,410
Net loss		-	-	-	-	(944,563)	(944,563)
Other comprehensive income		-	-	-	17,629	-	17,629
Balance on July 31, 2012 (Re-stated) (Note 4)		51,506,666	4,622,161	1,330,204	(797)	(2,199,782)	3,751,786
Common shares issued:							
Issuance of shares per employment agreement	8	75,000	6,000	-	-	-	6,000
Share-based payments	8	-	-	76,401	-	-	76,401
Net loss		-	-	-	-	(740,794)	(740,794)
Other comprehensive income		-	-	-	39,668	-	39,668
Balance on July 31, 2013		51,581,666	4,628,161	1,406,605	38,871	(2,940,576)	3,133,061

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

MAGNA RESOURCES LTD.
Notes to the Consolidated Financial Statements
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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' and on the OTCQX International, a segment of the OTCQX marketplace in the U.S., under the symbol 'MGRZF'.

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

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at July 31, 2013, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral properties exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorized for issue on November 21, 2013 by the directors of the Company.

Statement of compliance

The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as at fair value through profit or loss have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

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Basis of consolidation

These consolidated financial statements include the accounts of the Company and its controlled entity. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation. Details of controlled entities are as follows:

	Country of Incorporation	Percentage owned as at July 31,		Principal Activity
		2013	2012	
American Potash LLC ("American Potash")	United States	100%	100%	Mineral exploration

Significant accounting judgments and estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets and intangible assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- The determination of whether an acquisition constitutes a business combination or an acquisition of assets;
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the determination of the functional currency of the parent company and its subsidiaries.

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Interest income

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Foreign currencies translation and transaction

The functional currency of an entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional currency. The functional currency of American Potash 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 when fair values were determined. 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. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

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Financing costs

The costs related to equity transactions are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are expensed in the statement of comprehensive loss.

Short-term investments

Short-term investments consist of a short-term deposit, which is a fixed term deposit held at the bank with a maturity of more than three months and less than twelve months at the time of issuance and is recorded at fair value.

Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. Costs incurred before the Company has obtained the legal right to explore an area are recognized in profit and loss. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of permanent impairment.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production of proceeds of disposition.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

Intangible assets

Intangible assets consist of potash prospecting permit applications costs. These assets have indefinite lives and, as such, are not subject to amortization but are tested annually for impairment.

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Decommissioning and rehabilitation liabilities

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 to the related asset 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 Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. These changes are recorded directly to the related asset with a corresponding entry to the provision.

The increase in the restoration provision due to the passage of time is recognized as interest expense.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the statement of comprehensive loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

The Company did not have any decommissioning and restoration obligations at July 31, 2013 and July 31, 2012.

Impairment of long-lived assets

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. 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 comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and 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

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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. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share-based payments

The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in share based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employee, the fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the options granted at the date the Company receives the goods or the services using the Black-Scholes Option Pricing Model.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value,

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as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants.

Comprehensive loss

Comprehensive loss is defined as the change in equity (net assets) from the transactions and other events from one-owner sources. Other comprehensive income refers to items recognized in comprehensive loss which are excluded from net income calculated in accordance with IFRS.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding shares for the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In periods where a net loss is reported all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are all anti-dilutive.

Income taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods 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 end of the each reporting period, in the countries where the Company operates and generates taxable income.

(b) Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences, at the end of each reporting period, between the tax bases of assets liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Financial instruments

All financial assets and financial liabilities are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL"). The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at FVTPL when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized

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within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

The Company has implemented the following classifications for its financial instruments.

- a) Cash and cash equivalents, short-term investments and bank indebtedness are financial assets and liabilities at FVTPL.
- b) Accounts payable and due to related parties have been classified as other financial liabilities.
- c) Other receivables have been classified as loan and receivables.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent liabilities are not recognised in the financial statements and are disclosed in the notes to the financial statements unless their occurrence is remote. Contingent assets are not

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recognized in the financial statements, but are disclosed in the notes to the financial statements when there is a transfer of resources or obligations between related parties.

New accounting standards and interpretations

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after July 31, 2013 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these financial statements, are not expected to have a material effect on the Company's future results and financial position:

- a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
- b) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 and SIC-12);
- c) IFRS 11 Joint Arrangements;
- d) IFRS 12 Disclosure of Interests in Other Entities;
- e) IFRS 13 Fair Value Measurement; and
- f) IAS 1 Presentation of Financial Statements (Amendments regarding Presentation of Items of Other Comprehensive Income).

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. SHORT-TERM INVESTMENT

Short-term investments consist of a term deposit. As at July 31, 2013, the Company has a short term deposit of \$145,000 of principal (July 31, 2012: \$1,475,000) and \$963 of accrued interest due on January 18, 2014 (July 31, 2012: \$9,273) with an annual yield of prime minus 1.250%.

	July 31, 2013	July 31, 2012
	\$	\$
Short-term deposit	145,963	1,484,273

4. ACQUISITION OF AMERICAN POTASH

On November 21, 2011, the Company and Confederation Minerals Ltd. ("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 forward split of its outstanding common shares, resulting in the Company having 22,420,000 common shares being issued and outstanding immediately prior to the 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.

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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 with a fair value of \$1,229,200 and 2,400,000 common share purchase warrants with a fair value of \$327,600 to exactly match the number of issued and outstanding securities of the Company immediately prior to the 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 (Note 8).

During the year ended July 31, 2012, the Purchase and Sale Transaction was accounted for under IFRS 3 as a business combination. Under the IFRS 3 treatment, 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 statement of comprehensive loss under "Gain on business combination achieved in stages". 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. American Potash holds 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 comprehensive loss from the date of acquisition in accordance with IFRS 3, Business Combinations, and the Company is considered to be the accounting acquirer. Acquisition related costs of \$52,975 were reported as legal expenses in the consolidated statements of comprehensive loss for the year ended July 31, 2012.

During the year ended July 31, 2013, the Company re-assessed whether the acquisition of American Potash constitutes a business combination or an acquisition of assets. Previously, the Company accounted for the acquisition of American Potash as a business combination, recognizing a gain in the consolidated statement of comprehensive loss and a deferred tax liability on the fair value bump of the exploration and evaluation assets.

The Company concluded that the acquisition of American Potash should be accounted for as an asset acquisition, with the excess fair value of consideration over the identifiable net assets being allocated to the exploration and evaluation assets. Acquisition related costs are capitalized to the assets acquired.

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The purchase price was allocated to the identifiable net assets, based on the acquisition being an asset acquisition, as follows:

Consideration	\$
Fair value of 50% interest in American Potash	1,286,318
Allocation to the fair value of identifiable net assets of American Potash:	
Cash	1,884
Prepaid	5,047
Exploration and evaluation assets	1,490,198
Intangible assets	161,405
Trade and other payables	(74,220)
Due to Confederation	(297,996)
Net assets acquired	1,286,318

The financial statement impact resulting from accounting for the acquisition of American Potash as an asset acquisition as at July 31, 2012 is as follows:

	As Previously Reported	Restatement	Restated
	\$	\$	\$
Consolidated statement of financial position			
Exploration and evaluation assets	2,935,031	(991,265)	1,943,766
Intangible assets	480,986	-	480,986
Due to related parties	42,486	(42,486)	-
Deferred income tax liability	340,595	(340,595)	-
Deficit	(1,591,598)	(608,184)	(2,199,782)
Consolidated statement of comprehensive loss			
Legal fees	90,669	(52,975)	37,694
Gain on business combination achieved in stage	(1,001,754)	1,001,754	-
Deferred income tax expense (recovery)	332,183	(340,595)	(8,412)
Net loss	336,379	608,184	944,563
Comprehensive loss	318,750	608,184	926,934
Loss per share – basic and diluted	(0.01)	(0.01)	(0.02)
Consolidated statement of cash flows			
Cash used in operating activities	(384,117)	337,989	(46,128)
Cash used in investing activities	(1,654,628)	(327,487)	(1,982,115)

As at July 31, 2012, the Company withheld 10% withholding tax on the gross sales price of American Potash in the amount of \$162,680.

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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 exploration permit applications to the United States Bureau of Land Management ("BLM") in respect of certain Utah permits, together with all permits and other rights issued pursuant to the applications, to allow for the exploration of potash prospects in Utah.

The option agreement entitles American Potash to acquire a 100% interest in permit applications, 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 the Company upon grant of the permits representing not less than 25,000 acres;
- \$50,000 USD cash and 1,200,000 shares of the Company on or before the first anniversary date;
- \$50,000 USD cash and 1,200,000 shares of the Company on or before the second anniversary date;
- \$50,000 USD cash and 1,200,000 shares of the Company 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 \$3,500 and 10,000 shares of the Company, payable on the grant date of the exploration permits, and thereafter 10% of the cash and stock payments made under the option agreement, payable as and when such payments are made. Expenditures relating to these permit applications have been presented as intangible assets on the statement of financial position (Note 6).

In 2011, American Potash acquired 160 Federal lithium placer mining claims in northwestern Paradox Basin, Utah. 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 are all within the boundaries of the BLM potash prospecting permit applications held by American Potash.

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The Company's progress towards the receipt of federal prospecting permits on American Potash's Green River Potash Project that would permit the Company to drill four holes on Federal lands, is ongoing. The BLM has reviewed the Company's Exploration Plan and has determined it complete. In addition, on June 6, 2013, the Company announced the subsequent completion by the BLM of the Environmental Assessment ("EA") conducted on the Green River Potash Project. The EA represents a comprehensive study of all aspects and environmental considerations associated with the proposed exploration plan submitted by the Company. The final 30 day public notice period regarding BLM's EA conducted on the Green River Potash Project regarding the Company's exploration plan, closed at the end of business July 8, 2013. The Company anticipates BLM's review of the comments submitted, in order to determine appropriate responses and modifications to the EA if warranted, will be addressed in a timely manner. This represents the final stage of the Company's prospecting permits application process with a successful conclusion arriving at a 'Finding of No Significant Impact' ("FONSI") decision on the Company's proposed action. In September 2013, the BLM arrived at a FONSI decision on the Green River Potash Project. Following this FONSI determination, the Company will expect the timely issuance of Federal Prospecting Permits by the BLM (Note 16).

Green River Potash Project Expenditures

	Total for year ended July 31, 2013	Total for year ended July 31, 2012
Mineral acquisition costs:	\$	\$
Balance, beginning	187,320	115,515
Cash	28,999	63,793
Foreign exchange translation	5,148	8,012
Balance, Ending	221,467	187,320
Exploration and evaluation expenditures:		
Balance, beginning	266,248	57,215
Bonding	7,833	10,123
General administration	15,390	-
Surveys	3,859	17,827
Geological consulting	2,063	177,116
Foreign exchange translation	10,202	3,967
Balance, ending	305,595	266,248
Reassessment through asset acquisition	1,490,198	1,490,198
Total	2,017,260	1,943,766

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6. INTANGIBLE ASSETS

	July 31, 2013	July 31, 2012
	\$	\$
Potash Prospects Application	928,802	480,986

Intangible assets relate to the exploration permit applications optioned from Sweetwater, as described in Note 5.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2013	July 31, 2012
	\$	\$
Accounts payable	40,635	72,202
Accrued liabilities	15,000	-
	55,635	72,202

8. SHARE CAPITAL

a) Authorized

Unlimited common shares with no par value.

b) Issued and outstanding

At July 31, 2013 there were 51,581,666 issued and fully paid common shares (July 31, 2012: 51,506,666).

c) Common shares

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 with a fair value of \$1,299,200 and 2,400,000 common share purchase warrants with a fair value of \$327,600 to Confederation. Each warrant entitles the Company to purchase a further common share at a price of \$0.10 until February 25, 2016.

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 April, 2013, the Company granted 75,000 common shares with a fair value of \$6,000 to the President of the Company pursuant to the terms of an employment agreement.

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d) Basic and diluted loss per share

Diluted loss per share did not include the effect of 5,450,000 stock options and 4,800,000 warrants as the effect would be anti-dilutive.

e) 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. The fair value of these stock options was calculated using the Black-Scholes option pricing model. The options were valued at a fair value of \$688,410 at the date of grant, 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 share based payment reserve for the year ended July 31, 2012.

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 incremental increase in fair value of the modification of these options was \$57,680, 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 \$57,680 was charged to operations and added to share based payment reserve for the year ended July 31, 2013.

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 July 31, 2013, 104,167 options vested. The total fair value of all 250,000 options was \$18,176 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 \$12,120 was charged to operations and added to share based payment reserves for the year ended July 31, 2013.

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 a fair value of \$3,635, 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 share based payment reserve for the year ended July 31, 2013.

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On April 10, 2013, the Company granted 150,000 stock options to a consultant of the Company, exercisable at \$0.10 per share for a term of 18 months, expiring October 10, 2014. The options were valued at a fair value of \$2,966, assuming a risk-free interest rate of 1.40%, a dividend yield of nil, an expected volatility of 99.91% and an average expected life of 1.5 years. A share-based payment expense of \$2,966 was charged to operations and added to share based payment reserve for the year ended July 31, 2013.

Total share-based payment expense for the year ended July 31, 2013 was \$76,401 (July 31, 2012 - \$688,410).

The continuity of stock options for the year ended July 31, 2013 is as follows:

	Year ended July 31, 2013		Year ended July 31, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Options outstanding, beginning	5,000,000	0.31	1,715,000	0.13
Options granted	3,735,000	0.10	3,285,000	0.40
Options expired	(3,285,000)	0.40	-	-
Options outstanding, ending	5,450,000	0.11	5,000,000	0.31
Options exercisable, ending	5,304,167	0.11	4,142,500	0.31

Details of options outstanding and exercisable at July 31, 2013 are as follows:

Number of options outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
1,715,000	\$0.04	0.27
300,000	\$0.01	0.24
3,285,000	\$0.05	2.69
150,000	\$0.01	0.03
5,450,000	\$0.11	3.23

Following the re-issuance of stock options in January, 2013, options to purchase a total of 5,300,000 shares were outstanding, which exceeds the maximum number of shares currently available under the Stock Option Plan by 141,834 shares. Accordingly, options to purchase up to 141,834 shares granted as part of the Sieb Grant will not be exercisable until such shares become available under the plan.

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f) Share purchase warrants

In January 2012, the Company issued 2,400,000 common share purchase warrants pursuant to the Purchase and Sale Transaction with Confederation (Note 4). 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 a fair value of \$327,600, 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.

The continuity of warrants for the year ended July 31, 2013 is as follows:

	Year ended July 31, 2013		Year ended July 31, 2012	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	4,800,000	\$ 0.10	2,400,000	\$ 0.10
Warrants issued	-	-	2,400,000	0.10
Warrants outstanding, ending	4,800,000	\$ 0.10	4,800,000	\$ 0.10

At July 31, 2013 and 2012, all warrants outstanding were exercisable.

Details of warrants outstanding as at July 31, 2013 are as follows:

Number of warrants outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
4,800,000	\$0.10	2.57

g) Share based payment reserve

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

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9. RELATED PARTY TRANSACTIONS

Related party balances

	July 31, 2013	July 31, 2012
	\$	\$
Companies controlled by directors of the Company	3,084	13,000
Directors of the Company and of its subsidiaries	11,567	108
	<u>14,651</u>	<u>13,108</u>

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

At July 31, 2012, withholding tax of \$162,680 was receivable from a related company.

Related party transactions

The Company incurred the following transactions with directors, officers, and companies that are controlled by directors of the Company.

	Years ended	
	July 31, 2013	July 31, 2012
	\$	\$
Consulting fees	123,588	68,500
Wages	156,000	50,000
Geological consulting - exploration and evaluation assets	-	21,442
	<u>279,588</u>	<u>139,942</u>

Key management personnel compensation

	Years ended	
	July 31, 2013	July 31, 2012
	\$	\$
Consulting fees	123,588	68,500
Wages	156,000	50,000
Share-based payments	56,894	513,426
	<u>336,482</u>	<u>631,926</u>

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

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10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	July 31, 2013	July 31, 2012
	\$	\$
Warrants granted for asset acquisition	-	327,600
Shares issued per asset acquisition	-	1,299,200
Exploration and evaluation assets in accounts payable	22,877	41,730

11. COMMITMENTS

a) On April 1, 2013, 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.

b) 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 at a rate of \$5,000 per month.

c) On January 1, 2012, the Company entered into an agreement with Alec Peck to provide consulting services as Chief Financial Officer of the Company. Mr. Peck received \$23,920 during the year ended July 31, 2013 (2012 – \$13,500).

d) On April 1, 2012, the Company entered into an employment agreement with Mike Sieb to provide services as President of the Company. During the year ended July 31, 2013, Mr. Sieb received \$150,000 in wages. Pursuant to the agreement, the Company must issue 75,000 common shares on the second anniversary of employment, and an additional 75,000 common shares on the third anniversary of employment.

e) On September 1, 2012, American Potash entered into an agreement with Global Mining Services Inc., a company wholly-owned by a director of the Company, to provide consulting services as Chief Operating Officer of American Potash at a rate of US \$3,000 per month.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the

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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 short-term investments with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure. The risk is assessed as low.

(b) Foreign Exchange Rate Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. 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.

The following is an analysis of Canadian Dollar equivalent of financial assets and liabilities that are denominated in US dollars:

	July 31, 2013	July 31, 2012
	\$	\$
Cash	31,969	(61,376)
Accounts payable	(32,798)	(41,979)
	(829)	(103,355)

Based on the above net exposures, as at July 31, 2013, a 10% change in the US dollar to Canadian Dollar exchange rate would impact the Company's net loss by \$83.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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
	\$	\$	\$	\$	\$
July 31, 2013					
Accounts payable	40,635	-	-	-	40,635
Due to related parties	14,651	-	-	-	14,651

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	Less than 3 months	3-12 months	1-5 years	Longer than 5 years	Total
	\$	\$	\$	\$	\$
July 31, 2012					
Bank indebtedness	65,788	-	-	-	65,788
Accounts payable	72,202	-	-	-	72,202
Due to related parties	13,108	-	-	-	13,108

(d) 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.

(e) 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 July 31, 2013, the Company has in total \$145,963 (July 31, 2012: \$1,484,273) in guaranteed investment certificates.

(f) 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 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at July 31, 2013 and 2012:

	As at July 31, 2013		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	21,217	-	-
Short term investments	145,963	-	-
Total	167,180	-	-

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	As at July 31, 2012		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	-	-	-
Short term investments	1,484,273	-	-
Total	1,484,273	-	-

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

13. 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. There were no changes in the Company's approach to capital management during the year.

14. SEGMENTED INFORMATION

The Company's activities are all in one industry segment of mineral property acquisition and exploration. The Company's exploration 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. The Company's non-current assets, which include exploration and evaluation assets and intangible assets, are all located in the United States.

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15. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended July 31, 2013	Year ended July 31, 2012
	\$	\$
Net loss before tax	770,376	917,284
Statutory tax rate	25.0%	25.75%
Expected income tax recovery at the statutory tax rate	(192,594)	(236,201)
Non-deductible items	20,120	172,627
Change in estimate of prior year tax	(29,582)	(34)
Foreign tax rate difference	(9,402)	(11,206)
Change in enacted tax rate	-	27,569
Other	-	(13,104)
Change in deferred tax asset not recognized	181,876	87,628
Income tax expense (recovery)	(29,582)	27,279

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	July 31, 2013	July 31, 2012
	\$	\$
Non-capital loss carry-forwards – Canada	344,538	193,114
Non-capital loss carry-forwards – US	43,274	7,082
Other	8,892	14,632
	396,704	214,828

The Company has net operating loss carryforwards which may be carried forward to apply against future year income tax for Canadian and US income tax purposes subject to the final determination by taxation authorities, expiring in the following years:

	Canadian non-capital losses	US non-capital losses
	\$	\$
2026	10,228	-
2027	73,564	-
2028	2,780	-
2029	241,781	-
2030	71,222	-
2031	68,791	-
2032	304,089	21,396
2033	605,697	109,342
No expiry	-	-
	1,378,152	130,738

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16. SUBSEQUENT EVENTS

In September 2013, the BLM arrived at a FONSI decision on the Green River Potash Project. The BLM approval grants the Company the right to initiate exploration and advance the Green River Potash Project. Following the FONSI, the Company will expect the timely issuance of the federal prospecting permits by the BLM (Note 5).

On November 8, 2013, the Company completed a partial closing of a non-brokered private placement of 1,759,232 units at \$0.15 per unit for gross proceeds of \$263,885. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant is exercisable into one common share at \$0.25 per share for a 24 month period expiring November 7, 2015.

17. COMPARATIVE INFORMATION

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