MAGNA RESOURCES LTD.

An Exploration Stage Enterprise

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2013 AND 2012

(Expressed in Canadian Dollars)

Unaudited Interim Financial Statements

In Accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the period ended October 31, 2013.

MAGNA RESOURCES LTD.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars - unaudited)

	Notes	October 31, 2013	July 31, 2013
ASSETS		$	$
Current			
Cash and cash equivalents		31,671	21,217
Short-term investments		-	145,963
Prepaid expenses		21,852	33,104
HST/GST receivable		4,063	57,001
Total current assets		57,585	257,285
Non-current assets			
Exploration and evaluation assets	4)	2,033,947	2,017,260
Intangible assets	5)	1,024,671	928,802
Total non-current assets		3,058,618	2,946,062
Total assets		3,116,203	3,203,347
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6)	65,583	55,635
Due to related parties		10,010	14,651
Total liabilities		75,593	70,286
EQUITY			
Equity attributable to shareholders			
Share capital	7b)	4,628,161	4,628,161
Share based payment reserve	7e)	1,408,432	1,406,605
Share subscriptions received	7d)	52,500	-
Foreign currency translation reserve		71,743	38,871
Accumulated deficit		(3,120,226)	(2,940,576)
Total equity		3,040,610	3,133,061
Total liabilities and equity		3,116,203	3,203,347

On behalf of the board:

"*Rudy de Jonge*" — Rudy de Jonge

"*Darryl Yea*" — Darryl Yea

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

MAGNA RESOURCES LTD.
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars - unaudited)

For the three months ended October 31,	**2013**	**2012**
	$	**$**
General and administrative expenses		
Accounting and audit fees	8,080	19,822
Bank charges and interest	408	264
Consulting fees	33,954	29,836
Foreign exchange	5,698	-
Legal fees	23,230	26,887
Insurance	3,217	3,307
Research	205	-
Licenses and permits	297	295
Office expenses	7,234	5,415
Rent	10,120	4,500
Share based payments	1,827	-
Transfer agent and filing fees	5,224	2,122
Travel and accommodation	2,960	(966)
Wages	37,500	38,226
Website, advertising and promotion	40,174	750
	(180,128)	(130,458)
Interest income (expenses)	478	3,811
Net loss	(179,650)	(126,647)
Other comprehensive income		
Foreign currency translation	32,872	777
Total comprehensive loss	(146,778)	(125,870)
Loss per share, basic and diluted	(0.00)	(0.00)
Weighted average common shares outstanding - basic and diluted	51,581,666	51,506,666

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

MAGNA RESOURCES LTD.
Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars - unaudited)

For the three months ended October 31,	**2013**	**2012**
Cash provided by (used in):	$	$
Operating activities:		
Net loss for the period	(179,650)	(125,870)
Items not involving cash:		
Share-based payments	1,827	-
Changes in non-cash working capital:		
HST/GST Receivables	52,939	(5,680)
Prepaid expenses	11,252	(7,486)
Accounts payable and accrued liabilities	9,948	(7,275)
Due to related parties	(4,641)	(2,877)
	(108,325)	(134,216)
Investing activities:		
Bank indebtedness	-	(65,788)
Exploration and evaluation assets and intangible assets	(112,556)	(131,031)
Sale of short-term investment	145,963	394,236
	33,407	197,417
Financing activities:		
Share subscriptions received	52,500	-
	52,500	-
Net change in cash	(22,418)	63,201
Effect of exchange rate changes on cash	32,872	(4,265)
Cash, beginning of period	21,217	-
Cash, end of period	31,671	58,936

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)

	Note	Common Shares: Number of Shares	Common Shares: Amount	Share-based Payment Reserve	Share Subscriptions Received	Foreign Currency Translation Reserve	Deficit	Total Equity
			$	$		$	$	$
Balance on July 31, 2012 (Re-stated)		51,506,666	4,622,161	1,330,204	-	(797)	(2,199,782)	3,751,786
Net loss		-	-	-	-	-	(126,647)	(126,647)
Other comprehensive loss		-	-	-	-	(4,265)	-	(4,265)
Balance on October 31, 2012		51,506,666	4,622,161	1,330,204	-	(5,062)	(2,326,429)	3,620,874
Common shares issued:								
Shares issued per employment agreement		75,000	6,000	-	-	-	-	6,000
Share-based payments		-	-	76,401	-	-	-	76,401
Net loss		-	-	-	-	-	(614,147)	(614,147)
Other comprehensive loss		-	-	-	-	43,933	-	43,933
Balance on July 31, 2013		51,581,666	4,628,161	1,406,605	-	38,871	(2,940,576)	3,133,061
Share subscriptions received	7d)	-	-	-	52,500	-	-	52,500
Share-based payments		-	-	1,827	-	-	-	1,827
Net loss		-	-	-	-	-	(179,650)	(179,650)
Other comprehensive loss		-	-	-	-	32,872	-	32,872
Balance on October 31, 2013		51,581,666	4,628,161	1,408,432	52,500	71,743	(3,118,399)	3,040,610

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' 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 October 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

These financial statements were authorized for issue on December 23, 2013 by the directors of the Company.

Statement of Compliance

The condensed consolidated interim 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"). These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies described in Note 2 of the Company's annual audited financial statements as at and for the year ended July 31, 2013. Accordingly, these condensed consolidated interim statements for the three months ended October 31, 2013 and 2012 should be read together with the annual audited financial statements as at and for the year ended July 31, 2013.

Basis of preparation

These condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

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 October 31, 2013	2012	Principal Activity
American Potash LLC ("American Potash")	United States	100%	100%	Mineral exploration

3. 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.

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.

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.

(Expressed in Canadian Dollars - unaudited)

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.

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

(Expressed in Canadian Dollars - unaudited)

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)

4. 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 5).

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.

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.

(Expressed in Canadian Dollars - unaudited)

Green River Potash Project Expenditures

	Total for three months ended October 31, 2013	Total for year ended July 31, 2013
Mineral acquisition costs:	$	$
Balance, July 31, 2013	221,467	187,320
Cash	3,840	28,999
Foreign exchange translation	5,524	5,148
Balance, October 31, 2013	230,831	221,467
Exploration and evaluation expenditures:		
Balance, July 31, 2013	305,595	266,248
Bonding	-	7,833
General administration	-	15,390
Surveys	-	3,859
Geological consulting	-	2,063
Foreign exchange translation	7,323	10,202
Balance, October 31, 2103	312,918	305,595
Reassessment through asset acquisition	1,490,198	1,490,198
Total, October 31, 2013	2,033,947	2,017,260

5. INTANGIBLE ASSETS

	October 31, 2013	July 31, 2012
	$	$
Potash Prospects Application	1,024,671	928,802

Intangible assets relate to the exploration permit applications optioned from Sweetwater, as described in Note 4.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2013	July 31, 2013
	$	$
Accounts payable	50,593	40,635
Accrued liabilities	15,000	15,000
	75,593	55,635

7. SHARE CAPITAL

a) Authorized: Unlimited common shares with no par value

b) Issued and outstanding:

At October 31, 2013 and July 31, 2013, there were 51,581,666 issued and fully paid common shares.

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.

d) Share subscriptions received

On October 18, 2013, the Company announced a non-brokered private placement for up to 2,500,000 Units ("Units") at a price of $0.15 per Unit to raise total proceeds of $375,000. Each Unit will consist of one common share ("Share") and one-half common share purchase warrant ("Placement Warrant"). Each whole Placement Warrant is exercisable into one additional Share for a period of two years from the date of issuance at a price of $0.25 per Share. As at October 31, 2013, the Company had received $52,500 in subscription funds.

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 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.

(Expressed in Canadian Dollars - unaudited)

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 October 31, 2013, 125,000 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. During the year ended July 31, 2013, a share-based payment expense of $12,120 was charged to operations and added to share based payment reserves. A share-based payment expense of $1,827 was charged to operations and added to share based payment reserves for the three months ended October 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.

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.

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

	Number of Options Outstanding	**Weighted Average Exercise Price**
		$
Balance July 31, 2012	5,000,000	0.31
Options granted	3,735,000	0.10
Options expired	(3,285,000)	0.40
Options outstanding October 31, 2013 and July 31, 2013	5,450,000	0.11
Options exercisable, October 31, 2013 and July 31, 2013	5,158,167	0.11

(Expressed in Canadian Dollars - unaudited)

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

Number Outstanding	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)
1,715,000	0.04	0.19
300,000	0.01	0.23
3,285,000	0.05	2.54
150,000	0.01	0.03
5,450,000	0.11	2.99

As at October 31, 2013, a total of 5,450,000 options to purchase shares were outstanding, which exceeds the maximum number of shares currently available under the Stock Option Plan by 291,833 shares. Accordingly, options to purchase up to 141,833 options granted as part of the Sieb Grant and 150,000 options granted to a consultant in April, 2013 will not be exercisable until such shares become available under the plan.

f) Share purchase warrants

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

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, October 31, 2013, July 31, 2013 and 2012	4,800,000	0.10

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.

8. RELATED PARTY TRANSACTIONS

Related party balances

Service provided by:	October 31, 2013	October 31, 2012
	$	$
Companies controlled by directors of the Company	-	3,084
Directors/officers of the Company or its subsidiaries	10,010	11,567
	10,010	14,651

(Expressed in Canadian Dollars - unaudited)

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

Related party transactions

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

	Three months ended	
	October 31, 2013	**October 31, 2012**
	$	$
Consulting fees	31,916	30,000
Wages	37,500	37,500
Share based payments	1,827	-
Geological consulting - exploration and evaluation assets	-	405
	69,416	67,905

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

9. 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 $7,500 during the three months ended October 31, 2013 (October 31, 2012: $3,000).

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.

10. 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 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:

	October 31, 2013	**July 31, 2013**
	$	$
Cash	772	31,969
Accounts payable	(35,709)	(32,798)
	(34,937)	(829)

Based on the above net exposures, as at October 31, 2013, a 10% change in the US dollar to Canadian Dollar exchange rate would impact the Company's net loss by $3,494.

(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.

(Expressed in Canadian Dollars - unaudited)

Coontractual maturity analysis is as follows:

	Less than 3 months	3-12 months	1-5 years	Longer than 5 years	Total
	$	$	$	$	$
October 31, 2013					
Accounts payable	50,583	-	-	-	50,583
Due to related parties	10,010	-	-	-	10,010

	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

(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.

(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.

(Expressed in Canadian Dollars - unaudited)

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

	As at October 31, 2013		
	Level 1	**Level 2**	**Level 3**
	$	$	$
Cash	31,671	-	-
Short term investments	-	-	-
Total	31,671	-	-

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

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.

11. 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 period.

12. 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.

13. SUBSEQUENT EVENTS

On November 8, 2013, the Company announced a partial closing of its previously announced non-brokered private placement for up to 2,500,000 units at a price of $0.15 per unit ("Unit") to raise proceeds of up to $375,000.00 (the "Private Placement"). Each Unit will consist of one of one common share of the Company (a "Share") and one-half of one common share purchase warrant of the Company (each whole warrant, a "Warrant"). Each Warrant will be exercisable into one common share of the Company (a "Warrant Share") at an exercise price of $0.25 per Warrant Share expiring 24 months from date of issuance.

The partial closing comprised 1,759,232 Units for gross proceeds of 263,884. The Shares and Warrant Shares will be subject to a four month hold period expiring March 9, 2014. The expiry date of the Warrants is November 7, 2015. Finder's fees or commissions of $11,189 were paid in connection with this partial closing. The net proceeds of $252,694 are for the Company's general working capital as well as preparatory work for the Phase 1 drill program at the Company's Green River Potash Project in the renowned Paradox Basin, Utah.

14. COMPARATIVE INFORMATION

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