

AMERICAN POTASH CORP. (formerly MAGNA RESOURCES LTD.)
An Exploration Stage Enterprise

CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2014 and 2013

Expressed in Canadian Dollars

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of American Potash Corp.:

We have audited the accompanying consolidated financial statements of American Potash Corp., which comprise the consolidated statements of financial position as at July 31, 2014 and 2013, and the consolidated statements of comprehensive loss, cash flows, and changes in equity for the years 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 audits. We conducted our audits 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 audits 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 American Potash Corp. as at July 31, 2014 and 2013, and its financial performance and its cash flows for the years 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.

A handwritten signature in black ink that reads "DMLC".

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
November 28, 2014

American Potash Corp. (formerly Magna Resources Ltd.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at:	<i>Notes</i>	July 31, 2014	July 31, 2013
ASSETS		\$	\$
Current			
Cash		19,167	21,217
Short-term investments	2	-	145,963
Prepaid expenses		40,512	33,104
Income tax receivable	14	18,610	-
GST receivable		5,256	57,001
Total current assets		83,545	257,285
Non-current assets			
Exploration and evaluation assets	3	3,284,288	2,017,260
Intangible assets	4	-	928,802
Total non-current assets		3,284,288	2,946,062
Total assets		3,367,833	3,203,347
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	5	157,658	55,635
Short-term loans	6	24,000	-
Due to related parties	8	81,849	14,651
Total liabilities		263,507	70,286
EQUITY			
Equity attributable to shareholders			
Share capital	7	5,123,876	4,628,161
Reserves	7	1,649,741	1,445,476
Accumulated deficit		(3,669,291)	(2,940,576)
Total equity		3,104,326	3,133,061
Total liabilities and equity		3,367,833	3,203,347

Going concern – Note 1
 Commitments – Notes 3 and 10
 Subsequent event – Note 15

On behalf of the Board:

“Rudy de Jonge” (Director)

“Darryl Yea” (Director)

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

American Potash Corp. (formerly Magna Resources Ltd.)
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	2014	2013
General and administrative expenses		\$	\$
Accounting fees		35,031	58,323
Audit and related fees		20,000	67,163
Consulting fees	8	104,615	151,565
Foreign exchange		15,770	5,613
Insurance		12,762	13,229
Interest expense and bank charges		1,191	1,512
Investor relations, website and promotion		165,651	72,068
Legal fees		65,646	77,206
Office and administration		35,945	25,212
Office rent		20,013	20,680
Share-based payments	7	51,924	76,401
Transfer agent and filing fees		32,592	31,469
Travel and entertainment		32,811	19,779
Wages	8	153,852	159,365
		(747,803)	(779,585)
Interest income		478	9,209
Net loss before tax		(747,325)	(770,376)
Income tax recovery	14	18,610	29,582
Net loss for the year		(728,715)	(740,794)
Other comprehensive income			
Foreign currency translation		(114,664)	39,668
Total comprehensive loss		(843,379)	(701,126)
Loss per share, basic and diluted		(0.01)	(0.01)
Weighted average common shares outstanding -basic and diluted		53,605,905	51,531,529

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

American Potash Corp. (formerly Magna Resources Ltd.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	2014	2013
Cash provided by (used in):	\$	\$
Operating activities:		
Net loss	(728,715)	(740,794)
Items not involving cash		
Share-based payments	51,924	76,401
Income tax recovery	(18,610)	(29,582)
Shares issued per employment agreement	-	6,000
Changes in non-cash working capital:		
GST receivable	51,745	(34,157)
Other receivable	-	162,680
Prepaid expenses	42,592	(7,313)
Accounts payable and accrued liabilities	93,299	(39,444)
Withholding tax payable	-	(162,680)
Income tax paid	-	(25,194)
Due to related parties	67,198	1,543
	(440,567)	(792,540)
Investing activities:		
Bank indebtedness	-	(65,788)
Sale of short-term investment	145,963	1,338,310
Exploration and evaluation assets	(32,590)	(35,267)
Intangible assets	(141,823)	(436,219)
	(28,450)	801,036
Financing activities:		
Loan advances	24,000	-
Proceeds from shares issued, net of share issue costs	435,092	-
	459,092	-
Net change in cash	(9,925)	8,496
Effect of exchange rate changes on cash	7,875	12,721
Cash, beginning	21,217	-
Cash, ending	19,167	21,217

Supplemental cash flow information is included in Note 9.

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

American Potash Corp. (formerly Magna Resources Ltd.)
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Note	Common Shares		Share-based	Warrant	Foreign	Deficit	Total
		Number of Shares	Amount	Payment Reserve	Reserve	Currency Translation Reserve		Equity
			\$	\$	\$	\$	\$	\$
Balance on July 31, 2012		51,506,666	4,622,161	913,513	416,691	(797)	(2,199,782)	3,751,786
Common shares issued:								
Issuance of shares per employment agreement	7	75,000	6,000	-	-	-	-	6,000
Share-based payments		-	-	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	989,914	416,691	38,871	(2,940,576)	3,133,061
Common shares issued:								
Issuance of shares for cash	7	3,331,232	499,687	-	-	-	-	499,687
Share issuance costs	7	-	(14,595)	-	-	-	-	(14,595)
Warrant reserve	7	-	(37,677)	-	37,677	-	-	-
Shares issued per option agreement	7	400,000	46,000	-	-	-	-	46,000
Shares issued per finders' fee agreement	7	20,000	2,300	-	-	-	-	2,300
Share-based payments	7	-	-	51,924	-	-	-	51,924
Net loss		-	-	-	-	-	(728,715)	(728,715)
Other comprehensive income		-	-	-	-	114,664	-	114,664
Balance on July 31, 2014		55,332,898	5,123,876	1,041,838	454,368	153,535	(3,669,291)	3,104,325

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

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

American Potash Corp. (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. On August 12, 2014, the Company changed its name to American Potash Corp. The shares of the Company are traded on the Canadian Securities Exchange (“CSE”) under the symbol ‘AMP’ and on the OTCQX International, a segment of the OTCQX marketplace in the U.S., under the symbol ‘APCOF’.

The Company’s head office and registered and records office is 1100 - 1111 Melville Street, Vancouver, BC, Canada V6E 3V6.

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, 2014, 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 28, 2014 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

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements**For the years ended July 31, 2014 and 2013****(Expressed in Canadian Dollars)****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

basis of accounting, except for cash flow information. The consolidated 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 at July 31,		Principal Activity
		2014	2013	
American Potash LLC	United States	100%	100%	Mineral exploration

Significant accounting estimates and assumptions

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, 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;

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

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 LLC 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.

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.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014 and July 31, 2013.

Impairment of long-lived assets

The carrying amount of the Company's assets (which include exploration and evaluation assets and intangible 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.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 employees, 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.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**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 in 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, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any value attributed to the warrants is recorded in the warrant reserve.

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 period is 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.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 short-term investments are financial assets at FVTPL;
- b) Accounts payable, short term loans, and due to related parties have been classified as other financial liabilities; and
- c) GST receivable has been classified as loan and receivables.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recognized in the financial statements and are disclosed in the notes to the financial statements unless their occurrence is remote. Contingent assets are not 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, 2014 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); and
- b) Amendments to IAS 32 Financial Instruments: Presentation.

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. 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") to acquire 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. A director of the Company is a party to the Sweetwater Option (Note 8).

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS (Continued)

The Sweetwater Option 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, 2,000,000 shares of Company to the Optionors upon receiving grants of exploration permits for not less than 25,000 acres of Utah property, as follows:

- \$70,000 USD upon signing the option agreement (paid);
- 200,000 shares of the Company upon grant of the permits representing not less than 25,000 acres (issued February 14, 2014)(Note 7);
- \$50,000 USD cash and 600,000 shares of the Company on or before the first anniversary date (200,000 shares issued February 14, 2014)(Note 7);
- \$50,000 USD cash and 600,000 shares of the Company on or before the second anniversary date;
- \$50,000 USD cash and 600,000 shares of the Company on or before the third anniversary date; and
- \$50,000 USD cash on or before the fourth anniversary date.

On January 31, 2014, fourteen (14) prospecting permits were formally signed and delivered to the Company, with an effective date of March 1, 2014; thereby initiating the Sweetwater Option period.

In connection with the Sweetwater Option, the Company will pay a finder's fee on the Company's pre-acquisition 50% interest in American Potash. The finder's fee will be 10% of 50% (5%) of the cash and stock payments made under the Sweetwater Option, payable as and when such payments are made. On February 14, 2014, upon receipt of the prospecting permits, the Company issued 20,000 common shares to the finder (Note 7).

Expenditures relating to these permit applications have been presented as intangible assets on the statement of financial position (Note 4).

In 2011, the Company 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 the Company.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements**For the years ended July 31, 2014 and 2013****(Expressed in Canadian Dollars)****3. EXPLORATION AND EVALUATION ASSETS (Continued)****Green River Potash Project Expenditures**

	Total for year ended July 31, 2014	Total for year ended July 31, 2013
Mineral acquisition costs:	\$	\$
Balance, beginning	1,711,665	1,677,518
Cash	-	28,999
Shares	48,300	-
Reallocation from intangible assets (Note 4)	1,133,716	-
Foreign exchange translation	36,503	5,148
Balance, Ending	2,930,184	1,711,665
Exploration and evaluation expenditures:		
Balance, beginning	305,595	266,248
Bonding	10,341	7,833
General administration	30,973	15,390
Surveys	-	3,859
Geological consulting	-	2,063
Foreign exchange translation	7,195	10,202
Balance, ending	354,104	305,595
Total	3,284,288	2,017,260

4. INTANGIBLE ASSETS

	July 31, 2014	July 31, 2013
Potash Prospects Application	\$	\$
Balance, beginning	928,802	480,986
Expenditures	141,823	436,219
Foreign exchange translation	63,091	11,597
Reallocation to exploration and evaluation assets (Note 3)	(1,133,716)	-
Balance, ending	-	928,802

Intangible assets relate to the exploration permit applications optioned from the Optionors, as described in Note 3. Upon receipt of the 14 prospecting permits during the year ended July 31, 2014, all deferred costs related to these permits included in intangible assets were reallocated to exploration and evaluation assets.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements**For the years ended July 31, 2014 and 2013****(Expressed in Canadian Dollars)****5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	July 31, 2014	July 31, 2013
	\$	\$
Accounts payable	137,658	40,635
Accrued liabilities	20,000	15,000
	157,658	55,635

6. SHORT-TERM LOANS

Three directors and a consultant of the Company (the "Lenders") each loaned the Company \$6,000 for an aggregate of \$24,000. The loans are unsecured, repayable on or before January 31, 2015, with an annual interest rate of 10%, and are repayable in cash or common shares of the Company, at the option of the Lenders (Note 8).

7. SHARE CAPITAL**a) Authorized**

Unlimited common shares with no par value.

b) Issued and outstanding

At July 31, 2014, there were 55,332,898 issued and fully paid common shares (July 31, 2013: 51,581,666).

c) Common sharesYear ended July 31, 2014

On November 8, 2013, the Company closed a non-brokered private placement of 1,759,232 units at a price of \$0.15 per unit for gross proceeds of \$263,885. Each unit consisted of one share of the Company and one-half of one warrant, exercisable for two years from date of grant at a price of \$0.25 per share. Finders' fees of \$11,190 were paid in connection with the partial closing. Using the residual method, a \$Nil value was allocated to the attached warrants.

On January 17, 2014, the Company closed a non-brokered private placement of 538,334 units at a price of \$0.15 per unit for gross proceeds of \$80,750. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, exercisable for two years from date of grant at a price of \$0.25 per share. Finders' fees of \$1,905 were paid in connection with the private placement. Using the residual method, a \$Nil value was allocated to the attached warrants.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)
c) Common shares (Continued)

On February 14, 2014, the Company issued an aggregate of 420,000 common shares at a fair value of \$0.115 per share, pursuant to the Sweetwater Option (Note 3).

On April 15, 2014, the Company closed a non-brokered private placement of 767,000 units at a price of \$0.15 per unit for gross proceeds of \$115,050. Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant, exercisable for two years from date of grant at a price of \$0.25 per share. Finders' fees of \$1,500 were paid in connection with the private placement. Using the residual method, a fair value of \$23,010 was allocated to the attached warrants.

On June 3, 2014, the Company closed a non-brokered private placement of 266,666 units at a price of \$0.15 per unit for gross proceeds of \$40,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, exercisable for two years from date of grant at a price of \$0.25 per share. Using the residual method, a fair value of \$14,667 was allocated to the attached warrants.

Year ended July 31, 2013

In April, 2013, the Company issued 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) Basic and diluted loss per share

Diluted loss per share did not include the effect of 4,535,000 stock options and 6,465,616 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.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)

e) Stock options (Continued)

Year ended July 31, 2014

On March 27, 2014, the Company granted 300,000 stock options to a consultant of the Company, exercisable at \$0.15 per share, expiring on March 26, 2016. The options vest monthly over the first year. The total fair value of the options is \$14,518 assuming a risk-free interest rate of 1.06%, a dividend yield of nil, an expected volatility of 86.20% and an average expected life of 2 years. A share-based payment expense of \$5,139 was charged to operations and added to share based payment reserve for the year ended July 31, 2014.

On March 31, 2014, the Company granted 500,000 stock options to a director of the Company, exercisable at \$0.15 per share for a period of five years, expiring March 30, 2019. The total fair value of the options is \$41,767, assuming a risk-free interest rate of 1.07%, a dividend yield of nil, an expected volatility of 85% and an average expected life of 5 years. A share-based payment expense of \$41,767 was charged to operations and added to share based payment reserve for the year ended July 31, 2014.

Year ended July 31, 2013

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 options will vest in equal quarterly amounts over the course of the first three years of employment commencing April 1, 2012. At July 31, 2014, 187,500 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 \$5,018 was charged to operations and added to share-based payment reserves for the year ended July 31, 2014.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements**For the years ended July 31, 2014 and 2013****(Expressed in Canadian Dollars)****7. SHARE CAPITAL (Continued)****e) Stock options (Continued)**

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 total fair value of the options is \$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 total fair value of the options is \$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 year ended July 31, 2014 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
Balance, July 31, 2013	5,450,000	0.11
Options granted	800,000	0.15
Options expired	(1,715,000)	0.13
Options outstanding July 31, 2014	4,535,000	0.11
Options exercisable July 31, 2014	4,272,500	0.11

Details of options outstanding and exercisable at July 31, 2014 are as follows:

Number Outstanding	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (Years)
300,000	0.10	3.38
3,285,000	0.10	3.47
150,000	0.10	0.19
300,000	0.15	1.65
500,000	0.15	4.67
4,535,000	0.11	3.36

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements**For the years ended July 31, 2014 and 2013****(Expressed in Canadian Dollars)****7. SHARE CAPITAL (Continued)****f) Share purchase warrants**

On November 8, 2013, the Company issued 879,616 common share purchase warrants exercisable for two years from date of grant at a price of \$0.25 per share.

On January 17, 2014, the Company issued 269,167 common share purchase warrants exercisable for two years from date of grant at a price of \$0.25 per share.

On April 15, 2014, the Company issued 383,500 common share purchase warrants exercisable for two years at a price of \$0.25 per share.

On June 3, 2014, the Company issued 133,333 common share purchase warrants exercisable for two years at a price of \$0.25 per share.

The continuity of warrants for the year ended July 31, 2014 is as follows:

	Number of Warrants Outstanding	Weighted Average Exercise Price
		\$
Balance, July 31, 2013 and 2012	4,800,000	0.10
Warrants issued	1,665,616	0.25
Warrants outstanding July 31, 2014	6,465,616	0.14

At July 31, 2014 and 2013, all warrants outstanding were exercisable.

Details of warrants outstanding as at July 31, 2014 are as follows:

Number of warrants outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
4,800,000	\$0.10	1.57
879,616	\$0.25	1.27
269,167	\$0.25	1.47
383,500	\$0.25	1.71
133,333	\$0.25	1.84
6,465,616	\$0.14	1.54

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements**For the years ended July 31, 2014 and 2013****(Expressed in Canadian Dollars)****7. SHARE CAPITAL (Continued)****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.

h) Warrant reserve

The warrant reserve records the fair value of warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

i) Foreign currency translation reserve

The foreign currency translation reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency.

8. RELATED PARTY TRANSACTIONS**Related party balances**

The following amounts are payable to related parties as at July 31, 2014 and 2013:

	July 31, 2014	July 31, 2013
	\$	\$
Companies controlled by directors of the Company	31,500	3,084
Directors and officers of the Company	50,349	11,567
	81,849	14,651

The amounts due are unsecured, non-interest bearing and has no fixed terms of repayment.

On July 29, 2014, three directors of the Company (the "Lenders") provided the Company with short-term loans totaling \$18,000. The loans are unsecured, bear interest at 10% per annum and are repayable on or before January 31, 2015 in cash or common shares of the Company at the option of the Lenders (Note 6).

AMERICAN POTASH CORP.
(formerly MAGNA RESOURCES LTD.)
Notes to the Consolidated Financial Statements
For the years ended July 31, 2014 and 2013
(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (Continued)

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, 2014	July 31, 2013
	\$	\$
Consulting fees	97,900	123,588
Wages and benefits	153,852	159,365
	251,752	282,953

A director of the Company is a party to the Sweetwater Option Agreement (Note 3).

Key management personnel compensation

	Years ended	
	July 31, 2014	July 31, 2013
	\$	\$
Consulting fees	97,900	123,588
Wages and benefits	153,852	159,365
Share-based payments	46,784	56,894
	298,536	339,847

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	July 31, 2014	July 31, 2013
	\$	\$
Exploration and evaluation assets in accounts payable	31,601	22,877
Shares issued to a consultant included in prepaid expenses	50,000	-

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

10. COMMITMENTS

a) The Company entered into loan agreements with three directors and one consultant for a total of \$24,000, repayable with 10% interest per annum on or before January 31, 2015 in cash or common shares at the option of the lenders (Note 6).

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 for a period of twelve months and automatically extending for further one year terms.

c) On April 1, 2012, the Company entered into an employment agreement with Mike Sieb to provide services as President of the Company. Pursuant to the agreement, the Company agreed to issue 75,000 common shares on the second anniversary of employment (issued) and an additional 75,000 common shares on the third anniversary of employment.

11. 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 short-term investments. The Company limits its exposure to credit loss by placing its cash and 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 LLC 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.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements**For the years ended July 31, 2014 and 2013****(Expressed in Canadian Dollars)****11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

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

	July 31, 2014	July 31, 2013
	\$	\$
Cash	12	31,969
Accounts payable	(59,049)	(32,978)
	(59,037)	(829)

Based on the above net exposures, as at July 31, 2014, a 10% change in the US dollar to Canadian Dollar exchange rate would impact the Company's net loss by \$5,904.

(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, 2014					
Accounts payable	137,658	-	-	-	137,658
Due to related parties	81,849	-	-	-	81,849
Short-term loan	24,000	-	-	-	24,000
	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.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements**For the years ended July 31, 2014 and 2013****(Expressed in Canadian Dollars)****11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)****(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 has loans payable which bear interest at fixed rates. 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.

The following is an analysis of the Company's financial assets measured at fair value as at July 31, 2014 and 2013:

	As at July 31, 2014		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	19,167	-	-
Total	19,167	-	-

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

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

12. CAPITAL MANAGEMENT

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year.

13. 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.

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements**For the years ended July 31, 2014 and 2013****(Expressed in Canadian Dollars)****14. INCOME TAXES**

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

	Year ended July 31, 2014	Year ended July 31, 2013
	\$	\$
Net loss before tax	747,325	770,376
Statutory tax rate	26.0%	25.0%
Expected income tax recovery at the statutory tax rate	(194,305)	(192,594)
Non-deductible items	12,057	20,120
Change in estimate of prior year tax	(18,610)	(29,582)
Foreign tax rate difference	25,064	(9,402)
Effect of change in statutory tax rate	(14,654)	-
Change in deferred tax asset not recognized	171,838	181,876
Income tax expense (recovery)	(18,610)	(29,582)

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

	July 31, 2014	July 31, 2013
	\$	\$
Non-capital loss carry-forwards – Canada	523,937	344,538
Non-capital loss carry-forwards – US	32,969	43,274
Other	11,636	8,892
	568,542	396,704

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	22,710
2033	606,596	18,702
2034	636,093	55,555
	2,015,144	96,967

AMERICAN POTASH CORP.

(formerly MAGNA RESOURCES LTD.)

Notes to the Consolidated Financial Statements

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

15. SUBSEQUENT EVENTS

In August and October 2014, the Company entered into loan agreements with three directors and one consultant for a total of \$32,200. The loans are repayable on or before January 31, 2015, with an annual interest rate of 10%, repayable in cash or common shares of the Company, at the option of the lender.

16. COMPARATIVE INFORMATION

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