

MAGNA RESOURCES LTD.
An Exploration Stage Enterprise

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2009**
(Unaudited - Prepared by Management)

These financial statements have not been reviewed by the Company's auditors.

CONSOLIDATED INTERIM BALANCE SHEETS

CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND DEFICIT

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED EXPLORATION
EXPENDITURES**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAGNA RESOURCES LTD.

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CONSOLIDATED INTERIM BALANCE SHEETS

(Unaudited – Prepared by Management)

	As at October 31 2009	As at July 31 2009
ASSETS		
Current		
Cash and cash equivalents	\$ 112,356	\$ 259,077
GST receivable	6,282	5,625
Deposits (Note 3)	68,250	-
Due from Confederation (Note 3)	<u>68,568</u>	<u>-</u>
	255,456	264,702
Prepaid Expenses	900	41,889
Mineral Property (Note 3)	<u>60,834</u>	<u>-</u>
	\$ 317,190	\$ 306,591
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ <u>100,010</u>	\$ <u>60,789</u>
Shareholders' Equity		
Share capital (Note 4b))	1,220,053	1,219,845
Contributed surplus (Note 4b and d)	225,103	225,103
Deficit	<u>(1,227,976)</u>	<u>(1,199,146)</u>
	217,180	270,802
	\$ 317,190	\$ 306,591

Nature of Operations (Note 1)**Subsequent Events** (Note 7)**On behalf of the Board:**

<u>"Rudy de Jonge"</u>	President	<u>"C. Michael O'Brian"</u>	Director
Rudy de Jonge		C. Michael O'Brian	

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

MAGNA RESOURCES LTD.
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CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)

	Three Months Ended October 31 2009	Three Months Ended October 31 2008
EXPENSES:		
Audit and accounting fees	\$ 13,091	\$ 475
Legal fees	10,985	11,992
Office and general	46	77
Transfer agent and filing fees	1,652	1,156
Interest expense	770	-
Foreign exchange	2,286	-
LOSS BEFORE OTHER INCOME & OTHER EXPENSES		
	(28,830)	(13,700)
Other income		
Interest income	-	359
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		
	(28,830)	(13,341)
DEFICIT, BEGINNING OF THE PERIOD		
	(1,199,146)	(766,292)
DEFICIT, END OF PERIOD		
	\$ (1,227,976)	\$ (779,633)
Basic and diluted loss per share		
	\$ (0.00)	\$ (0.00)
Weighted average number of common shares – basic and diluted		
	10,010,000	8,354,086

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CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three Months Ended October 31 2009	Three Months Ended October 31 2008
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net loss for the period	\$ (28,830)	\$ (13,341)
Adjustment for items not involving cash:		
Contributed surplus	-	17,159
Changes in non-cash operating working capital:		
(Increase) decrease in accounts receivables	(69,225)	(3,113)
(Increase) decrease in deposits	(68,250)	
(Increase) decrease in prepaid expenses	40,989	10,000
Increase (decrease) in accounts payable and accrued liabilities	39,221	43,508
(Increase) decrease in deferred exploration expenses	-	(25,549)
Net cash flows used in operating activities	(86,095)	(8,664)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Mineral properties acquisition	(60,834)	-
Net cash flows used in investing activities	(60,834)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Deferred charges	-	48,500
Proceeds of share issuances	-	320,000
Share Issuance costs	208	(107,956)
Net cash flows from financing activities	208	260,544
Net change in cash and cash equivalents for the period	(146,721)	269,208
Cash and cash equivalents, beginning of period	259,077	114,836
Cash and cash equivalents, end of period	\$ 112,356	384,044

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CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED EXPLORATION
EXPENDITURES
(Unaudited – Prepared by Management)

	Three Months Ended October 31 2009	Three Months Ended October 31 2008
a) Shanty Bay Properties		
Acquisition Expenditures		
Balance, beginning of period	\$ -	\$ 48,500
Acquisitions during the period	-	-
Balance, end of period	\$ -	\$ 48,500
Deferred Exploration Expenditures		
Balance, beginning of period	\$ -	\$ 18,972
Geological studies	-	24,175
Professional fees	<u>-</u>	<u>1,374</u>
Balance, end of period	\$ -	\$ 44,521
b) American Potash Joint Venture		
Acquisition Expenditures		
Balance, beginning of period	\$ -	\$ -
Acquisitions during the period (Note 3)	<u>60,834</u>	-
Balance, end of period	\$ 60,834	\$ -
Deferred Exploration Expenditures		
Balance, beginning of period	\$ -	\$ -
Geological studies	-	-
Professional fees	<u>-</u>	-
Balance, end of period	\$ -	\$ -
TOTAL MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES	\$ 60,834	\$ 94,021

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
OCTOBER 31, 2009
(UNAUDITED – PREPARED BY MANAGEMENT)

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 mineral properties.

The accompanying consolidated financial statements have been prepared on the basis of Canadian generally accepted accounting principles (“GAAP”) applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability of the Company to raise additional capital. Specifically, the recovery of the Company’s investment in future resource properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop properties and establish future profitable production from properties, or from the proceeds of their disposition. The Company has not earned any revenues to date and is considered to be in the exploration stage.

These unaudited consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. The net carrying value of its assets may be materially less than the carrying amount stated in the balance sheets and its liabilities extinguished at values different than those stated in the balance sheets. The Company had the following deficits and working capital (deficiency) as at the following dates:

Date	Deficit	Working Capital
October 31, 2009	\$ 1,227,976	\$ 156,446
July 31, 2009	\$ 1,199,146	\$ 203,913

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

- a) These interim consolidated financial statements have been prepared using the same accounting policies and methods of their application as the most recent annual financial statements of the Company. These interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended July 31, 2009. In management’s opinion, all adjustments necessary for fair presentation have been included in these interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the fiscal year. Certain comparative figures have been reclassified to conform to the current period’s presentation.
- b) On August 1, 2009, the Company adopted CICA Section 3064 Goodwill and Intangible Assets. This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and other intangible assets. The adoption of this standard has no material impact on the Company’s financial statements.

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

American Potash Joint Venture

American Potash LLC (“American Potash”), a Nevada limited liability corporation owned 50% by each of the Company and Confederation Minerals Ltd. (“Confederation”), has entered into an option agreement with Sweetwater River Resources LLC (“Sweetwater”), John Glasscock and Kent Ausburn (the “Optionors”) to acquire pending applications to the United States Bureau of Land Management and the State of Arizona for exploration permits together with all permits and other rights issued pursuant to the applications (the “Permits”).

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2009
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3. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Cont'd)

to allow for the exploration of potash prospects in Utah and Arizona. As of October 31, 2009, five Permits have been approved.

The option agreement entitles American Potash to acquire a 100% interest in the Permits, subject to a 2% royalty to Sweetwater which may be bought back for \$2,000,000 USD. The option may be exercised by having the Company and Confederation each pay a total of \$135,000 USD and each issue in aggregate, 1,000,000 shares to the Optionors, as follow:

- 100,000 shares upon grant of the Permits representing not less than 25,000 acres;
- USD \$25,000 cash and 300,000 shares on or before the first anniversary date;
- USD \$25,000 cash and 300,000 shares on or before the second anniversary date;
- USD \$25,000 cash and 300,000 shares on or before the third anniversary date;
- USD \$25,000 cash on or before the fourth anniversary date.

During the period, the Company incurred \$60,834 (USD\$54,344) in property acquisition costs, consisting of \$39,109 (USD\$35,000) as reimbursement to Sweetwater for application filing fees for mineral applications, \$15,132 (USD\$12,751) for professional fees related to Permit acquisitions and applications and \$6,593 (USD\$6,079) in Permit applications and renewals. The Company also paid a total of \$137,137 (USD\$130,000) on behalf of American Potash as a deposit in a bid to acquire nine state trust land potash lease units from the State of Utah School and Institutional Trust Lands Administration. Confederation will repay the Company USD\$65,000 (50%) of the bid cost if the acquisition is approved. (See Note 8 *Subsequent Events*).

4. SHARE CAPITAL

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

b) **Issued and Outstanding**

	Number of Shares	Amount
Balance, July 31, 2008	8,010,000	\$ 1,001,250
Shares issued for cash @ \$0.16 per share	2,000,000	320,000
Share issuance costs	-	(101,405)
Balance July 31, 2009	10,010,000	\$ 1,219,845
Adjustment to share issuance costs	-	208
Balance October 31, 2009	10,010,000	1,220,053

During the year ended July 31, 2009, the Company completed its initial public offering (the "IPO") raising gross proceeds of \$320,000. A total of 2,000,000 common shares of the Company were issued at a price of \$0.16 per share. As part of the IPO, the Company incurred share issuances costs of \$101,197, which included 200,000 agent's options. The agent options were granted to the agent with an exercise price of \$0.16 and expire on October 16, 2010. In accordance with CICA Handbook Section 3860, the agent's

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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4. SHARE CAPITAL (Cont'd)

b) Issued and Outstanding (Cont'd)

options were valued at fair value of \$17,159 which was included in contributed surplus during fiscal 2009. The fair value of these warrants was \$0.09 per share where the exercise price is the same as the market price at the date of grant and the fair value of each option granted is calculated using the Black-Scholes option pricing model assuming a risk-free interest rate of 2.30%, a dividend yield of nil, an expected volatility of 104% and an average expected life of 2 years. Each option entitles the holder to acquire one common share of the Company. As at October 31, 2009 none of the agent's options have been exercised.

c) Escrow Shares

As at October 31, 2009 the Company has 4,356,000 (July 31, 2009 – 5,445,000) common shares held in escrow by the Company's transfer agent. 10% of the common shares in escrow were released on October 16, 2008, the date the Company's securities were listed on a Canadian exchange, 15% were released April 16, 2009 and 15% were released on October 16, 2009. 15% will be released every six months thereafter.

d) Stock Options

The Company has a stock option plan whereby the Company is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

On June 8, 2009, the Company granted 1,000,000 stock options to officers and directors of the Company whereby the option holders can purchase common shares at \$0.25 per share. The options vested immediately and will expire on June 8, 2014. The fair value of these stock options was \$0.21 per share where the exercise price is the same as the market price at the date of grant and the fair value of each option granted is calculated using the Black-Scholes option pricing model assuming a risk-free interest rate of 2.71%, a dividend yield of nil, an expected volatility of 120% and an average expected life of 5 years. Each option entitles the holder to acquire one common share of the Company. The average remaining contractual life in years is 4.85. In fiscal 2009 a stock based compensation expense of \$207,944 was charged to operations and added to contributed surplus. As at October 31, 2009, none of the stock options have been exercised.

e) Agent Options

As at October 31, 2009 there were 200,000 agent options outstanding and exercisable at a price of \$0.16, expiring October 16, 2010.

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5. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities is \$25,000 due to an officer and director of the Company.

6. CAPITAL DISCLOSURE

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide adequate return to shareholders by maintaining a sufficient level of funds, in order to support the acquisition, exploration and development of mineral properties. 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 is dependent on external financing to fund its activities. In order to carry out property acquisitions and exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential, and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

7. GEOGRAPHIC INFORMATION

The Company is organized and managed as a single reportable business segment. The Company's operations are substantially all related to the acquisition and exploration of mineral properties. The operations of the Company are primarily in two geographic areas: Canada and the United States. A summary of geographical information for the Company's assets is as follows:

	October 31 2009	July 31 2009
Total assets:		
Canada	\$ 188,106	\$ 306,591
United States	129,084	-
	<u>\$ 317,190</u>	<u>\$ 235,708</u>

8. SUBSEQUENT EVENTS

- a) In November, 2009, American Potash acquired nine non-contiguous Utah State trust land potash lease units in the potash-bearing Paradox Basin in Grand County, Utah. The nine lease units total approximately 9.5 square miles (24.6 sq km) or 6,080 acres.
- b) In December, 2009, Confederation repaid its portion of the bid for the acquisition of the nine potash lease units in Grand County, Utah to the Company (USD\$65,000) upon acceptance of the bids.