MAGNA RESOURCES LTD.
An Exploration Stage Enterprise

CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2009

Chang Lee LLP
Chartered Accountants

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AUDITORS' REPORT

To the Shareholders of
Magna Resources Ltd.

We have audited the consolidated balance sheets of Magna Resources Ltd. ("the Company") as at July 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

CHANG LEE LLP
Chartered Accountants

Vancouver, Canada
November 12, 2009

MAGNA RESOURCES LTD.
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CONSOLIDATED BALANCE SHEETS
AS AT JULY 31,

	2009	2008
ASSETS		
Current		
Cash and cash equivalents	$ 259,077	$ 114,836
GST receivable	5,625	4,900
	264,702	119,736
Deferred Charges	-	48,500
Mineral Properties (Note 3a)	-	48,500
Deferred Exploration Expenditures (Note 3a)	-	18,972
Prepaid Expenses (Note 3b)	41,889	-
	$ 306,591	$ 235,708
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 60,789	$ 750
Shareholders' Equity		
Share capital (Note 4)	1,219,845	1,001,250
Contributed surplus	225,103	-
Deficit	(1,199,146)	(766,292)
	270,802	234,958
	$ 306,591	$ 235,708

Nature of Operations (Note 1)

Commitment (Note 9)

On behalf of the Board:

"Rudy de Jonge" President *"Darryl Yea"* Director
Rudy de Jonge Darryl Yea

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

MAGNA RESOURCES LTD.
An Exploration Stage Enterprise

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED JULY 31,

	2009	2008
EXPENSES		
Accounting and legal fees	$ 62,138	$ 64,981
Bank charges	384	404
Consulting fees (Note 5)	8,800	-
Meals and entertainment	1,258	-
Management fee (Note 5)	25,000	
Office supplies and expenses	571	-
Stock based compensation (Note 4d)	207,944	(1,350)
Transfer agent and filing fees	13,624	14,014
LOSS BEFORE OTHER INCOME AND OTHER EXPENSES	(319,719)	(78,049)
Other income and (expenses)		
Interest income	541	4,485
Loss on disposition of property (Note 3a)	(113,676)	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(432,854)	(73,564)
DEFICIT, BEGINNING OF THE YEAR	(766,292)	(692,728)
DEFICIT, END OF YEAR	$ (1,199,146)	$ (766,292)
Basic and diluted loss per share	$ (0.05)	$ (0.01)
Weighted average number of common shares – basic and diluted	9,589,235	7,984,932

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

MAGNA RESOURCES LTD.
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CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31,

	2009	2008
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	$ (432,854)	$ (73,564)
Adjustment for items not involving cash:		
Stock based compensation	207,944	(1,350)
Loss on disposition of property	113,676	-
Changes in non-cash operating working capital:		
Increase in GST receivables	(725)	(4,299)
Increase in prepaid expenses	(41,889)	-
Increase (decrease) in accounts payable and accrued liabilities	60,039	(673)
(Increase) decrease in deferred exploration expenses	(46,204)	(18,972)
Net cash flows used in operating activities	(140,013)	(98,858)
CASH FLOWS FROM (USED IN) INVESTMENT ACTIVITIES		
Mineral properties acquisition	-	(16,000)
Net cash flows used in investing activities	-	(16,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred charges	-	(48,500)
Share capital, net of share issuance costs	284,254	1,350
Net cash flows from (used in) financing activities	284,254	(47,150)
Net change in cash and cash equivalents	144,241	(162,008)
Cash and cash equivalents, beginning of year	114,836	276,844
Cash and cash equivalents, end of year	$ 259,077	$ 114,836
Supplemental disclosure with respect to cash flows		
Interest paid in cash	$ -	$ -
Income taxes paid in cash	$ -	$ -

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

MAGNA RESOURCES LTD.
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CONSOLIDATED SCHEDULES OF MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES
FOR THE YEARS ENDED JULY 31,

	2009	2008
Acquisition Cost		
Balance, beginning of year	$ 48,500	$ 27,500
Incurred during the year	-	21,000
	48,500	48,500
Less: Disposition of Shanty Bay Property (Note 3)	(48,500)	-
Balance, end of year	$ -	$ 48,500
Deferred Exploration Expenditures		
Balance, beginning of year	$ 18,972	$ -
Incurred during the year:		
Assaying – Shanty Bay Property	4,732	1,285
Consulting and professional fees – Shanty Bay Property	17,297	11,492
Geological studies – Shanty Bay Property	24,175	6,195
	65,176	18,972
Less: Disposition of Shanty Bay Property (Note 3)	(65,176)	-
Balance, end of year	$ -	$ 18,972

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

1. NATURE OF OPERATIONS

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 amounts shown as mineral properties and deferred costs represent net costs to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The recoverability of these amounts and any additional amounts required to place these properties into commercial production are dependent upon certain factors. These factors include the existence of ore deposits sufficient for commercial production and the Company's ability to obtain the required additional financing necessary to develop its mineral properties.

The Company has a working capital as at July 31, 2009 of $203,913 (2008 - $118,986) and an accumulated deficit of $1,199,146 (2008 - $766,292). The Company has incurred a net loss of $432,854 for the year ended July 31, 2009 (2008 - $73,564). These financial statements have been prepared under the assumptions of a going-concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's ability to continue as a going concern is in substantial doubt and is dependent upon the continuing support of obtaining additional financing to meet its obligations, repaying its liabilities through settlement with its creditors and generating sufficient cash to meet its operating expenses in the future.

Failure to arrange adequate financing on acceptable terms and to achieve profitability would have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going-concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The significant accounting policies are summarized below:

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and 50% interest in American Potash LLC ("American Potash") joint venture, a Nevada limited liability corporation. The joint venture has been accounted for in the Company's consolidated financial statements using the proportionate consolidation method, whereby the Company records on a line-by-line basis its proportionate share of the assets, liabilities, revenues and expenses of the investees. All intercompany balances and transactions are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Estimates, Assumptions and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Areas requiring significant management estimates relate to the determination of impairment of mineral properties, expected tax rates for future income tax recoveries, fair value of stock-based payments and useful lives for amortization of long-lived assets.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. There were no cash equivalents as at July 31, 2009 and 2008.

Deferred Charges

The Company adopted Emerging Issues Committee (EIC) 94, "Accounting for Corporate Transaction Costs" and recorded the costs incurred in connection with the proposed corporate transaction eligible for deferral as a non-current deferred charge.

Asset Retirement Obligations

Asset retirement obligations represent the estimated discounted net present value of statutory, contractual or other legal obligations relating to site reclamation and restoration costs that the Company will incur on the retirement of assets and abandonment of mine and exploration sites. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company currently does not have any significant asset retirement obligations.

Mineral Properties

The cost of mineral properties and related exploration and development costs are capitalized and deferred until the properties are placed into production, sold or abandoned. These costs will be amortized against revenue from future commercial production or written off if the properties are sold, allowed to lapse, abandoned or impaired. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties and related deferred exploration costs could be written off. Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected title defects.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of Long-Lived Assets

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "Impairment of Long-Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as there was no dilutive securities as at July 31, 2009.

Income Taxes

The Company accounts for income taxes using the asset and liability method, whereby future tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the carrying values of the asset and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income taxes and liabilities of a change in rates is included in operations in the period that includes the substantive enactment date. Where the probability of a realization of a future income tax asset is more likely than not, a valuation allowance is recorded.

Stock-Based Compensation

The Company accounts for stock options granted using CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments". Under this Handbook section, the Company is required to expense, over the vesting period, the fair value of the options and awards granted. Accordingly, the fair value of the options at the date of grant is accrued and charged to operations, with a corresponding credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

Risk Management

The Company is engaged in mineral exploration and development and is accordingly exposed to environmental risks associated with mineral exploration activity. The Company is currently in the initial exploration stages on its property interests and has not determined whether significant site reclamation costs will be required. The Company would only record liabilities for site reclamation when reasonably determinable and when such costs can be reliably quantified.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Comprehensive Income (CICA Handbook Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, when applicable, the Company's financial statements will include a statement of comprehensive income/loss and a new category, accumulated other comprehensive income/loss, will be added to the shareholders' equity section of the balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any. There were no such components to be recognized in comprehensive income for the year ended July 31, 2009.

Financial Instruments – recognition and measurement

This standard sets out criteria for the recognition and measurement of financial instruments. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered and most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations.

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of the financial instruments depends on their initial classification. The Company classifies its cash and cash equivalents as held-for-trading; and accounts payable and accrued liabilities as other financial liabilities.

At July 31, 2009, the carrying and fair value amounts of the Company's financial instruments related to cash and cash equivalents and accounts payable and accrued liabilities are the same due to their short terms to maturity.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments

Newly adopted accounting policies

Capital disclosures

As of August 1, 2008, the Company adopted the new CICA Handbook Section 1535 "Capital Disclosures", which requires companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures include whether companies have complied with externally imposed capital requirements. The new capital disclosure requirements were issued in December 2006 and the Company has included disclosure recommended by the new Handbook section in note 7 to these audited financial statements.

Financial Instruments – disclosure and presentation

Effective August 1, 2008, the Company adopted the requirements of CICA Handbook sections 3862, and 3863. These sections increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments – disclosure and presentation (cont'd)

Fair Value
Upon adoption of this new standard, the Company designated its financial instruments as follows:

- Cash and cash equivalents is classified as held-for-trading;
- Accounts payable and accrued liabilities as other financial liabilities.

The fair value of accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments. Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from the markets.

Financial risk management
The Company's activities expose it to a variety of financial risks including credit risk, foreign exchange risk, interest rate risk and liquidity risk.

Credit risk
Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada. Management believes that the credit risk with respect to receivables is remote.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient capital to meet liabilities when due after taking into account the Company's holdings of cash and cash equivalents that might be raised from equity financings. As at July 31, 2009, the Company had a cash balance of $259,077 (July 31, 2008 - $114,836), and current liabilities of $60,789 (July 31, 2008 - $750). All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With respect to financial assets, the Company's practice is to invest cash in cash equivalents in order to maintain liquidity. Fluctuations in interest rates affect the fair value of cash equivalents.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to prepaid expenses and deferred exploration expenditure that are denominated in US Dollars.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

General Standard of Financial Statement Presentation

As of August 1, 2008, the Company adopted amended CICA Handbook Section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The Company has included the disclosure recommended by the new Handbook sections in note 1 to these audited financial statements.

Mining exploration costs

On March 27, 2009, the Emerging Issues Committee of the CICA issued EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company has applied this new abstract for the year ended July 31, 2009. There was no impact on the financial statements.

New Accounting Pronouncements

On August 1, 2009, the Company will be required to adopt 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 is not expected to have any material impact on the Company's financial statements.

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" which replace Section 1600 "Consolidated Financial Statements. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations".

In January 2009, the CICA issued EIC Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC requires the Company to take into account the Company's own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. The abstract applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2010. The Company is currently assessing the impact of the new standard on its financial statements.

On February 13, 2008, Canada's Accounting Standard Board confirmed January 1, 2011 as the effective date for complete convergence of Canadian GAAP to International Financial Reporting Standards ("IFRS"). The official changeover date will apply for interim and financial statements relating to fiscal years beginning on or after January 1, 2011. The Company has determined that the key elements of this IFRS changeover on the Company will be in the areas of accounting for resource properties' acquisition and exploration costs, impairment of long-lived assets, accounting for share capital including stock options and warrant valuations and general IFRS disclosure requirements. The Company is currently assessing the specific impact on the Company's financial reporting and developing an implementation timetable

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

a) Mining claims – Dent Township, Ontario

During the fiscal 2007, the Company signed an assignment agreement with Triple Dragon Resources Inc. (Assignor) and Rubicon Minerals Inc. (Optionor) on October 27, 2006. The Optionor is the owner of three mining claims: #4200361 to #4200363 inclusive located in Dent Township, claim map M-2155, Red Lake Mining Division, Ontario. On March 14, 2006, the Optionor granted an option to the Assignor to acquire an undivided 100% interest in and to the Property. The Optionor retained a 2% Net Smelter Return. One half (1/2) of the NSR (1%) can be purchased from the Optionor at any time for $1,000,000. The exercise terms of the Shanty Bay Option Agreement are $96,000 and 100,000 shares to the Optionor as follows:

Date	Cash		Shares	
Upon signing	$8,000	(paid)	30,000	(issued at $0.125 per share)
First anniversary of signing (3/14/07)	$12,000	(paid)	30,000	(issued at $0.125 per share)
2nd anniversary of signing (3/14/08)	$16,000	(paid)	40,000	(issued at $0.125 per share)
3rd anniversary of signing (3/14/09)	$20,000			
4th anniversary of signing (3/14/10)	$40,000			
	$96,000		100,000	

During the year ended July 31, 2009 the Company completed a trenching program on the property, incurring expenditures of $46,204. Based on the results of this program, the Company decided to drop the option for the property and as a result the Company wrote off $48,500 in property acquisition costs and $65,176 in deferred exploration expenses incurred on the property.

b) 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") to allow for the exploration of potash prospects in Utah and Arizona. As at July 31, 2009, five Permits have been approved. Also see Note 10.

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;

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (cont'd)

b) American Potash Joint Venture (cont'd)

During the year ended July 31, 2009, the Company paid $2,780 (USD $2,500) to a consultant as a retainer in providing consulting services in the mining and exploration of the potash properties. Additionally, the Company paid $39,109 (USD$35,000) to Sweetwater as reimbursement for application filing fees which will be refunded if mineral applications are not accepted.

4. SHARE CAPITAL

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

b. Issued and Outstanding

	Number of Shares	Amount
Balance, July 31, 2007	7,970,000	$ 996,250
Shares returned to treasury at $0.02 per share	(4,070,000)	(81,400)
Re-valued at $0.125 per share cancelled	-	(427,350)
Shares issued for cash at $0.025 per share	4,070,000	101,750
Re-valued at $0.125 per share	-	407,000
Shares returned to treasury at $0.125 per share	(760,000)	(95,000)
Shares issued for cash at $0.10 per share	760,000	76,000
Re-valued at $0.125 per share	-	19,000
Shares issued for mineral property at $0.125 per share	40,000	5,000
Balance, July 31, 2008	8,010,000	1,001,250
Shares issued for cash @ $0.16 per share	2,000,000	320,000
Shares issuance costs	-	(101,405)
Balance, July 31, 2009	10,010,000	$ 1,219,845

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 $101,405, 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 options were valued at fair value of $17,159 which was included in contributed surplus. 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. The average remaining contractual life in years is 1.21. As at July 31, 2009, none of the agent's options have been exercised.

4. SHARE CAPITAL (cont'd)

b. Issued and Outstanding (cont'd)

On February 29, 2008, 4,070,000 common shares issued at $0.02 and 760,000 common shares issued at $0.125 per share were returned to treasury and the Company issued 4,070,000 common shares at $0.025 per share and 760,000 common shares at $0.10 per share, which were also re-valued to $0.125 per share. As a result, the Company recognized a net reduction in stock based compensation expense of $1,350. On March 17, 2008, the Company issued 40,000 common shares for mineral property at a deemed value of $0.125 per share.

c. Escrow Shares

As at July 31, 2009 the Company has 5,445,000 (July 31, 2008 – 7,260,000) 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 and 15% were released April 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 vest 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. A stock based compensation expense of $207,944 was charged to operations and added to contributed surplus. As at July 31, 2009, none of the stock options have been exercised.

5. RELATED PARTY TRANSACTIONS

During the year ended July 31, 2009 the Company paid consulting fees of $5,300 to a company in which a director of the Company owns a 50% interest.

During the year ended July 31, 2009 the Company paid consulting fees of $3,500 to a company wholly owned by a director of the Company.

During the year ended July 31, 2009, the Company accrued meals and entertainment and office expenses of $1,438 and management fee of $25,000 to an officer and director of the Company.

6. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2009	2008
Loss before income taxes	$ (432,854)	$ (73,564)
Expected income tax recovery at statuary rates of 30% (2008 – 30.5%)	$ (129,856)	$ (23,173)
Temporary difference	(6,084)	-
Unrecognized items for tax purposes	96,675	(425)
Income tax benefit not recognized	39,265	23,598
Total income tax expense	$ -	$ -

The significant components of the Company's future income tax assets are as follows:

	2009	2008
Future income tax assets:		
Benefit of share issuance costs	$ 23,121	$ -
Non-capital loss carry-forwards	60,978	25,145
Valuation allowance	(84,099)	(25,145)
Net future income tax assets	$ -	$ -

The Company has approximately $213,900 of non-capital losses, which may be applied to reduce taxable income in future years. If not utilized, the losses expire as follows:

2027	$ 10,200
2028	72,200
2029	131,500
	$ 213,900

Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years totalling $65,176 (2008 - $18,972). Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

7. 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.

8. 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 for the years is as follows:

	2009	2008
Total assets:		
Canada	$ 264,702	$ 235,708
United States	41,889	-
	$ 306,591	$ 235,708

9. COMMITMENT

See Note 3.

10. SUBSEQUENT EVENTS

a) On October 20, 2009, through its 50% owned subsidiary American Potash, the Company paid $137,137 (USD$130,000) to State of Utah School and Institutional Trust Lands Administration for the acquisition of nine state trust land potash lease units in the potash-bearing Paradox basin in Grand county, Utah. The amount of USD$65,000 (50%) of the acquisition cost is to be repaid to the Company by Confederation.

b) 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 (26.6 sq km) or 6,090 acres.