MAGNA RESOURCES LTD.
An Exploration Stage Enterprise

CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2010

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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, 2010 and 2009 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, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
November 26, 2010

CHANG LEE LLP
Chartered Accountants

MAGNA RESOURCES LTD.
An Exploration Stage Enterprise

CONSOLIDATED BALANCE SHEETS
AS AT JULY 31,

		2010		2009
ASSETS				
Current				
Cash and cash equivalents	**$**	**58,311**	$	259,077
GST receivable		**1,176**		5,625
Other assets (Note 10c)		**49,433**		-
		108,920		264,702
Mineral Properties (Note 3)		**137,100**		-
Prepaid Expenses		**-**		41,889
	$	**246,020**	$	306,591
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	**$**	**56,501**	$	60,789
Shareholders' Equity				
Share capital (Note 4)		**1,220,052**		1,219,845
Contributed surplus		**225,103**		225,103
Deficit		**(1,255,636)**		(1,199,146)
		189,519		270,802
	$	**246,020**	$	306,591

Nature of Operations (Note 1)
Commitments (Note 9)
Subsequent Events (Note 10)

On behalf of the Board:

"*Rudy de jonge*" President — Rudy de jonge

"*Darryl Yea*" Director — 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,

	2010	2009
EXPENSES		
Accounting and audit	**$ 17,666**	$ 12,075
Bank charges	**658**	384
Consulting fees	**-**	8,800
Legal fees	**23,254**	50,063
Meals and entertainment	**-**	1,258
Management fee	**-**	25,000
Office supplies and expenses	**358**	571
Stock based compensation	**-**	207,944
Foreign exchange	**3,127**	-
Transfer agent and filing fees	**11,427**	13,624
LOSS BEFORE OTHER INCOME AND OTHER EXPENSES	**(56,490)**	(319,719)
Other income and (expenses)		
Interest income	**-**	541
Loss on disposition of property	**-**	(113,676)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**(56,490)**	(432,854)
DEFICIT, BEGINNING OF THE YEAR	**(1,199,146)**	(766,292)
DEFICIT, END OF YEAR	**$ (1,255,636)**	$ (1,199,146)
Basic and diluted loss per share	**$ (0.01)**	$ (0.05)
Weighted average number of common shares – basic and diluted	**10,010,000**	9,589,235

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

MAGNA RESOURCES LTD.
An Exploration Stage Enterprise

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31,

	2010	2009
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	**$ (56,490)**	$ (432,854)
Adjustment for items not involving cash:		
Stock based compensation	**-**	(207,944)
Loss on disposition of property	**-**	113,676
Changes in non-cash operating working capital:		
(Increase) decrease in GST receivables	**4,449**	(725)
(Increase) decrease in other assets	**(49,433)**	-
(Increase) decrease in prepaid expenses	**36,747**	(41,889)
Increase (decrease) in accounts payable and accrued liabilities	**(4,288)**	(60,039)
(Increase) decrease in deferred exploration expenses	**-**	(46,204)
Net cash flows used in operating activities	**(69,015)**	(140,013)
CASH FLOWS FROM (USED IN) INVESTMENT ACTIVITIES		
Mineral properties acquisition	**(137,100)**	-
Net cash flows used in investing activities	**(137,100)**	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Adjustment to share issuance	**207**	-
Share capital, net of share issuance costs	**-**	284,254
Net cash flows from (used in) financing activities	**207**	284,254
Effect of foreign exchange rate	**5,142**	-
Net change in cash and cash equivalents	**(200,766)**	144,241
Cash and cash equivalents, beginning of year	**259,077**	114,836
Cash and cash equivalents, end of year	**$ 58,311**	$ 259,077
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.
An Exploration Stage Enterprise

CONSOLIDATED SCHEDULES OF MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES
July 31, 2010

	2010 American Potash LLC	2009 Shanty Bay
Acquisition Cost		
Balance, beginning of year	**$ -**	$ 48,500
Incurred during the year:		
Utah	**137,100**	-
Less: Disposition of Shanty Bay property	**-**	(48,500)
Balance, end of year	**$ 137,100**	$ -
Deferred Exploration Expenditures		
Balance, beginning of year	**$ -**	$ 18,972
Incurred during the year:		
Assaying	**-**	4,732
Consulting and professional fees	**-**	17,297
Geological studies	**-**	24,175
Less: Disposition of property	**-**	(65,176)
Balance, end of year	**$ -**	$ -

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

1. NATURE OF OPERATIONS

Magna Resources Ltd. (the "Company") was incorporated on June 5, 2006 under the laws of British Columbia. The Company's principal business activity is the acquisition and exploration of mineral properties.

The amounts shown as mineral properties and deferred exploration expenditures 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, 2010 of $52,419 (2009 – $203,913) and an accumulated deficit of $1,255,636 (2009 - $1,199,146). The Company has incurred a net loss of $56,490 for the year ended July 31, 2010 (2009 - $407,854). 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 operating obligations and repaying its liabilities through settlement with its creditors in the future.

Failure to arrange adequate financing on acceptable terms and 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 presented in Canadian dollars 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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, 2010 and 2009.

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.

Foreign currency translation

The Company's reporting currency is CAD dollars. American Potash's functional currency is US dollars. It is considered to be an intergrated operation. Accordingly, monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Income and expenses are translated at rates which approximate those in effect on transaction dates. Gains or losses arising on conversion are included in income or expense.

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. In March 2009, the CICA issued EIC Abstract 174, "Mining Exploration Costs". The EIC provides additional guidance to the Company on when an impairment test is required.

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 ("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 were no dilutive securities as at July 31, 2010 and 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 assets 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 less 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Comprehensive Income

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, 2010 and 2009.

Financial Instruments

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 designated its financial instruments as follows:

- Cash and cash equivalents is classified as held-for-trading;
- Reclamation bond as held-to-maturity;
- Accounts payable and accrued liabilities and short term loan as other financial liabilities.

Fair value

The Company categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observability of the inputs used in the measurement. For the years ended July 31, 2010 and 2009, the fair value of cash and cash equivalents was measured using Level 1 inputs.

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The fair value of cash and cash equivalents, other asset and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments or their capacity of prompt liquidation.

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 cash and cash equivalents 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, 2010, the Company had a cash and cash equivalents balance of $58,311 (2009 - $259,077), and current liabilities of $56,501 (2009 - $60,789). 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. The interest rate risk is remote as there were no cash equivalents as of July 31, 2010.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to mineral property acquisition costs that are denominated in US Dollars. Sensitivity to a plus or minus 5% change in the foreign exchange rates would affect net loss by approximately $61 (2009: $ Nil) for the year ended July 31, 2010.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New Accounting Pronouncements

In December 2009, the CICA issued EIC 175, Multiple Deliverable Revenue Arrangements, replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have vendor specific objective evidence ("VSOE") or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption.

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".

The Company is currently assessing the future impacts of these amendments on its financial statements and has not yet determined the timing and method of its adoption.

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

US Potash Prospects

American Potash, 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 "Sweetwater Option Agreement") (collectively called the "Optionors"), to acquire pending applications to the United States Bureau of Land Management for Utah property and the State of Arizona for exploration permits, together with all permits and other rights issued pursuant to the applications, to allow for the exploration of potash prospects in Utah and Arizona. Subsequent to the year end, the option agreement was amended to exclude the Arizona permits and properties. During the course of application, the Company incurred geological works of $137,100 that were required by the United States Bureau of Land Management for preparation of exploration plans for the Utah properties. As at the date of the auditor's report, the claims in Utah are pending for approval from the US Land State of Office.

The option agreement entitles American Potash to acquire a 100% interest in permits, 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 Confederation and the Company each to pay a total of $135,000 USD and each to issue in aggregate, 1,000,000 shares to the Optionors upon receiving grant of permits for Utah property not less than 25,000 acres, as follow:

- $35,000 USD upon signing the option agreement (paid);
- 100,000 shares upon grant of the Permits representing not less than 25,000 acres;
- $25,000 USD cash and 300,000 shares on or before the first anniversary date;
- $25,000 USD cash and 300,000 shares on or before the second anniversary date;
- $25,000 USD cash and 300,000 shares on or before the third anniversary date; and
- $25,000 USD cash on or before the fourth anniversary date.

American Potash will pay a finder's fee in connection with this acquisition. The fee will be US $3,500 and 10,000 common shares of American Potash payable when permits are issued in respect of the Utah prospect for at least 25,000 acres, and thereafter 10% of the cash and stock payments made under the option agreement, payable as and when such payments are paid and issued.

See also Note 10b and c.

4. SHARE CAPITAL

a) Authorized: Unlimited common shares with no par value

4. SHARE CAPITAL (Cont'd)

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	-	207
Balance July 31, 2010	10,010,000	$ 1,220,052

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.

c) Escrow Shares

As at July 31, 2010 the Company has 3,267,000 (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% are 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. On February 7, 2010, 142,500 options were cancelled due to the resignation of a director of the Company.

4. SHARE CAPITAL (Cont'd)

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.

In fiscal 2009 a stock based compensation expense of $207,944 was charged to operations and added to contributed surplus.

200,000 agent options expired subsequent to year end unexercised.

	Number of Options	Weighted Average Exercise Price
Outstanding as at July 31, 2008	-	$ -
Grant – Stock options	1,000,000	0.25
Grant – Agent options	200,000	0.16
Outstanding and exercisable as at July 31, 2009	1,200,000	0.24
Expired stock options	(142,500)	(0.25)
Outstanding and exercisable as at July 31, 2010	1,057,500	$ 0.23

Exercise prices	Number of options	Expiry Date
$ 0.25	857,500	June 8, 2012
$ 0.16	200,000	October 16, 2010

5. INCOME TAXES

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

	2010	2009
Loss before income taxes	$ (56,490)	$ (432,854)
Income tax recovery at statutory rates of 28.5% (2009 – 30%)	(16,460)	(129,856)
Temporary difference	(5,780)	(6,084)
Permanent difference	1,248	34,292
Non-deductible expense for tax	-	62,383
Benefits of non-capital losses not utilized	20,992	39,265
Total income tax recovery	$ -	$ -

5. INCOME TAXES (Cont'd)

Details of future income tax assets are as follows:

	2010	2009
Future income tax assets:		
Non-capital losses available for future periods	$ 106,314	$ 60,978
Benefit of share issuance costs	16,123	23,121
Valuation allowance	(122,437)	84,099)
Net future income tax assets	$ -	$ -

The Company has non-capital losses of approximately $400,794 (2009 - $213,900), which may be carried forward and applied against taxable income in future years. If not utilized, the non-capital losses would expire in from 2027 to 2030. The benefits of these losses have not been reflected in these financial statements and have been offset by a valuation allowance.

The losses expire as follows:

2027	$	10,228
2028	$	76,344
2029	$	241,781
2030	$	72,441

6. RELATED PARTY TRANSACTIONS

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

7. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of any identified business opportunities and to maintain a flexible capital structure for the benefit of its stakeholders.

In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalent, accounts payable and accrued liabilities.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture arrangements, acquire or dispose of assets or adjust the amount of cash.

The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable growth. The Company is not subject to externally imposed capital requirements.

8. GEOGRAPHIC INFORMATION

The Company's activities are all in one industry segment of mineral property acquisition and exploration. The Company's mining 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. All of the Company's resource properties are located in the United States. The Company's assets are located in the following geographic locations:

	2010	2009
Total assets:		
Canada	$ 58,170	$ 264,702
United States	187,850	41,889
	$ 246,020	$ 306,591

9. COMMITMENTS

See Note 3.

On April 1, 2010, American Potash entered into a consulting agreement for consulting service of 20 hours per month for $3,000 per month for a period of one year. Additional hours to complete services will be billed at $200 per hour.

10. SUBSEQUENT EVENTS

a) On October 16, 2010, all of the 200,000 agent's options expired, unexercised.

b) On November 2, 2010, the Sweetwater Option Agreement was amended to remove the Arizona permits and Arizona properties.

c) On November 12, 2010, Sweetwater granted an option to Passport Potash Inc. ("Passport") to acquire 100% of Sweetwater's rights and interest in the Arizona properties, subject to a 2% royalty. The option agreement is subject to TSX Venture Exchange approval (the "Acceptance Date"). Consideration is payable to Sweetwater and American Potash as follows:

   i) 500,000 free trading shares of Passport (the "Passport Shares") on the earlier of December 15, 2010 or within five business days of the Acceptance Date; and

   ii) Three cash payments of $30,000 each within 12, 18 and 24 months of the Acceptance Date.

   Passport has the right at any time to buy one-half of the royalty for $150,000 USD and has the right to purchase the remaining one-half of the royalty for $150,000 USD.

   The allocation of the payments and the royalty to Sweetwater and American Potash will be according to each of their respective percentage of total expenses incurred by each of them on the Arizona permits.

   The Company has recorded acquisition expenses associated with the Arizona properties of $49,433 as a current other asset as the Company expects to recover the full amount upon TSX Venture Exchange acceptance of the agreement.