Confederation Minerals Ltd.

Condensed Consolidated Interim Financial Statements

First Quarter Ended September 30, 2012

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of Confederation Minerals Ltd. for the three months ended September 30, 2012, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indication that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity's auditor.

CONFEDERATION MINERALS LTD.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Prepared by Management)

As at	Notes	**September 30, 2012**	**June 30, 2012**
		$	**$**
ASSETS			
Current assets			
Cash and cash equivalents		194,006	96,899
Short-term investment	3	7,098,290	8,962,775
Prepaid expenses		51,145	35,417
HST/GST receivable		201,917	123,133
Total current assets		7,545,358	9,218,224
Non-current assets			
Exploration and evaluation assets	5	9,875,311	8,706,134
Intangible assets	6	540,219	455,422
Total non-current assets		10,415,530	9,161,556
Total assets		17,960,888	18,379,780
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		568,970	514,391
Income tax payable		506,664	518,223
Total current liabilities		1,075,634	1,032,614
EQUITY			
Equity attributable to shareholders			
Share capital	7	19,581,335	19,581,335
Reserves		3,095,283	3,078,871
Deferred share based payment		(33,548)	(39,838)
Accumulated deficit		(6,615,179)	(6,221,380)
Accumulated other comprehensive income (loss)		(23,821)	(3,442)
Non-controlling interest		881,184	951,620
Total equity		16,885,254	17,347,166
Total liabilities and equity		17,960,888	18,379,780

Nature of Operations and Continuance of Operation 1

Events after the Reporting Date 15

These consolidated financial statements are authorised for issue by the Board of Directors on November 29, 2012. They are signed on the Company's behalf by:

On behalf of the Board:

"Brian Bapty" Director	*"Lawrence Dick"* Director
Brian Bapty	Lawrence Dick

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

CONFEDERATION MINERALS LTD.
Condensed Consolidated Interim Statements of Operation and Comprehensive Loss
(Unaudited – Prepared by Management)

	Notes	Three Months Ended September 30 2012 $	2011 $
General and administrative expenses			
Accounting and audit fees		17,047	-
Bank charges and interest		809	195
Consulting fees	8	229,927	209,515
Filing fees		11,631	7,743
Foreign exchange loss (gain)		223	-
Insurance		15,774	1,931
Legal fees		42,372	3,358
License and permits		283	-
Meals and entertainment		5,214	5,418
Office expenses		17,675	3,700
Rent		4,500	-
Shareholder information		11,874	4,132
Share-based payments		22,702	166,578
Transfer agent fees		1,706	3,125
Travel and accommodation		13,913	15,173
Wages		85,306	-
Website development		1,000	850
		(481,956)	(421,718)
Interest and miscellaneous income		24,044	29,483
Net loss before tax		(457,912)	(392,235)
Income tax (expenses) recovery		9,385	-
Net loss from continuing operations		(448,527)	(392,235)
Net loss from discontinued operations		-	(42,927)
Net loss		(448,527)	(435,162)
Loss attributable to:			
Shareholders of the Company		(393,799)	(435,162)
Non-controlling interest		(54,728)	-
		(448,527)	(435,162)
Other comprehensive income (loss)			
Items that may be reclassified into profit and loss			
Foreign currency translation		(36,087)	-
Total comprehensive loss		(484,614)	(435,162)
Comprehensive loss attributable to:			
Shareholders of the Company		(414,178)	(435,162)
Non-controlling interest		(70,436)	-
		(484,614)	(435,162)
Loss per share, basic and diluted		(0.01)	(0.01)
Weighted average common shares outstanding-basic and diluted		55,128,532	44,732,048

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

CONFEDERATION MINERALS LTD.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Prepared by Management)

	Three Months Ended September 30	
	2012	**2011**
	$	**$**
Cash provided by (used in):		
Operating activities		
Net loss for the period	(448,527)	(435,162)
Items not involving cash:		
Share-based payments	22,702	166,578
Loss/(gain) on disposal of short-term investment	-	17,776
Foreign exchange	-	21,725
Deferred income tax expense (recovery)	(9,385)	1,256
Changes in non-cash working capital:		
Receivables	(78,784)	(270,693)
Prepaid expenses	(15,728)	(1,335)
Accounts payable and accrued liabilities	29,641	(1,061,336)
Loan receivable	-	70,000
Proceeds from discontinued operation	-	(111,117)
	(500,081)	(1,602,308)
Investing activities:		
Exploration and evaluation assets and intangible assets	(1,267,297)	(1,162,859)
Proceeds from discontinued operation	-	(62,551)
	(1,267,297)	(1,225,410)
Financing activities:		
Proceeds from shares issued	-	333,720
Redemption of short term investment	1,864,485	2,485,700
Proceeds from discontinued operation	-	80,802
	1,864,485	2,900,222
Net change in cash and cash equivalents	97,107	72,504
Cash and cash equivalents, beginning of period	96,899	685,229
Cash and cash equivalents, end of period	194,006	757,733

Supplementary cash flow information (Note 10)

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

CONFEDERATION MINERALS LTD.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited – Prepared by Management)

	Common Shares		Reserves		Deferred		Accumulated		Total
	Number of Shares	Amount	Option Reserve	Warrant Reserve	Share Based Payment	Deficit	Other Comprehensive Income (Loss)	Non-controlling Interest	Shareholder`s Equity
		$	$	$	$	$	$		$
Balance on June 30, 2011	44,350,121	14,792,879	777,807	431,993	(64,998)	(3,009,535)	(19,159)	-	12,908,987
Common shares issued:									
Share-based payment	-	-	160,288	-	6,290	-	-	-	166,578
Exercise of purchase warrants	647,000	291,150	-	-	-	-	-	-	291,150
Exercise of agent's Warrants	94,600	42,570	-	-	-	-	-	-	42,570
Fair value on agents warrants issued	-	12,787	-	(12,787)	-	-	-	-	-
Loss for the period	-	-	-	-	-	(435,162)	-	-	(435,162)
Balance on September 30, 2011	45,091,721	15,139,386	938,095	419,206	(58,708)	(3,444,697)	(19,159)	-	12,974,123
Balance on June 30, 2012	55,128,532	19,581,335	2,755,450	323,421	(39,838)	(6,221,380)	(3,442)	951,620	17,347,166
Share-based payment	-	-	16,412	-	6,290	-	-	-	22,702
Loss for the year	-	-	-	-	-	(393,799)	-	(54,728)	(448,527)
Other comprehensive income (loss)	-	-	-	-	-	-	(20,379)	(15,708)	(36,087)
Balance on September 30, 2012	55,128,532	19,581,335	2,771,862	323,421	(33,548)	(6,615,179)	(23,821)	881,184	16,885,254

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

The Company was incorporated on November 3, 2005 under the Business Corporations Act (British Columbia) as “Medina Ventures Inc.”, changed its name to “Sienna Minerals Ltd.” on April 26, 2006 and changed its name to Confederation Minerals Ltd. on April 11, 2007. The Company’s principal business activity is the exploration of exploration and evaluation assets.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether its exploration and evaluation assets contain mineral reserves that are economically recoverable. The Company’s continuing operations, and the recoverability of the amounts shown for exploration and evaluation assets are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its exploration and evaluation assets, and on future profitable production or proceeds from the disposition of the exploration and evaluation assets.

The business of exploring for and mining of exploration and evaluation assets involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

The financial information is presented in Canadian Dollars (CDN$), which is the functional currency of the Company.

The head office and principal address of the Company are located at Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), on a basis consistent with the most recent annual consolidated financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended June 30, 2012.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as at fair value through profit or loss (“FVTPL”) and available-for-sale that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available on September 30, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its controlled entities. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation. Details of controlled entities are as follows:

	Country of Incorporation	Percentage owned as at June 30,		Principal activity
		2012	2011	
Magna Resources Ltd. ("Magna")	Canada	56.47%	Nil	Exploration
American Potash LLC ("American Potash")	United States	56.47%	50%	Exploration

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. Non-controlling interests consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share in changes in equity since the date of acquisition. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Business Combination

A business combination is a transaction or other event in which control over one or more businesses is obtained. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits.

Business acquisitions are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition. The excess of the purchase consideration and the non-controlling interests in the acquire, over the acquisition-date fair value of net assets acquired, is recorded as goodwill and allocated to cash generating units. If the fair value of the net assets acquired exceeds the purchase consideration, the difference is recognized immediately as a gain in the consolidated statements of operations and comprehensive loss.

Acquisition related costs are expensed during the period in which they are incurred.

Non-controlling interests are recorded at their proportionate share of the fair value of net identifiable assets acquired at the acquisition date. Goodwill results as the excess of the fair value of the total consideration transferred by the Company, including contingent consideration, and the non-controlling interests in the acquiree, over the fair value of net assets acquired.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Interest in Joint Venture

A joint venture is an entity in which the Company holds a long-term interest and over whose strategic, financial and operating decisions the Company shares joint control with one or more other venturers under a contractual arrangement. The Company recognizes its interest in a joint venture in the financial statements using the proportionate consolidation method. Prior to January 19, 2012, the date the Company acquired control of Magna (Note 4), the consolidated financial statements included the accounts of the Company and a 50% interest in American Potash.

Interest Income

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Foreign Currencies Translation and Transaction

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated interim financial statements are presented in Canadian dollars which is the parent company's functional currency. The functional currency of the Company and Magna is Canadian dollars and the functional currency of American Potash is US dollars.

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 of the transaction. 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.

The financial statements of the entities that have a functional currency different from that of the parent company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

Financing Costs

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are expensed in the statement of operations and comprehensive loss.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less when acquired, which are readily convertible into a known amount of cash. The cash and cash equivalents are all denominated in Canadian dollars. There were no cash equivalents as at September 30, 2012 and June 30, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Short-Term Investment

Short term investment, which is 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, 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 accordingly 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 or 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 a 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 or 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 expenditure 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.

Decommissioning and Rehabilitation Liabilities

The Company recognizes the fair value of a decommissioning and restoration liability 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.

Changes in the decommissioning and restoration liability due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations and comprehensive loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Company did not have any significant decommissioning and restoration obligations at September 30, 2012 and June 30, 2012.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of long lived assets

Exploration and evaluation assets, intangibles and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level, which there are separately identifiable cash flows ("cash-generating units" or "CGU"). The Company evaluates the impairment losses other than goodwill, for potential reversal, when events and changes in circumstances warrant such consideration.

Share-based payments

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. 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 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.

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 by 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 fair value attributed to the warrants is recorded as warrants.

Comprehensive Loss

Comprehensive loss is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. 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 and prior periods are 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 each reporting period.

(b) Deferred income tax

Deferred income tax is provided using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit of loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 operations and 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.

Flow-Through Instruments

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors.

The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds or "premium" are recorded as a deferred premium liability. When expenditures are renounced, a deferred tax liability is recognized and the deferred premium liability is reversed. The net amount is recognized as a deferred income tax recovery.

Financial Instruments – recognition and measurement

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").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Held-to-maturity instruments, loans and receivables and financial liabilities not at fair value but through profit and loss are measured at amortized cost using the effective interest rate method. The Company has implemented the following classifications for its financial instruments:

a) Cash and cash equivalents and short term investments as financial assets at FVTPL.
b) Accounts payable and accrued liabilities have been classified as other financial liabilities.

Impairment of Financial Assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

De-recognition of Financial Assets and Financial Liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment of Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs 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 current market assessments of the time value of money and the risks specific to the asset.If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 recognised in the financial statements and are disclosed in the notes to the financial statements unless their occurrence is remote. Contingent assets are not recognised in the financial statements, but are disclosed in the notes to the financial statements if their recovery is deemed probable.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Significant Accounting Judgements and Estimates

The preparation of consolidated interim 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(a) The purchase price allocation. Business acquisitions are accounted for by the acquisition method of accounting whereby the purchase price is allocated to the assets acquired and the liabilities assumed based on fair value at the time of the acquisition. The excess purchase price over the fair value of identifiable assets and liabilities acquired, if any, is goodwill. The determination of fair value often requires management to make assumptions and estimates. The assumptions and estimates with respect to determining the fair value of property, plant and equipment acquired generally require a high degree of judgment. Changes in the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill, if any, in the purchase price allocation.

(b) The inputs used in accounting for share purchase option expense in the consolidated interim statements of operations and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(c) The provision for income taxes which is included in the consolidated statements of operations and comprehensive loss and composition and quantification of deferred income tax assets and liabilities included in the consolidated statements of financial position.

(d) The recoverability of exploration and evaluation assets in the consolidated statements of financial position.

New Accounting Standards and Interpretations

The following standards have been issued but are not yet effective. They may result in future changes to accounting policies and other note disclosures.

(a) IFRS 9, Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015.

(b) IFRS 10, Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 is required to adopt the standard no later than the accounting period beginning on or after January 1, 2013

(c) IFRS 11, Joint Arrangements

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. . The Company is yet to assess the full impact of IFRS 11 is required to adopt the standard no later than the accounting period beginning on or after January 1, 2013.

(d) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. . The Company is yet to assess the full impact of IFRS 12 is required to adopt the standard no later than the accounting period beginning on or after January 1, 2013

(e) IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. . The Company is yet to assess the full impact of IFRS 13 is required to adopt the standard no later than the accounting period beginning on or after January 1, 2013.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(f) IFRS 7, Financial Instruments: Disclosures

Amendments to IFRS 7, provides disclosure requirements for the offsetting of a financial asset and financial liabilities when offsetting is permitted under IFRS. The disclosure amendments are required to be adopted retrospectively for periods beginning January 1, 2013.

(g) IAS12 (revised) - Income Taxes

In December 2010, the IASB issued amendments to IAS 12 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendments introduce a presumption that entities will assess whether the carrying value of an asset will be recovered through the sale of the asset. These amendments are effective for annual periods beginning on or after January 1, 2012. The Company is currently evaluating the impact of these amendments to its Consolidated Financial Statements, but the impact, if any, is not expected to be material.

(h) IAS 19 – Employee Benefits

Amendments to IAS 19 provide new requirements for the accounting for defined benefit pension plans. Most notably, the amendments mandate the immediate recognition of actuarial gains and losses, and require companies to use the same discount rate for both the defined benefit obligation and the expect asset return when calculating the interest component of pension expense. The Company does not believe the adoption of IAS 19 will materially affect its financial performance or its financial position.

(i) IAS 32 – Financial Instruments: Presentation

Amendments to IAS 32 provide specific guidance for when an entity can offset financial assets and liabilities by clarifying when a legally enforceable right to do so exists, and when an entity meets the criterion for the intent to settle on a net basis. These amendments are effective for annual periods beginning after January 1, 2014. The Company does not believe the amendments to IAS 32 will materially affect its financial performance or its financial position.

3. SHORT-TERM INVESTMENT

As at September 30, 2012, the Company has short term investment of $5,840,000 of principal and $49,018 of interest due on January 17, 2013 with an annual yield of prime minus 1.8% (June 30, 2012 - $7,440,000).

As at September 30, 2012, the Company's subsidiary Magna has short term investment of $1,200,000 of principal and $9,272 of interest due on January 18, 2013 with an annual yield of prime minus 1.8% (June 30, 2012 - $1,475,000).

4. BUSINESS ACQUISITION

On November 21, 2011, the Company and Magna signed a purchase and sale agreement in respect of the acquisition of the remaining 50% interest in American Potash previously held by the Company ("Purchase and Sale Transaction"). Under the terms of the agreement Magna completed a 2 for 1 subdivision of its outstanding common shares, resulting in the Magna having 22,420,000 common shares being issued and outstanding immediately prior to closing of the Purchase and Sale Transaction.

4. BUSINESS ACQUISITION (cont'd…)

The purchase price for the Magna's 50% interest is comprised of the Company's 50% interest in American Potash and in exchange, Magna issued 22,420,000 common shares and 2,400,000 common share purchase warrants of Magna ("Purchase Shares"). Each warrant entitles the Company to purchase a further common share at a price of $0.10 until February 25, 2016. Under IFRS 3, the considerations transferred were measured using the acquisition-date fair value. As a result, a discount from the deemed value of $0.20 per share has been applied due to a lack of marketability of Magna's shares which resulted in the fair value of the consideration shares at $0.06 being assigned per share.

On January 19, 2012 the Purchase and Sale Transaction was completed. As a result of the Purchase and Sale Transaction, the Company effectively controlled Magna and Magna holds a 100% interest in American Potash, which holds potash leases and an option in respect of potash lease applications in the State of Utah.

The Purchase and Sale Transaction was accounted for in accordance with IFRS 3, Business Combination, and the Company is considered to be the accounting acquirer. The purchase price allocation is listed below:

Consideration	$
Fair value of 50% interest in American Potash	1,299,200
	1,299,200
Fair Value of Net Asset Acquired	
Receivables	12,413
Prepaid	10,095
Bank indebtedness	(27,648)
Trade and other payables	(223,132)
Loan	(296,611)
Exploration and evaluation costs	2,801,633
Intangiable assets	322,810
Non-controlling interest	(1,300,360)
	1,299,200

The fair value of the 50% interest of American Potash is determined based on the fair value of the Purchase Shares on January 19, 2012. Any goodwill recognized on acquisition is attributed to the expected value of the potash properties held by American Potash and is included in exploration and evaluation assets. The non-controlling interest is measured based on the fair value of shares of Magna held by non-controlling shareholders right after this transaction.

Magna contributed to revenue of $Nil and loss of $859,817 to the Company's result from January 20, 2012 to June 30, 2012.

Acquisition related cost of $86,000 is reported as legal expenses in the June 30, 2012 consolidated statements of operation and comprehensive loss.

In addition to Purchase and Sale Transaction, the Company subscribed for 6,666,666 common shares of Magna at $0.30 per share for gross proceeds to Magna of $2,000,000. As at September 30, 2012, Magna has an aggregate of 51,506,666 common shares and 4,800,000 common share purchases warrants exercisable at $0.10 per share issued and outstanding (on a non-diluted basis) and the Company holds 56.47% of the shares and 50% of the warrants in Magna.

4. BUSINESS ACQUISITION (cont'd…)

Prior to the completion of the Purchase and Sale Transaction on January 19, 2012, the assets and liabilities relating to the 50% interest in American Potash are presented as assets and liabilities held for sale by the Company.

5. EXPLORATION AND EVALUATION ASSETS

Confederation Lake (Mitchell & Belanger) Claims, Ontario

On February 10, 2006, as amended on August 31, 2006, December 14, 2006, February 10, 2009 and March 23, 2010, the Company entered into an option agreement to acquire a 100% interest in 26 mining claims (184 units) located in the Red Lake Mining District of Ontario by making cash payments of $70,500 (paid) and issuing 430,000 shares (issued) to Rubicon Minerals Corporation and Perry English.

Although the Company still holds the claims, during the year ended June 30, 2011, management decided to abandon these claims for accounting purposes and wrote off $660,583 costs incurred to date.

Matless Lake South Claims, Ontario

On March 14, 2006, as amended on February 2, 2007 and, March 14, 2007, the Company entered into an Option Agreement to acquire a 100% interest in 19 mining claims (184 units) located in the Red Lake Mining District of Ontario by making cash payments of $76,000 (paid), issuing 200,000 (issued) shares of the Company and transferring 30,000 common shares of Shoreham Resources Ltd. (transferred) to Rubicon Minerals Corporation and Perry English.

On September 4, 2007, as amended March 12, 2009, the Company entered into a property option agreement (the "Shoreham Option Agreement") with Shoreham that granted Shoreham the right to acquire up to a 70% working interest in the Matless Lake South Claims. Under the Shoreham Option Agreement, Shoreham could acquire a 70% working interest in consideration for total cash payments of $80,000 and issuing 400,000 common shares.

On April 30, 2011, Shoreham decided not to proceed further with the Shoreham Option Agreement and as such the Agreement was terminated.

During the year ended June 30, 2011, management decided to abandon these claims for accounting purposes and wrote off $751 costs incurred to date. The Company abandoned the ownership interest in the claims on February 3, 2012.

Green River Potash Project

In May 2009, and amended on December 6, 2011, American Potash 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 exploration permit applications to the United States Bureau of Land Management ("BLM") in respect of certain Utah prospects and to the State of Arizona in respect of certain Arizona prospects, together with all permits and other rights issued pursuant to the applications, to allow for the exploration of potash prospects in Utah and Arizona. As at June 30 2012, the applications in Utah are pending approval from the United States Bureau of Land Management (see Note 6 for further details).

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

In year 2011, American Potash acquired 160 Federal lithium placer mining claims totally 1,295 hectares (3,200 acres) in northwestern Paradox Basin, southeast Utah, USA. These claims are located on BLM administered Federal lands and are staked over a portion of existing American Potash BLM pending potash prospecting permit areas.

In year 2011, American Potash acquired eleven non-contiguous Utah State trust land potash lease units in the potashbearing Paradox Basin in Grand County, Utah. The eleven lease units total 2,853 hectares (7,050 acres) and are all within the border of a large block of contiguous BLM potash prospecting permit applications held exclusively by American Potash, separated into contiguous north and south blocks by a proposed BLM Known Potash Lease Area.

Arizona Property

On November 2, 2010, American Potash agreed to amend the Sweetwater Option Agreement to remove the Arizona permits and Arizona properties from the agreement because Sweetwater wanted to grant the option to Passport Potash Inc. ("Passport") to acquire 100% of Sweetwater's rights and interest in the Arizona properties, subject to a 2% royalty, in consideration of payments. In return, Sweetwater agreed to compensate American Potash for the expenditures already incurred by allocating a portion of the option payments from Passport to American Potash. The allocation is based on a pre-determined formula. As a result, American Potash is entitled to 70.70% of the following:

i) 500,000 free trading shares (received) of Passport (the "Passport Shares") on the earlier of December 15, 2010 or within five business days of the date of receipt of the TSX Exchange acceptance of the option agreement (the "Acceptance Date"); and

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

Under the Agreement, the Arizona permits are subject to a 2% NSR royalty in favour of Sweetwater and American Potash, with Passport retaining the option to buy one-half of the royalty for $150,000 USD and the remaining one-half of the royalty for an additional $150,000 USD.

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

During the year ended June 30, 2012, Passport paid the US$60,000 due for option payments to acquire a 100% interest in five Arizona State Land Department exploration permits and US$300,000 to obtain 100% of the 2% NSR royalties. American Potash's share of the received payment is US$254,484 (CAD $254,927), which is recorded as other income on the consolidated statements of operations and comprehensive Loss.

During the year ended June 30, 2011 the Company received as consideration a 50% proportionate interest in 353,450 Passport shares for a total of $91,897. The market value of 50% of the 353,450 common shares of Passport Potash Inc., being 176,725 shares held by the Company, as of June 30, 2011, was $104,268. During the year ended June 30, 2012, the American Potash sold all the shares for gross proceeds of $173,718 (USD $172,084).

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Newman Todd Project

Pursuant to an option agreement dated November 19, 2010 with Redstar Gold Corp. ("Redstar"), the Company was granted an option to acquire up to 70% of Redstar's Newman Todd project (the "Newman Todd Project"), located in the Red Lake Mining District of Northern Ontario.

To exercise the option to earn an initial 50% interest, the Company is required to incur a cumulative of $5,000,000 of work expenditures on the Property, issue to Redstar a total of 500,000 shares of the Company and make payments to Redstar totalling $250,000 in the following manner:

(a) 100,000 shares (issued) and a $50,000 payment (paid) within 10 business days of approval of the Agreement by the TSX Venture Exchange (December 22, 2010);

(b) work expenditures of $2,000,000 (incurred), 100,000 shares (issued) and a further $50,000 payment (paid) on or before the first anniversary of the Agreement;

(c) further work expenditures of $1,500,000 (incurred), a further 150,000 shares (issued) and a further $75,000 payment (paid) on or before the second anniversary of the Agreement; and

(d) further expenditures of $1,500,000 (incurred), a further 150,000 shares and a further $75,000 payment on or before the third anniversary of this Agreement.

To exercise the option to earn a further 20% interest, thereby increasing its overall interest to 70%, the Company will be required to produce, at its own cost, a preliminary assessment of the Property and issue a further 500,000 shares to Redstar on or before the sixth anniversary of the Agreement, subject to minimum annual expenditures of $250,000 during the last three years of the option period. The parties also have agreed to form a joint venture following the exercise of the option by the Company. The Property is subject to a two percent net smelter return and a fifteen percent net carried interest. The latter interest does not receive payment until capital expenditures have been recovered with interest. A finder's fee of $132,500 was paid with respect to the Newman Todd project by cash of $66,250 and issuance of 228,448 shares at a fair value of $0.29.

On April 14, 2011, the Company and Redstar entered into a purchase agreement with Ronald Gangloff ("Gangloff") to purchase a fifty percent (50%) interest in 18 mineral claims immediately adjacent to the Newman Todd Project. Of the 50% interest acquired, the Company has acquired an undivided 35% interest in the claims for a sum of $50,000 (paid May 25, 2011) and 125,000 shares (issued May 12, 2011) and Redstar acquired an undivided 15% interest in the claims for the sum of $70,000.

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Expenditure related to the properties can be summarized as follows:

	Green River Potash	Newman Todd Property	Total
	$	$	$
Mineral acquisition			
Opening balance, June 30, 2011	-	2,358,837	2,358,837
Cash Payments	25,815	50,000	75,815
Shares issued for mineral property	-	47,000	47,000
	25,815	97,000	122,815
Deferred exploration expenditure			
Assays and reports	-	717,252	717,252
Camp construction	-	65,394	65,394
Drilling	-	2,100,468	2,100,468
Field expenses	7,814	387,380	395,194
General administration	-	23,736	23,736
Surveys	16,572	-	16,572
Geological consulting	137,953	1,011,963	1,149,916
Permitting	-	1,237	1,237
Travel and Accommodation	-	213,225	213,225
Reclamation	-	10,000	10,000
	162,339	4,530,655	4,692,994
Exploration and evaluation asset acquired through business acquisition (Note 4)	1,531,488	-	1,531,488
Total as at June 30, 2012	1,719,642	6,986,492	8,706,134
Deferred exploration expenditure			
Assays and reports	-	107,997	107,997
Drilling	-	529,482	529,482
Field expenses	-	101,532	101,532
General administration	-	5,085	5,085
Surveys	840	-	840
Geological consulting	27,290	355,515	382,805
Permitting	3,776	-	3,776
Travel and Accommodation	-	59,818	59,818
	31,906	1,159,429	1,191,335
Foreign exchange translation adjustment	(22,158)	-	(22,158)
Total as at September 30, 2012	1,729,390	8,145,921	9,875,311

6. INTANGIBLE ASSETS

	September 30, 2012	June 30, 2012
	$	$
Potash Prospects Application	540,219	455,422

Green River Potash Project

In May 2009, and amended on December 6, 2011, American Potash entered into an option agreement with Sweetwater River, John Glasscock and Kent Ausburn, to acquire pending exploration permit applications to the United States Bureau of Land Management ("BLM") in respect of certain Utah prospects and to the State of Arizona in respect of certain Arizona prospects, together with all permits and other rights issued pursuant to the applications, to allow for the exploration of potash prospects in Utah and Arizona. As at June 30 2012, the applications in Utah are pending approval from the United States Bureau of Land Management.

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 Magna pay a total of $270,000 USD and issue in aggregate, 4,000,000 shares of Magna to the Optionors upon receiving grants of exploration permits for not less than 25,000 acres of Utah property, as follow:

- $70,000 USD upon signing the option agreement (paid);
- 400,000 shares of Magna upon grant of the permits representing not less than 25,000 acres;
- $50,000 USD cash and 1,200,000 shares of Magna on or before the first anniversary date;
- $50,000 USD cash and 1,200,000 shares of Magna on or before the second anniversary date;
- $50,000 USD cash and 1,200,000 shares of Magna on or before the third anniversary date; and
- $50,000 USD cash on or before the fourth anniversary date.

The option period is the earlier of the fourth anniversary of the grant date or December 31, 2018. Magna will pay a finder's fee in connection with this acquisition. The fee will be US $7,000 and 40,000 shares of Magna, payable on the grant date, and thereafter 10% of the cash and stock payments made under the option agreement, payable as and when such payments are made.

7. SHARE CAPITAL

a) Authorized:

Unlimited common shares with no par value

b) Issued Share Capital:

On September 30, 2012, there were 55,128,532 common shares issued and outstanding (June 30, 2012 – 55,128,532).

c) Common Shares:

On October 27, 2011, the Company issued 100,000 common shares for the Newman Todd project at a fair value of $0.47 per share. See Note 5 for details.

Subsequent to the period ended September 30, 2012, the Company issued 150,000 shares at a fair value of $0.31 per share for the Newman Todd project. See Note 5 for details.

d) Escrow Shares

As at September 30, 2012 and June 30, 2012, all shares have been released from escrow.

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 will not be less than the discounted market price of the common shares as permitted by the TSX Venture Exchange policies. The options can be granted for a maximum term of 5 years.

On February 4, 2011, 200,000 incentive stock options were granted to a consultant, exercisable at $0.45 per share on or before February 4, 2016, with 25% vesting every 3 months. The exercise price is greater than the market price at the date of grant. Using the graded vesting method, a total of $97,107 of share-based payment was recorded to date. On August 30, 2012, these options were forfeited unexercised.

7 SHARE CAPITAL (cont'd…)

e) Stock Options (cont'd...)

On February 4, 2011, 210,000 incentive stock options were granted to a consultant vesting immediately at $0.45 per share on or before February 4, 2016. On February 1, 2011, the Company entered into a consulting agreement with the consultant for corporate consulting service for a period of three years for $7,500 per month. In addition to the cash payment, the stock options granted were part of the compensation package. Therefore, the Company recorded a total fair value of $75,482 as deferred share-based payment and will amortize this amount over the term of the agreement. As of June 30, 2012, the Company expensed $41,934 of share-based payment. The exercise price is greater than the market price at the date of grant.

On April 18, 2011, 100,000 incentive stock options were granted to a consultant, exercisable at $1.04 per share on or before April 18, 2013, with 25% vesting every 8 months. The exercise price is greater than the market price at the date of grant. Using the graded vesting method, a total of $18,575 of share-based payment was recorded to date.

On June 13, 2011, 250,000 incentive stock options were granted to a consultant, exercisable at $0.60 per share on or before June 13, 2013, with 25% vesting every 8 months. The exercise price is greater than the market price at the date of grant. Using the graded vesting method, a total of $42,186 of share-based payment was recorded to date.

On July 25, 2011, 150,000 incentive stock options were granted to an officer, exercisable at $0.84 per share on or before July 25, 2016, 100% vesting immediately. A total of $99,049 of share-based payment was recorded during the year ended June 30, 2012 for these options.

On January 1, 2012, the Company engaged a consultant to perform investor relations services. The Company granted the consultant 150,000 options, exercisable at $0.47 per share on or before January 1, 2014, with 8.33% vesting each month. The investor relation agreement was terminated on May 1, 2012 and the entire 150,000 options were forfeited on June 1, 2012. A total of $17,266 of share-based payment was recorded during the year ended June 30, 2012 for these options.

On January 30, 2012, the Company granted stock options, exercisable to purchase up to an aggregate of 2,000,000 shares of the Company, to directors and consultants of the Company. The options are all exercisable at the price of $0.57 per share until January 30, 2017. All options were vested immediately at grant date. A total of $947,925 of share-based payment was recorded during the year ended June 30, 2012 for these options.

On March 16, 2012, 400,000 incentive stock options were granted to an officer, exercisable at $0.54 per share on or before March 16, 2017, 100% vesting immediately. A total of $183,445 of share-based payment was recorded during the year ended June 30, 2012 for these options.

7 SHARE CAPITAL (cont'd…)

e) Stock Options (cont'd...)

On September 1, 2012, 200,000 incentive stock options were granted to a consultant, exercisable at $0.45 per share on or before September 1, 2014, with 25% vesting every 3 months. The exercise price is greater than the market price at the date of grant. Using the graded vesting method, a total of $16,912 of share-based payment was recorded to date.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

The continuity of stock options for the period ended September 30, 2012 is as follows:

	Number of Options Outstanding	Weighted Average Exercise Price ($)
Balance, June 30, 2011	2,500,000	0.46
Granted, exercisable on or before July 25, 2016	150,000	0.84
Granted, exercisable on or before January 1,2014	150,000	0.47
Granted, exercisable on or before January 30,2017	2,000,000	0.57
Granted, exercisable on or before March 16,2017	400,000	0.54
Forfeited	(150,000)	0.47
Balance, June 30, 2012	**5,050,000**	**0.52**
Granted, exercisable on or before September 1, 2014	200,000	0.45
Forfeited	(200,000)	0.45
Balance September 30, 2012	**5,050,000**	**0.52**

7 SHARE CAPITAL (cont'd…)

e) Stock Options (cont'd...)

The options outstanding and exercisable at September 30, 2012, are as follows:

Outstanding Options			Exercisable Options		
Number Outstanding	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)	Number Outstanding	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)
350,000	0.25	0.79	350,000	0.25	0.79
300,000	0.25	3.13	300,000	0.25	3.13
1,050,000	0.45	3.35	1,050,000	0.45	3.35
250,000	0.69	3.41	250,000	0.69	3.41
100,000	1.04	0.55	75,000	1.04	0.55
250,000	0.60	0.70	125,000	0.60	0.70
150,000	0.84	3.82	150,000	0.84	3.82
2,000,000	0.57	4.34	2,000,000	0.57	4.34
400,000	0.54	4.46	400,000	0.54	4.46
200,000	0.45	1.92	50,000	0.45	1.92
5,050,000	0.52	3.41	4,750,000	0.52	3.54

The fair value of share options awarded to officers, directors and consultants was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions:

	2012	2011
Risk-free interest rate (%)	1.07-1.15	1.03-1.74
Expected dividend yield (%)	-	-
Expected stock price volatility (%)	104.57-125.24	121.91-141.76
Expected life (years)	2	3-5
Weighted average grant date fair value ($)	0.21	0.48

f) Warrants

The continuity of warrants for the period ended September 30, 2012 is as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, June 30, 2011	20,588,691	0.62
Exercised	(10,678,411)	0.43
Expired	(2,631,681)	0.11
Balance June 30, 2012	**7,278,599**	**0.96**
Expired	(7,278,599)	0.96
Balance September 30, 2012	**-**	**-**

8. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities which they have control or significant influence were as follows:

		Three Months Ended September 30,	
Services provided by:	**Notes**	**2012**	**2011**
Lawrence Dick	(a)	$ 30,000	$ 30,000
Brian Bapty	(b)	37,750	-
Primarius Capital Corp.	(c)	30,000	30,000
Baron Global Financial Canada Ltd.	(d)	34,680	30,000
St. Cloud Mining Services Inc.	(e)	30,000	30,000

(a) Lawrence Dick, the CEO of the Company provided management services throughout the year.
(b) Brian Bapty, the President of the Company received management salaries for the year.
(c) Primarius Capital Corp. is a privately held corporation controlled by a director, which provides consulting services to the Company.
(d) Pursuant to a management and advisory agreement with Baron Global Financial Canada Ltd. (“Baron”), Baron agreed to act as corporate advisor and Chief Financial Officer of the Company in return for a monthly fee. During the period, the Company paid $30,000 in management fees and $4,680 in geological consulting fees to Baron.
(e) St. Cloud Mining Services Inc. is a privately held corporation controlled by a director of Magna, who provided consulting services to the Company.

Related party payables:

	September 30, 2012	June 30, 2012
Lawrence Dick	$ 2,032	$ 926
Brian Bapty	9,106	18,082
Baron Global Financial Canada Ltd.	1,590	2,563
Kenneth Holmes	373	-

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the period ended September 30 2012 and 2011 were as follows:

	Three Months Ended September 30	
	2012	**2011**
Net Loss	(393,799)	(435,162)
Weighted average number of common shares outstanding	55,128,532	44,732,048
	(0.01)	(0.01)

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS:

Supplementary disclosure of non-cash investing and financing activities during the period ended September 30, 2012 and 2011, were as follows:

	Three Months Ended September 30,	
	2012	**2011**
Mineral property expenditures included within accounts payable	$ 491,458	$ 780,304

11. COMMITMENTS

On February 1, 2011, the Company entered into a consulting agreement with a third party to provide corporate communication services. The term of the agreement will be for 36 months expiring on February 28, 2014 and the consultant will be paid a monthly fee of $7,500. Approved by the board of the directors on July 1, 2011, the monthly fee increased to $10,000.

On February 1, 2011, the Company entered into a consulting agreement with a third party to provide business consulting services. The consultant will be paid a monthly fee of $7,500. Approved by the board of the directors on July 1, 2011, the monthly fee increased to $10,000.

On February 1, 2011, the Company entered into a consulting agreement with a third party to provide corporate communications services. The consultant was paid a monthly fee of $4,000. The agreement expired on July 31, 2012. A new agreement was signed on September 1, 2012. The agreement has a term of 12 months and may be renewed. The consultant was paid a monthly fee of $2,500 per month under the new agreement.

On May 15, 2011, the Company entered into a consulting agreement with a third party to provide corporate communications services for $15,000 per month. The term of the agreement was for 6 months but has been continued on a month to month basis.

12. FINANCIAL INSTRUMENTS

(a) 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 – measurement based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;

12. FINANCIAL INSTRUMENTS (cont'd…)

Level 2 – measurement based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability; or

Level 3 – measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statements of financial position are as follows:

	Fair Value Measurements Using		
As at September 30, 2012	**Quoted prices in active markets for identical instruments (Level 1) $**	**Significant other observable inputs (Level 2) $**	**Significant unobservable inputs Level 3 $**
Cash and cash equivalents	$ 194,006	$ -	$ -
Short term investment	$ 7,098,290	$ -	$ -
Total	$ 7,292,296	$ -	$ -

	Fair Value Measurements Using		
As at June 30, 2012	**Quoted prices in active markets for identical instruments (Level 1) $**	**Significant other observable inputs (Level 2) $**	**Significant unobservable inputs Level 3 $**
Cash and cash equivalents	$ 96,899	$ -	$ -
Short term investment	$ 8,962,775	$ -	$ -
Total	$ 9,059,674	$ -	$ -

The fair values of other financial instruments, which include loan receivable, current assets held for sale, accounts payable and accruals, current liabilities held for sale, and premium on flow-through shares, approximate their carrying values due to the relatively short-term maturity of these instruments.

12. FINANCIAL INSTRUMENTS (cont'd…)

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The functional currency of the Company's subsidiary American Potash is the US dollar. At September 30, 2012, the assets and liabilities of the American Potash subsidiary have been converted at the year-end exchange rate.

At September 30, 2012, June 30, 2012 the US dollar denominated assets and liabilities of the Company's subsidiary American Potash are as follows:

		September 30, 2012		June 30, 2012
		US$		US$
Monetary assets				
Cash and cash equivalents		(4,731)	$	21,965
		(4,731)	$	21,965
Monetary liabilities				
Accounts payable and accruals	$	32,348	$	79,777
	$	32,348	$	79,777

The following table discusses the Company's sensitivity to a 10% increase or decrease in the Canadian dollar against the US dollar denominated assets and liabilities above. The sensitivity analysis measures the effect from recalculation of these items as at the balance sheet date by using adjusted foreign exchange rates.

September 30, 2012		CDN appreciation by 10%		CDN depreciation by 10%
Increase (decrease) comprehensive Income	$	3,646	$	(3,646)

June 30, 2012		CDN appreciation by 10%		CDN dereciation by 10%
Increase (decrease) comprehensive Income	$	5,892	$	(5,892)

12. FINANCIAL INSTRUMENTS (cont'd…)

(d) Liquidity Risk

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
	$	$	$	$	$
September 30, 2012					
Payables	568,970	-	-	-	568,970
June 30, 2012					
Payables	513,000	1,391	-	-	514,391

(e) 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.

(f) Interest Rate Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest bearing assets in relation to cash at banks carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal. As at September 30, 2012, the Company and its subsidiaries have in total $7,098,290 (June 30, 2012: $8,962,775) in guaranteed investment certificates.

The policies to manage interest rate risk have been followed by the Company during prior periods and are considered to be effective.

13. 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.

14. SEGMENTAL INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets. Geographical information of the Company's capital assets comprising exploration properties and equipment is as follows:

	September 30, 2012	June 30, 2012
Mineral properties		
- Canada	$ 8,145,921	$ 6,986,492
- United States	1,729,390	1,719,642
	$ 9,875,311	$ 8,706,134

15. EVENTS AFTER THE REPORTING YEAR

On November 13, 2012, the Company issued 150,000 shares at a fair value of $0.31 per share and paid $75,000 for the Newman Todd project. See Note 5 for details.

16. COMPARATIVE INFORMATION

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