

KOBEX MINERALS INC.  
Form 20-F  
April 06, 2010

---

[1]

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR  
(g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR  
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For fiscal year ended December 31, 2009

OR  
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_ to \_\_\_\_

OR  
☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report:

Commission file number: 001-32558

KOBEX MINERALS INC.  
(Exact name of Registrant as specified in its charter)

Province of British Columbia, Canada  
(Jurisdiction of incorporation or organization)

1700 - 700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8  
(Address of principal executive offices)

Samuel Yik  
1700 - 700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8  
Tel: (604) 688-9368

E-mail: investor@kobexminerals.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Shares, no par value  
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of the close of the period covered by the annual report: 45,967,077 common shares as at December 31, 2009

---

[2]

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐

International Reporting Standards as issued by the International Accounting Standards Board ☐

Other ☒

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ☒

Item 18 ☐

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

[3]

## TABLE OF CONTENTS

<u>General Information</u>	4
<u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	4
<u>CAUTIONARY NOTE TO U.S. INVESTORS REGARDING RESERVE AND RESOURCE ESTIMATES</u>	6
<u>GLOSSARY</u>	7
<u>CURRENCY AND EXCHANGE RATES</u>	8
<u>PART I</u>	9
<u>Item 1. Identity of Directors, Senior Management and Advisors</u>	9
<u>Item 2. Offer Statistics and Expected Timetable</u>	9
<u>Item 3. Key Information</u>	9
<u>Item 4. Information on the Company</u>	24
<u>Item 4A. UNRESOLVED STAFF COMMENTS</u>	41
<u>Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	41
<u>Item 6. Directors, Senior Management and Employees</u>	47
<u>Item 7. Major Shareholders and Related Party Transactions</u>	68
<u>Item 8. Financial Information</u>	71
<u>Item 9. The Offer and Listing</u>	73
<u>Item 10. Additional Information</u>	75
<u>Item 11. Quantitative and Qualitative Disclosures About Market Risk</u>	94
<u>Item 12. Description of Securities Other than Equity Securities</u>	94
<u>PART II</u>	95
<u>Item 13. Defaults, Dividend Arrearages and Delinquencies</u>	95
<u>Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	95
<u>Item 15. Controls and Procedures</u>	95
<u>Item 16. [Reserved]</u>	96
<u>Item 16A. Audit Committee Financial Expert</u>	96
<u>Item 16B. Code of Ethics</u>	96
<u>Item 16C. Principal Accountant Fees and Services</u>	98
<u>Item 16D. Exemptions from the Listing Standards for Audit Committees</u>	98
<u>Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Persons</u>	98
<u>Item 16F. Change in Registrant's Certifying Accountant</u>	99
<u>Item 16G. Corporate Governance</u>	99
<u>PART III</u>	100
<u>PART III</u>	100
<u>Item 17. Financial Statements</u>	100
<u>Item 18. Financial Statements</u>	100
<u>Item 19. Exhibits</u>	100

Table of Contents

[4]

GENERAL INFORMATION

All references in this annual report on Form 20-F to the terms “we”, “our”, “us”, “the Company” and “Kobex” refer to Kobex Minerals Inc.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this annual report and the documents attached as exhibits to this annual report constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Kobex Minerals Inc., or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are statements that are not historical facts, and include, but are not limited to, statements about expected completion dates of acquisitions/transactions, feasibility studies, anticipated commencement dates of mining or metal production operations, projected quantities of future metal production and anticipated production rates, operating efficiencies, costs and expenditures, business development efforts, the need for additional capital and the Company’s production capacity are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Information relating to the magnitude or quality of mineral deposits is deemed to be forward-looking information. Forward-looking statements generally, but not always, are identified by the words “expects,” “anticipates,” “believes,” “intends,” “estimates,” “projects”, “potential”, “possible” and expressions, or that events or conditions “will,” “may,” “could” or “should” occur.

The forward-looking statements in this annual report are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond our control, including without limitation:

risks related to the title to the Company’s mineral properties;

risks related to the Company’s history of losses and lack of revenues;

risks related to the Company’s lack of production history;

risks related to the Company’s exploration activities;

risks related to the Company raising capital through additional equity financing or joint venture arrangements;

risks related to joint ventures and other partnerships;

risks related to exploration, development and mining activities;

risks related to fluctuations in metal prices;

risks related to potential litigation;

risks related to potential community actions;.

risks related to mineral resources are estimates;

risks related to differences in United States and Canadian reporting of reserves and resources;

risks related to permits and licenses for the Company's properties;

risks related to the global economy;

risks related to political and economic instability in foreign countries where the Company holds properties;

risks related to foreign currency fluctuations;

risks related to environmental laws;

risks related to unexpected delays in the Company's plan of operation;

risks related to volume and price fluctuations in the Company's common shares;

---

Table of Contents

[5]

risks related to the Company not insuring against all risks;

risks related to the Company's key personnel;

risks related to the Company's dependence on third parties;

risks related to the Company's officers and directors having potential conflicts of interest;

risks related to government regulation;

risks related to competition within the mining industry;

risks related to the Company's common stock;

risks related to the enforceability of judgments in the United States;

risks related to the Company's status as a foreign issuer;

risks related to increased costs of the Company being a public company; and

risks related to the Company's likely status as a passive foreign investment company.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the section heading "Item 3. Key Information – D. Risk Factors" below. If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Forward-looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements. Investors should consult our quarterly and annual filings with Canadian and U.S. securities commissions for additional information on risks and uncertainties relating to forward-looking statements. We do not assume responsibility for the accuracy and completeness of these statements.

Forward-looking statements are based on our beliefs, opinions and expectations at the time they are made, and we do not assume any obligation to update our forward-looking statements if those beliefs, opinions, or expectations, or other circumstances, should change, except as required by applicable law.

Table of Contents

[6]

CAUTIONARY NOTE TO U.S. INVESTORS REGARDING RESERVE AND RESOURCE ESTIMATES

As used in this annual report, the terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101—Standards of Disclosure for Mineral Projects (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”)—CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. These definitions differ from the definitions in the United States Securities and Exchange Commission (“SEC”) Industry Guide 7 (“SEC Industry Guide 7”) under the Securities Act. Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all, or any part, of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this annual report and the documents incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

---



Table of Contents

[7]

GLOSSARY

The following is a glossary of geological and technical terms used in this annual report:

Alteration	Any physical or chemical change in a rock or mineral subsequent to its formation. Milder and more localized than metamorphism.
Bonanza Group	Geological unit composed of Jurassic volcano sedimentary rocks
Breccia	A rock containing generally angular fragments of itself or some other rock.
Epithermal	A mineral deposit consisting of veins and replacement bodies, usually in volcanic or sedimentary rocks, containing precious metals, or, more rarely, base metals. Epithermal deposits form in hydrothermal systems related to volcanic activity and while active can discharge to the surface as hot springs or fumaroles.
Hydrothermal Alteration	Those chemical and mineral changes resulting from the interaction of hot water solutions with pre-existing solid mineral phases.
Island Plutonic Suite	Geological unit composed of Jurassic intrusive rocks
Intrusive Rock	A body of rock, that while fluid, penetrated into or between other rocks, but solidified before reaching the surface.
Jurassic	The second period of the Mesozoic era thought to have covered the span of time between 190 and 135 million years ago.
km	Kilometer
m	Metre
Porphyry	An igneous rock containing mineral crystals that are visibly larger than other crystals of the same or different composition.
ppm	parts per million
Qualified Person	As defined in under Canadian law (National Instrument 43-101 Standards of Disclosure for Mineral Projects) (“NI 43-101”) an individual who (a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project and the technical report; and (c) is a member in good standing of a professional association.

Edgar Filing: KOBEX MINERALS INC. - Form 20-F

Sedimentary Rocks	Descriptive term for a rock formed of sediment, namely solid material both mineral and organic, deposited from suspension in a liquid.
Veins	An occurrence of minerals, having been intruded into another rock, forming tabular shaped bodies.
Au	Gold
Cu	Copper
Mo	Molybdenum
Re	Rhenium

---

Table of Contents

[8]

## CURRENCY AND EXCHANGE RATES

## Canadian Dollars Per U.S. Dollar

Unless otherwise indicated, all references in this annual report are to Canadian dollars.

The following table sets out the exchange rates for one United States dollar ("US\$") expressed in terms of one Canadian dollar ("Cdn\$") in effect at the end of the following periods, and the average exchange rates (based on the average of the exchange rates on the last day of each month in such periods) and the range of high and low exchange rates for such periods.

	Canadian Dollars Per U.S. Dollars					
	2009	2008	2007	2006	2005	2004
Average for the period	0.8760	0.9441	0.9348	0.8820	0.8259	0.7697
Low for the period	0.9755	1.0289	1.0905	0.9099	0.8690	0.8493

  

	For the Month of					
	February 2010	January 2010	December 2009	November 2009	October 2009	September 2009
High for the period	0.9283	0.9350	0.9304	0.9234	0.9123	0.9007
Low for the period	0.9642	0.9780	0.9647	0.9590	0.9755	0.9442

Exchange rates are based on the Bank of Canada nominal noon exchange rates. The nominal noon exchange rate on March 26, 2010 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was US\$1.00 = Cdn\$1.0285

Table of Contents

[9]

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS.

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. KEY INFORMATION.

A. Selected Financial Data

The selected financial data and the information in the following table of the Company for the years ended December 31, 2009, 2008, and 2007 was derived from the audited consolidated financial statements of the Company. The audited consolidated financial statements for the years ended December 31, 2008 and 2007 have been audited by PricewaterhouseCoopers LLP, independent Chartered Accountants, as indicated in their report which is included elsewhere in this annual report. The consolidated financials for the year ended December 31, 2009 have been audited by KPMG LLP, independent Chartered Accountants, as indicated in their report which is included elsewhere in this annual report. The selected financial data set forth and the information in the following table for the year ended December 31, 2005 is derived from the Company's audited consolidated financial statements after reflecting the carve out of Golden Arrow Resources Corporation not included herein.

The information in the following table should be read in conjunction with the information appearing under the heading "Item 5. Operating and Financial Review and Prospects" and the audited consolidated financial statements under the heading "Item 17. Financial Statements".

The following table of selected financial data has been derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Reference is made to Note 13 of the audited consolidated financial statements of the Company for the years ended December 31, 2009, 2008 and 2007 included herein for a discussion of the material measurement differences between Canadian GAAP and United States Generally Accepted Accounting Principles ("U.S. GAAP"), and their effect on the Company's financial statements.

To date, the Company has not generated sufficient cashflow from operations to fund ongoing operational requirements and cash commitments. The Company has financed its operations principally through the sale of its equity securities. The Company considers that it has adequate resources to meet its commitments. The funds on hand will allow the company to acquire viable advance stage exploration assets. The Company may need to obtain additional financing or joint venture partners in order to initiate any such programs. See "Item 5. Operating and Financial Review and Prospects".

Table of Contents

[10]

Canadian Generally Accepted Accounting Principles (Cdn\$ in 000, except per share data)

	2009	2008	Restated 2007	Restated 2006	Restated 2005
Revenue	-	-	-	-	-
General Corporate Expenditures	(2,973 )	(1,848 )	(2,202 )	(3,765 )	(6,672 )
Exploration Expenditures	(165 )	(1,930 )	(100 )(a)	(4,678 )(a)	(7,081 )
Foreign Exchange Gain (Loss)	(86 )	(15 )	(8 )	(3 )	233
Interest and Miscellaneous Income	394	863	675	373	150
Provision for Marketable Securities		(475 )	-	-	-
Gain on sale of marketable securities	12	-	-	-	-
Loss from Equity Investment	(273 )	(68 )	-	-	-
Gain on held-for-trading investment	432	(118 )	-	-	-
Termination Benefit	(1,032 )	(711 )	-	-	-
Navidad recovery	-	-	18,314	-	-
Income tax recovery	527	-	-	-	-
Net Income (Loss) for the Year	(3,164 )	(4,302 )	16,679	(8,073 )	(13,370 )
Income (Loss) per Share from Continuing Operations (b)	(0.11 )	(0.20 )	0.77	(0.38 )	(0.70 )
Income (Loss) per Share -Basic and Diluted (b)	(0.11 )	(0.20 )	0.77	(0.38 )	(0.70 )
Weighted Average Number of Shares Outstanding (b)	27,958	21,722	21,708	21,360	19,249
Working Capital	46,018	21,568	7,314	8,855	7,489
Marketable Securities	5,001	-	-	-	186
Capital Assets	-	-	-	-	-
Navidad Interest	-	-	18,500	186	-
Termination Benefit	-	(712 )	-	-	-
Total Assets	46,260	22,685	26,124	9,483	8,466
Net Assets - Shareholder's Equity	46,046	21,780	26,019	9,246	7,489

(a) The 2007 and 2006 General Exploration balance includes Navidad holding costs which are comprised of:

- i) costs incurred in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline;
- ii) costs incurred in the period between the date of the judgment and the transfer of control of the Navidad project to Aquiline

(b) The per share amounts and weighted average number of share outstanding have all been restated to reflect the 2.4 for 1 share consolidation on September 30, 2009.

(c) During the year ended December 31, 2008, the Company retrospectively changed its accounting policy for exploration expenditures to more appropriately align itself with policies applied by other comparable companies at a similar stage in the mining industry. Prior to the year ended December 31, 2008, the Company capitalized all such costs to mineral properties held directly or through an investment and only wrote down capitalized costs when

the property was abandoned or if the capitalized costs were not considered to be economically recoverable. Exploration expenditures are now charged to earnings as they are incurred until the property reaches development stage. All direct costs related to the acquisition of resource property interests will continue to be capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

---

Table of Contents

[11]

	2009	2008	Restated 2007	Restated 2006	Restated 2005
Consolidated statements of cash flows					
Operating Activities					
Cash generated (used) per Canadian and US GAAP	\$(3,868 )	\$953	\$(1,954 )	\$(8,277 )	\$(10,875 )
Investing Activities					
Cash generated (used) per Canadian and US GAAP	\$23,329	\$(1,500 )	\$-	\$(920 )	\$(3,233 )
Financing activities					
Cash provided per Canadian and US GAAP	-	-	\$60	\$9,437	\$13,478

Adjusted to United States Generally Accepted Accounting Principles

Under U.S. GAAP the following financial information would be adjusted from Canadian GAAP (references are made to Note 13 of the accompanying consolidated audited financial statements):

(Cdn\$ in 000, except per share data)

	2009	2008	Restated 2007	Restated 2006	Restated 2005
Consolidated Statement of Operations					
Income (loss) for the year under CDN GAAP	\$(3,163 )	\$(4,302 )	\$16,679	\$(8,073 )	\$(13,370 )
Income tax recovery	(527 )	-	-	-	-
Income (loss) for the year under US GAAP	(3,690 )	(4,302 )	16,679	(8,073 )	(13,370 )
Unrealized (loss) gains on available-for-sale securities	-	-	-	(3 )	-
Reversal of income tax recovery	527	-	-	-	-
Comprehensive income (loss) for the year under US GAAP	\$(3,163 )	\$(4,302 )	\$16,679	\$(8,076 )	\$(13,370 )
Income (loss) per share under US GAAP	\$(0.13 )	(0.20 )	0.77	(0.38 )	(0.70 )
Diluted Income (loss) per share under US GAAP	\$(0.11 )	(0.20 )	0.77	(0.38 )	(0.70 )
Shareholders' Equity					
Balance per Canadian GAAP	\$46,046	\$21,780	\$26,019	\$9,246	\$7,489
Adjustment to retained earnings related to income taxes	(527 )	-	-	-	-
Adjustment to accumulated other comprehensive income	527	-	-	81	84

Balance per US GAAP	\$46,046	\$21,780	\$26,019	\$9,327	\$7,573
---------------------	----------	----------	----------	---------	---------

---



Table of Contents

[12]

	2009	2008	2007	2006	2005
Mineral Properties/Navidad Interest					
Balance per Canadian GAAP	-	-	18,500	186	-
Fair value	-	-	-	81	-
Balance per US GAAP	-	-	18,500	267	-

See Note 13 of the Company's consolidated financial statements.

## Exchange Rate History

See the disclosure under the heading "Currency and Exchange Rates" above.

## Recently Issued US GAAP Accounting Standards

## United States Pronouncements

In December 2007, the FASB issued a standard on accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The standard is substantially converged with standards issued by the AcSB and IASB on this subject. This statement specifies that non-controlling interests are to be treated as a separate component of equity, not as a liability or other item outside of equity. Because non-controlling interests are an element of equity, increases and decreases in the parent's ownership interest that leave control intact are accounted for as capital transactions rather than as a step acquisition or dilution gains or losses. The carrying amount of the non-controlling interests is adjusted to reflect the change in ownership interests, and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to the controlling interest.

This standard requires net income and comprehensive income to be displayed for both the controlling and the non-controlling interests. Additional required disclosures and reconciliations include a separate schedule that shows the effects of any transactions with the non-controlling interests on the equity attributable to the controlling interest.

The statement is effective for periods beginning on or after December 15, 2008, and will be applied prospectively to all non-controlling interests, including any that arose before the effective date. The adoption of this interpretation did not have an effect on the Company's results of operations or financial position.

In December 2007, the FASB issued a revised standard on accounting for business combinations. The major changes to accounting for business combinations are summarized as follows:

all business acquisitions would be measured at fair value.

the existing definition of a business would be expanded.

pre-acquisition contingencies would be measured at fair value.

most acquisition-related costs would be recognized as expense as incurred (they would no longer be part of the purchase consideration).

obligations for contingent consideration would be measured and recognized at fair value at acquisition date (would no longer need to wait until contingency is settled).

liabilities associated with restructuring or exit activities be recognized only if they meet the recognition criteria of SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities, as of the acquisition date.

non-controlling interests would be measured at fair value at the date of acquisition (i.e. 100% of the assets and liabilities would be measured at fair value even when an acquisition is less than 100%).

goodwill, if any, arising on a business combination reflects the excess of the fair value of the acquiree, as a whole, over the net amount of the recognized identifiable assets acquired and liabilities assumed. Goodwill is allocated to the acquirer and the non-controlling interest.

in accounting for business combinations achieved in stages, commonly called step acquisitions, the acquirer is to re-measure its pre-existing non-controlling equity investment in the acquiree at fair value as of the acquisition date and recognize any unrealized gain or loss in income.

---

## Table of Contents

[13]

The statement is effective for periods beginning on or after December 15, 2008.

### Equity Method Investment Accounting Considerations

In November 2008, FASB Task Force clarified the accounting for certain transactions and impairment considerations involving equity method investments. Topics related to equity method investments include the initial carrying value of an equity method investment, impairment assessment of investees intangibles and an equity investee's issuance of shares. EITF 08-6 is effective for fiscal years beginning on or after December 15, 2008. The Company is currently evaluating the impact of EITF 08-6 on the Company's consolidated financial statements.

### Canadian Pronouncements

#### Goodwill and Intangible Assets

CICA Handbook Section 3064, Goodwill and Intangible Assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period. On January 1, 2009, the Company adopted these changes, with no impact on its consolidated financial statements.

#### Credit Risk and Fair Value of Financial Assets and Liabilities

In January 2009, the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments.

This standard is effective for our fiscal year beginning January 1, 2009. Adoption of this EIC did not have a significant effect on the Company's financial statements for the year ended December 31, 2009.

#### Mining Exploration Costs

In March 2009, the CICA issued EIC-174, Mining Exploration Costs. The EIC provides guidance on the accounting and the impairment review of exploration costs. This standard is effective for our fiscal year beginning January 1, 2009. The application of this EIC did not have an effect on the Company's financial statements for the year ended December 31, 2009.

#### General Standard of Financial Statement Presentation

The Company implemented this section which required the Company to include management's assessment and disclosure of an entity's ability to continue as a going concern.

#### Future Accounting Standards

#### Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidations, and Section 1602, Non-controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements and establish a new

section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

---

## Table of Contents

[14]

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is substantially equivalent to the corresponding provisions of IFRS International Accounting Standards (“IAS”) 27, Consolidated and Separate Financial Statements (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.

All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections as it has not adopted yet.

### International Financial Reporting Standards (“IFRS”)

The Company has been monitoring the deliberations and progress being made by accounting standard setting bodies and securities regulators in Canada and United States with respect to their plans regarding convergence to International Financial Reporting Standards (“IFRS”):

In February 2008, the Canadian Accounting Standards Board confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption may be permitted; however, exemptive relief requires approval of the Canadian Securities Administrators.

In August 2008, the Securities and Exchange Commission of the United States announced that it would seek public comments on a proposed roadmap for the potential mandatory adoption of IFRS beginning in 2014 for large accelerated filers, accelerated filers in 2015 and then remaining public companies in 2016.

In preparation for the changeover from GAAP to IFRS, the Company has commenced the planning process during the second quarter of 2009. Specific initiatives are underway and others have been planned for the transitioning from GAAP to IFRS. Current status of the project is as follows:

### Resources

The Company retained the service of PricewaterhouseCoopers to provide technical and process management assistance for the project.

The Company will continue to invest in training and resources to ensure a timely and effective conversion.

### Process

A diagnostic assessment of the key impact areas has been completed.

A detailed assessment of accounting and measurement differences between IFRS and Canadian GAAP on current accounting policies, as well as new policies anticipated to be implemented as we transition to a producer, is currently underway.

Initial findings and observations from the work completed to date will serve as an input in establishing the key parameters to develop solutions during the design phase of the project.

A high-level impact assessment of IFRS conversion on our IT systems and tax processes is underway.

Our audit committee is monitoring our progress and is kept informed of issues identified.

Our external auditor is advised of the progress status and issues identified.

The Company anticipates that there will be changes in accounting policies and these changes may materially impact our financial statements.

---

Table of Contents

[15]

In addition to the above, reference should be made to the recent accounting pronouncements in Canada and in United States that are described in Note 13 of the Company's consolidated financial statements for the years ended December 31, 2009, 2008 and 2007.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Due to the nature of the Company's business and the present stage of exploration on its mineral resource properties, the following risk factors apply to the Company's operations (see "Item 4. Information on the Company – History and Development of the Company"):

The title to mineral claims is often uncertain and there may be challenges or problems to the Company's title to its mineral properties.

The Company has under option mineral claims which constitute the Company's property holdings. The ownership and validity of mining claims are often uncertain and may be contested.

The Company does not obtain title insurance for its property interests. The possibility exists that title to one or more of its concessions, particularly title to undeveloped claims, might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in locating or maintaining such claims, or concessions.

The Company's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. Surveys have not been carried out on any of the Company's mineral properties, therefore, in accordance with the laws of the jurisdiction in which such properties are situated; their existence and area could be in doubt. Until competing interests in the mineral lands have been determined, the Company can give no assurance as to the validity of title of the Company to those lands or the size of such mineral lands.

If the Company, or the person or entity from which the Company has obtained an option for property interests, does not have proper title to its property interests, the Company may incur significant expenses defending or acquiring proper title and/or may have to abandon such interests, which may result in significant losses for the Company and could result in the Company having to cease all of its activities.

The Company has a history of losses and has not generated any revenues from operations.

The Company has historically incurred losses as evidenced by its audited consolidated financial statements for the years ended December 31, 2009, 2008 and 2007 (outside of net income in the fiscal year ended December 31, 2007 due primarily to the Navidad recovery). The Company has financed its operations principally through the sale of its equity securities. The Company does not anticipate that it will earn any revenue from its operations until its properties are placed into production, if ever. If the Company is unable to place its properties into production, the

Company may never realize revenues from operations, will continue to incur losses and you may lose the value of your investment.

---



Table of Contents

[16]

The Company has no history of production and may never achieve revenues or profitability.

The Company's properties are not in commercial production, and the Company has never recorded any revenues from mining operations. The Company expects to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of mining operations on its properties will require the commitment of substantial resources for operating expenses and capital expenditures, which may increase in subsequent years as needed consultants, personnel and equipment associated with advancing development and commercial production of its properties is added. The amounts and timing of expenditures will depend on the progress of ongoing development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the acquisition of additional properties, and other factors, many of which are beyond its control. The Company may not generate any revenues or achieve profitability.

The Company's exploration activities may not be commercially successful.

The Company's property interests are in the exploration stage and do not contain any "reserves", as that term is defined in SEC Industry Guide 7. The term "reserves" is defined in SEC Industry Guide 7 as "that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination."

Mineral exploration involves significant risk and few properties that are explored are ultimately developed into producing mines. The probability of an individual prospect ever having reserves that meet the requirements of SEC Industry Guide 7 is extremely remote. The Company's property interests, in all probability, do not contain any reserves and any funds spent on exploration of the Company's property interests will probably be lost.

The success of mineral exploration and development is determined in part by the following factors:

- the identification of potential mineralization based on analysis;
- the availability of exploration permits;
- the quality of the Company's management and its geological and technical expertise; and
- the capital available for exploration.

Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which fluctuate widely; and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection.

If any of the Company's exploration programs are successful, the Company will require additional funds to advance the property beyond the exploration stage. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. If the Company is unable to secure additional funding, the Company may lose its interest in one or more of its mineral claims and/or may be required to cease all activities.

The Company seeks additional capital through equity financings or joint venture arrangements.

The Company presently has sufficient financial resources to meet its commitments. The Company will continue to rely on successfully completing additional equity financing and/or conducting joint venture arrangements to further

exploration on its properties. There can be no assurance that the Company will be successful in obtaining the required financing or negotiating joint venture agreements. The Company's management may elect to acquire new projects, at which time additional equity financing may be required to fund overhead and maintain its interests in current projects, or may decide to relinquish certain of its properties. These decisions will be based on the results of ongoing exploration programs and the response of equity markets to the projects and business plan. The failure to obtain such financing or complete joint venture arrangements could result in the loss or substantial dilution of the Company's interests (as existing or as proposed to be acquired) in its properties as disclosed herein. The Company does not have any definitive commitment or agreement concerning any investment, strategic alliance or related effort.

---

Table of Contents

[17]

Joint ventures and other partnerships in relation to the Company's properties may expose the Company to risks.

The Company may seek joint venture partners to provide funding for further work on any or all of those other properties. Joint ventures may involve significant risks and the Company may lose any investment it makes in a joint venture. Any investments, strategic alliances or related efforts are accompanied by risks such as:

- the difficulty of identifying appropriate joint venture partners or opportunities;
- the time the Company's senior management must spend negotiating agreements and monitoring joint venture activities;
- the possibility that the Company may not be able to reach agreement on definitive agreements, with potential joint venture partners;
- potential regulatory issues applicable to the mineral exploration business;
- the investment of the Company's capital or properties and the loss of control over the return of the Company's capital or assets;
- the inability of management to capitalize on the growth opportunities presented by joint ventures; and
- the insolvency of any joint venture partner.

There are no assurances that the Company would be successful in overcoming these risks or any other problems encountered with joint ventures, strategic alliances or related efforts.

Exploration, development and mining involve a high degree of risk.

Mineral exploration is highly speculative in nature, involves many risks and frequently is nonproductive. There can be no assurance that the Company's efforts to identify resources will be successful. Moreover, substantial expenditures are required to establish resources through drilling, to determine metallurgical processes to extract the metal from the ore and to construct mining and processing facilities. During the time required to establish resources, determine suitable metallurgical processes and construct such mining and processing facilities, the economic feasibility of production may change because of fluctuating prices.

The Company's operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of base or precious metals, including, without limitation, encountering unusual or unexpected geologic formations or other geological or grade problems, unanticipated changes in metallurgical characteristics and metal recovery, periodic interruptions due to inclement or hazardous weather condition, seismic activity, rock bursts, pit-wall failures, cave-ins, encountering unanticipated ground or water conditions, flooding, fire, and other conditions involved in the drilling, removal of material, environmental hazards, discharge of pollutants or hazardous chemicals, industrial accidents, failure of processing and mining equipment, labour disputes, supply problems and delays and changes in the regulatory environment any of which could result in damage to, or destruction of, mineral properties, mines and other producing facilities, damage to life or property, personal injury or death, loss of key employees, environmental damage, delays in the Company's exploration and development activities, monetary losses and legal liabilities. Satisfying such liabilities may be very costly and could have a material adverse effect on the Company's future cash flow, results of operations and financial condition.

The Company may be adversely affected by fluctuations in metal prices.

The value and price of the common shares of the Company, financial results, and its exploration, development and mining, if any, activities may be significantly adversely affected by declines in the price of metals. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as interest rates, exchange

rates, inflation or deflation, fluctuation in the value of the U.S. dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of mineral producing countries throughout the world. The price for metals can fluctuate in response to many factors beyond anyone's ability to predict. The prices used in making the resource estimates are disclosed and differ from daily prices quoted in the news media. The percentage change in the price of a metal cannot be directly related to the estimated resource quantities, which are affected by a number of additional factors. For example, a 10 percent change in price may have little impact on the estimated resource quantities and affect only the resultant cash flow, or it may result in a significant change in the amount of resources. Because mining occurs over a number of years, it may be prudent to continue mining for some periods during which cash flows are temporarily negative for a variety of reasons, including a belief that the low price is temporary and/or the greater expense incurred in closing a property permanently.

---

Table of Contents

[18]

Litigation may adversely affect the Company's assets.

The Company may be involved in disputes with other parties in the future, which may result in litigation. The results of litigation cannot be predicted with certainty. If the Company is unable to resolve these disputes favorably, it may have a material adverse impact on the Company's financial performance, cash flow and results of operations.

The Company is subject to risks related to community action.

All industries, including the mining industry, are subject to community actions. In recent years, communities and nongovernmental organizations have become more vocal and active with respect to mining activities at or near their communities. These parties may take actions such as road blockades, applications for injunctions seeking work stoppage and lawsuits for damages. These actions can relate not only to current activities but also in respect of decades old mining activities by prior owners of subject mining properties.

Mineral resources and proven and probable reserves are estimates.

Although the mineralized material and resource figures included in this document have been carefully prepared by independent engineers, these amounts are estimates only, and the Company cannot be certain that specific quantities of copper or other minerals will in fact be realized. There are numerous uncertainties inherent in estimating measured, indicated and inferred mineral resources including many factors beyond the Company's control. The estimation of mineral resources is necessarily a subjective process, and the accuracy of any such estimates are a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretations, which may prove to be unreliable and different materially from actual results. Any material change in the quantity of mineralization, grade or stripping ratio, or mineral prices may affect the economic viability of its properties. In addition, the Company cannot be certain that metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Until an unmined deposit is actually mined and processed the quantity of mineral resources and grades must be considered as estimates only.

Differences in United States and Canadian reporting of reserves and resources.

The disclosure in this prospectus, including the documents incorporated herein by reference, uses terms that comply with reporting standards in Canada. In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be used by the Company by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of the measured mineral resources, indicated mineral resources, or inferred mineral resources will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility, pre-feasibility studies or other economic studies, except in rare cases.

Accordingly, information contained in this prospectus and the documents incorporated by reference herein containing descriptions of the Company's mineral deposits may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

The Company will require exploration and mining permits and licenses.

No guarantee can be given that the necessary exploration and mining permits and licenses will be issued to the Company or, if they are issued, that they will be renewed, or that the Company will be in a position to comply with all conditions that are imposed. Nearly all mining projects require government approval. There can be no certainty that these approvals will be granted to the Company in a timely manner, or at all.

---

Table of Contents

[19]

The Company may be subject to risks relating to the global economy.

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, could impede the Company's access to capital or increase the cost of capital. In 2007, 2008 and 2009, the United States credit markets began to experience serious disruption due to deterioration in residential property values, defaults and delinquencies in the residential mortgage market and a decline in the credit quality of mortgage-backed securities. These problems led to a slow-down in residential housing market transactions, declining housing prices, delinquencies in non-mortgage consumer credit and general decline in consumer confidence. These conditions worsened in 2008 and 2009 and are continuing in 2010, causing a loss of confidence in the broader United States and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by the United States and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings.

These unprecedented disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. Access to additional capital may not be available to the Company on terms acceptable to it, or at all. Further, as a result of current global financial conditions, numerous financial institutions have gone into bankruptcy or have been rescued by government authorities. As such, the Company is subject to the risk of loss of its deposits with financial institutions that hold the Company's cash.

The Company's property interests in foreign countries are subject to risks from political and economic instability in those countries.

Exploration in foreign jurisdictions exposes the Company to risks that may not otherwise be experienced if all operations were domestic. The risks include, but are not limited to: military repression, extreme fluctuations in currency exchange rates, labor instability or militancy, mineral title irregularities and high rates of inflation. In addition, changes in mining or investment policies or shifts in political attitude in foreign countries in which we operate may adversely affect our business. We may be affected in varying degrees by government regulation with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. The effect of these factors cannot be accurately predicted. Political risks may adversely affect the Company's existing assets and operations. The Company does not maintain and does not intend to purchase political risk insurance. Real and perceived political risk in some countries may also affect the Company's ability to finance exploration programs and attract joint venture partners, and future mine development opportunities.

Our financial position and results are subject to fluctuations in foreign currency values.

Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction. The Company's operations make it subject to foreign currency fluctuations and such fluctuation may adversely affect the Company's financial position and results. Certain

of the Company's expenses are denominated in U.S. dollars. As such, the Company's principal foreign exchange exposure is related to the conversion of the Canadian dollar into U.S. dollars. The Canadian dollar varies under market conditions. Continued fluctuation of the Canadian dollar against the U.S. dollar will continue to affect the Company's operations and financial position. The Company's foreign subsidiaries comprise a direct and integral extension of the Company's operations. These subsidiaries are also entirely reliant upon the Company to provide financing in order for them to continue their activities. Consequently, the functional currency of these subsidiaries is considered by management to be the Canadian dollar and accordingly exchange gains and losses are included in net income. The Company does not engage in hedging activities. See "Item 5. Operating and Financial Review and Prospects".

---



Table of Contents

[20]

The Company's operations are subject to environmental risks.

All phases of the Company's operations are subject to federal, state and local environmental regulation in the jurisdictions in which the Company operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The Company cannot be certain that future changes in environmental regulation, if any, will not adversely affect its operations. Environmental hazards may exist on the properties on which the Company holds and will hold interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Production, if any, at its mines will involve the use of hazardous materials. Should these materials leak or otherwise be discharged from their containment systems then the Company may become subject to liability for hazards that it may not be insured against or for clean-up work that may not be insured.

The Company's plan of operation for its properties is subject to unexpected delays.

The Company's minerals business will be subject to the risk of unanticipated delays including permitting its contemplated projects. Such delays may be caused by fluctuations in commodity prices, mining risks, difficulty in arranging needed financing, unanticipated permitting requirements or legal obstruction in the permitting process by project opponents. In addition to adding to project capital costs (and possibly operating costs), such delays, if protracted, could result in a write-off of all or a portion of the carrying value of the delayed project.

The Company's common shares may be subject to price and volume fluctuations.

In recent years the securities markets in Canada have experienced a high level of price and volume volatility and the market price of securities of many companies, particularly junior mineral exploration companies, like the Company, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, the per share price of the Company's common shares on the TSX Venture Exchange (the "TSX-V") fluctuated from a high of \$1.17 to a low of \$0.62, and experienced a fluctuation from a high of US\$1.12 to a low of US\$0.48 on the NYSE Amex Equities (formerly the American Stock Exchange), during the 12-month period ending December 31, 2009. There can be no assurance that continual fluctuations in price will not occur.

The Company does not insure against all risks.

The Company maintains certain insurance, however, such insurance is subject to numerous exclusions and limitations. The Company maintains a Total Office Policy in Canadian dollars on its principal offices. Generally, the Total Office Policy provides All Risk Replacement Cost Coverage on office contents, up to \$65,000, with a \$1,000

deductible. In addition, the policy provides Commercial General Liability coverage of up to \$5,000,000 for Third Party Bodily Injury or Property Damage, per occurrence and \$500,000 for Tenants Legal Liability for any one leased premises, with a \$1,000 deductible.

The Company has an Executive and Organization Liability insurance policy for the benefit of directors and officers. The aggregate limit of liability is US\$10 million. The policy is renewable on a yearly basis. The Company also maintains Executive and Organization Liability insurance policies expiring September 15, 2015, for the benefit of its previous directors. The aggregate limit of liability is US\$5 million for the former directors of IMA Explorations Inc. and US\$7 million for the previous directors of Kobex Resources Ltd. and International Barytex Resources Ltd. The policies were obtained as a condition of the Arrangements among the three companies.

---

Table of Contents

[21]

The Company's insurance policies do not insure the Company against all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon the Company's financial condition and results of operations.

The Company is dependent on its key personnel.

The Company is dependent on the services of Alfred Hills, the President and CEO and a director of the Company. The loss of Mr. Hills could have an adverse affect on the Company. All of the Company's officers are employed by the Company. See "Item 6. Directors, Senior Management and Employees - Directors and Senior Management - Conflicts of Interest". The Company does not maintain "key-man" insurance in respect of any of its principals.

The Company is dependent on certain third parties.

The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including: (i) the ability of the Company to acquire properties or projects of merit; (ii) the ability to enter into strategic alliances through a combination of one or more joint ventures, mergers or acquisition transactions; (iii) the ability to discover and produce minerals; (iv) the ability to attract and retain additional key personnel in investor relations, marketing, technical support, and finance; and (v) the ability and the operating resources to develop and maintain the properties held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company. There can be no assurance of success with any or all of these factors on which the Company's operations will depend.

The Company's officers and directors may have potential conflicts of interest.

Several of the Company's directors are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk that the Company may enter into a transaction on terms which could place the Company in a worse position than if no conflict existed. The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interest which they may have in any project or opportunity of the Company. However, each director has a similar obligation to other companies for which such director serves as an officer or director. The Company has no specific internal policy governing conflicts of interest. See "Item 6. Directors, Senior Management and Employees - Directors and Senior Management - Conflicts of Interest".

Government regulation may adversely affect the Company's business and planned operations.

The Company's current activities are subject to various governmental regulations in Canada. In Canada the Company's exploration activities occur on British Columbia Crown Land. There are provincial and federal regulatory developments that could restrict the Company's activities and significantly increase regulatory obligations and compliance costs with respect to the Company's exploration activities.

The Company's exploration programs in British Columbia are subject to federal and provincial regulations regarding environmental considerations. All activities associated with the exploration for minerals are subject to existing laws and regulations relating to exploration procedures, safety precautions, employee health and safety, air quality standards, pollution of streams and fresh water sources, odor, noise, dust and other environmental protection controls adopted by federal, provincial and local governmental authorities as well as the rights of adjoining property owners. The Company may be required to prepare and present to federal, provincial or local authorities data pertaining to the effect or impact that its activities may have upon the environment. All requirements imposed by any such authorities may be costly, time consuming and may delay commencement or continuation of the Company's activities. Future legislation may significantly emphasize the protection of the environment, and, as a consequence, the activities of the Company may be more closely regulated to further the cause of environmental protection. Such legislation, as well as further interpretation of existing laws in Canada and British Columbia, may require substantial increases in equipment and operating costs to the Company and delays, interruptions, or a termination of its activities, the extent of which cannot be predicted. Environmental problems known to exist at this time in Canada may not be in compliance with regulations that may come into existence in the future. This may have a substantial impact upon the capital expenditures required of the Company in order to deal with such a problem and could substantially reduce earnings.

---

Table of Contents

[22]

At the present time, the Company's mineral exploration activities in British Columbia are in compliance with all known environmental requirements.

The Company competes with larger, better capitalized competitors in the mining industry.

The mining industry is competitive in all of its phases. The Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, base and precious metals. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

The Company does not intend to pay dividends.

The Company has not paid out any cash dividends to date and has no plans to do so in the immediate future. As a result, an investor's return on investment will be solely determined by his or her ability to sell Common Shares in the secondary market.

We anticipate that we will raise additional capital through equity financing, which may cause substantial dilution to our existing shareholders.

We may issue securities on less than favorable terms to raise sufficient capital to fund our business plan. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

Broker-dealers may be discouraged from effecting transactions in the Company's common shares because they are considered a penny stock and are subject to the penny stock rules.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in "penny stocks". Generally, penny stocks are equity securities with a price of less than US\$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system). Since the Company's shares are traded for less than US\$5.00 per share, the shares are subject to the SEC's penny stock rules. The Company's shares will be subject to the penny stock rules until such time as (1) the issuer's net tangible assets exceed US\$5,000,000 during the issuer's first three years of continuous operations or US\$2,000,000 after the issuer's first three years of continuous operations; or (2) the issuer has had average revenue of at least US\$6,000,000 for three years. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prescribed by the SEC that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer must obtain a written acknowledgement from the purchaser that the purchaser has received the disclosure document. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. Such rules and regulations may make it difficult for holders to sell the common stock of the Company, and they may be forced to hold it indefinitely.



Table of Contents

[23]

You may be unable to enforce U.S. judgments against the Company or its officers and directors.

It may be difficult to bring and enforce suits against the Company. The Company is incorporated in British Columbia, Canada. Only one of the Company's directors is a resident of the United States and all, or a substantial portion, of the other directors' assets are located outside of the United States. As a result, it may be difficult for U.S. holders of the Company's common shares to effect service of process on these persons within the United States or to enforce judgments obtained in the U.S. based on the civil liability provisions of the U.S. federal securities laws against the Company or their officers and directors. In addition, a shareholder should not assume that the courts of Canada (i) would enforce judgments of U.S. courts obtained in actions against the Company or their officers or directors predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States, or (ii) would enforce, in original actions, liabilities against the Company or their officers or directors predicated upon the U.S. federal securities laws or other laws of the United States.

However, U.S. laws would generally be enforced by a Canadian court provided that those laws are not contrary to Canadian public policy, are not foreign penal laws or laws that deal with taxation or the taking of property by a foreign government and provided that they are in compliance with applicable Canadian legislation regarding the limitation of actions. Also, a judgment obtained in a U.S. court would generally be recognized by a Canadian court except, for example:

1. where the U.S. court where the judgment was rendered had no jurisdiction according to applicable Canadian law;
2. the judgment was subject to ordinary remedy (appeal, judicial review and any other judicial proceeding which renders the judgment not final, conclusive or enforceable under the laws of the applicable state) or not final, conclusive or enforceable under the laws of the applicable state;
3. the judgment was obtained by fraud or in any manner contrary to natural justice or rendered in contravention of fundamental principles of procedure;
4. a dispute between the same parties, based on the same subject matter has given rise to a judgment rendered in a Canadian court or has been decided in a third country and the judgment meets the necessary conditions for recognition in a Canadian court;
5. the outcome of the judgment of the U.S. court was inconsistent with Canadian public policy;
6. the judgment enforces obligations arising from foreign penal laws or laws that deal with taxation or the taking of property by a foreign government; or
7. there has not been compliance with applicable Canadian law dealing with the limitation of actions.

As a foreign private issuer, our shareholders may have less complete and timely data.

The Company is a "foreign private issuer" as defined in Rule 3b-4 under the United States Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the U.S. Exchange Act pursuant to Rule 3a12-3 of the U.S. Exchange Act. Therefore, the Company is not required to file a Schedule 14A proxy statement in relation to the annual meeting of shareholders. The submission of proxy and annual meeting of shareholder information on Form 6-K may result in shareholders having less complete and timely information in connection with shareholder actions. The exemption

from Section 16 rules regarding reports of beneficial ownership and purchases and sales of common shares by insiders and restrictions on insider trading in our securities may result in shareholders having less data and there being fewer restrictions on insiders' activities in our securities.

---



Table of Contents

[24]

Increased costs and compliance risks as a result of being a public company.

Legal, accounting and other expenses associated with public company reporting requirements have increased significantly in the past few years. The Company anticipates that general and administrative costs associated with regulatory compliance will continue to increase with ongoing compliance requirements under the Sarbanes-Oxley Act of 2002, as well as any new rules implemented by the SEC, Canadian Securities Administrators, the NYSE Amex and the TSX in the future. These rules and regulations have significantly increased the Company's legal and financial compliance costs and made some activities more time-consuming and costly. There can be no assurance that the Company will continue to effectively meet all of the requirements of these regulations, including Sarbanes-Oxley Section 404 and National Instrument 52-109 of the Canadian Securities Administrators ("NI 52-109"). Any failure to effectively implement internal controls, or to resolve difficulties encountered in their implementation, could harm the Company's operating results, cause the Company to fail to meet reporting obligations or result in management being required to give a qualified assessment of the Company's internal controls over financial reporting or the Company's independent auditors providing an adverse opinion regarding management's assessment. Any such result could cause investors to lose confidence in the Company's reported financial information, which could have a material adverse effect on the trading price of the Common Shares. These rules and regulations have made it more difficult and more expensive for it to obtain director and officer liability insurance, and the Company may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage in the future. As a result, it may be more difficult for the Company to attract and retain qualified individuals to serve on its board of directors or as executive officers. If the Company fails to maintain the adequacy of its internal control over financial reporting, the Company's ability to provide accurate financial statements and comply with the requirements of the Sarbanes-Oxley Act of 2002 and/or NI 52-109 could be impaired, which could cause the Company's stock price to decrease.

The Company is likely a "passive foreign investment company" which will likely have adverse U.S. federal income tax consequences for U.S. shareholders

U.S. shareholders of our common shares should be aware that the Company believes that it qualified as a PFIC for the taxable year ended December 31, 2009, and based on current business plans and financial projections, the Company anticipates that it may qualify as a passive foreign investment company ("PFIC") for the current taxable year and subsequent taxable years. If the Company is a PFIC for any year during a U.S. shareholder's holding period, then such U.S. shareholder generally will be required to treat any gain realized upon a disposition of common shares, or any so-called "excess distribution" received on its common shares, as ordinary income, and to pay an interest charge on a portion of such gain or distributions, unless the shareholder makes a timely and effective "qualified electing fund" ("QEF Election") or a "mark-to-market" election with respect to the common shares. A U.S. shareholder who makes a QEF election generally must report on a current basis its share of the Company's net capital gain and ordinary earnings for any year in which the Company is a PFIC, whether or not the Company distributes any amounts to its shareholders. For each tax year that the Company qualifies as a PFIC, the Company intends to make available to U.S. Holders, upon written request, a "PFIC Annual Information Statement" as described in Treasury Regulation Section 1.1295-1(g) (or any successor Treasury Regulation), and for each year in which the Company is a PFIC, use commercially reasonable efforts to provide all additional information that such U.S. Holder is required to obtain in connection with maintaining such QEF Election with regard to the Company. The Company may elect to provide such information on its website (<http://kobexminerals.com>). A U.S. shareholder who makes the mark-to-market election generally must include as ordinary income each year the excess of the fair market value of the common shares over the taxpayer's basis therein. This paragraph is qualified in its entirety by the discussion below under the heading "Certain U.S. Federal Income Tax Considerations." Each U.S. shareholder should consult his or her own tax advisor regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the PFIC rules and the acquisition,

ownership, and disposition of our common shares.

Item 4. Information on the Company.

A. History and Development of the Company

Our principal executive office is located at 1700 - 700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8, Tel: (604) 688-9368, E-mail: investor@kobexminerals.com.

Since 1996, the Company has been engaged, through its subsidiaries, in the acquisition and exploration of mineral properties, with a primary focus in Argentina, Peru, and Canada. The Company was incorporated in British Columbia under the Company Act (British Columbia, Canada) (the “Company Act”) on September 17, 1979, as Gold Star Resources Ltd. On May 1, 1990, the Company filed an Altered Memorandum to reflect its name change to EEC Marketing Corp. On January 13, 1992, the Company filed an Altered Memorandum to reflect its name change to Amera Industries Corp. From its date of inception to January 31, 1992, the Company was inactive. Between January 31, 1992 and August 31, 1994, the Company was involved in the eyewear and optical products industry. Subsequently, the Company again became inactive and began seeking a new business opportunity. The Company filed another Altered Memorandum on February 9, 1995, to reflect its name change to International Amera Industries Corp. On February 20, 1996, the Company filed an Altered Memorandum, changing its name to IMA Resource Corporation, and became engaged in the acquisition and exploration of mineral properties.

---

Table of Contents

[25]

In September of 1995 the Company formed IMPSA Resources Corporation (“IMPSA”) in order to pursue opportunities in Peru. At that time, exploration efforts by other companies in Peru were beginning in earnest. Management believed Peru was a favorable country for mineral exploration due to the country’s geology and strong mining culture. In addition, management believed that Peru was under-explored.

Management believed the amount of capital necessary to fully exploit opportunities in Peru was greater than what the Company sought to invest. Since the Company had an ongoing exploration program in Argentina, the Company initially limited the funding of its Peruvian projects to \$250,000. The Company established IMPSA and used the Company’s \$250,000 capital contribution to establish an infrastructure and initiate property reviews. A number of consultants were retained and detailed property assessments were initiated. The Company determined that in order to further develop IMPSA, additional funding would be required.

The Company initially received 500,000 common shares, or 30.76%, of the then issued and outstanding common shares of IMPSA, for its \$250,000 capital contribution. As a result of issuing 375,000 shares to IMPSA’s management and key employees, and the completion of two private placements (resulting in the issuance of a total of 1,528,000 common shares of IMPSA), the Company’s initial investment in IMPSA was diluted to 20.76%. However, in order to assure the Company an ongoing interest in the assets of IMPSA, the Company retained a 20% participating interest in IMPSA (BVI) and retained the right to maintain a 20% ownership interest in IMPSA. During fiscal 1998, the Company increased its investment in IMPSA by purchasing 990,963 shares, which increased the Company’s percentage ownership of IMPSA from 20.76% to 43.81%. In January 1999, the Company acquired an additional 6,500,000 common shares of IMPSA, increasing its equity interest from 43.81% to 80.69%. During 2001, the Company completed the reorganization of its corporate structure to continue the funding of the Company’s Peruvian exploration activities. On August 20, 2001, the Company entered into an agreement with IMPSA, its 80.69% owned subsidiary, to acquire IMPSA’s 80% interest in IMPSA (BVI) and IMPSA’s advances to IMPSA (BVI) of approximately US\$1.536 million, in exchange for \$850,000 plus a 2% fee on any net revenue or proceeds from the disposition of certain properties held by IMPSA (BVI). See “Item 4. Information on the Company – Organizational Structure.” The fee was limited to a maximum of \$1,400,000. This transaction was approved by IMPSA’s shareholders on September 4, 2001. IMPSA used the cash proceeds to retire its debt to the Company. Rio Tabaconas (formerly known as Tamborapa), IMPSA’s principal property, is for the most part an early stage exploration property and involves a high degree of risk.

On April 3, 1996, the Company acquired IMA Holdings Corp. (“IHC”), a British Columbia company. The acquisition of IHC by the Company resulted in the former shareholders of IHC acquiring control of the Company. At the time of the acquisition, the Company had two common directors with IHC. Generally accepted accounting principles required the transaction to be treated for accounting purposes as a reverse-takeover. In accounting for this transaction:

- (i) IHC was deemed to be the purchaser and parent company for accounting purposes. Accordingly, its net assets are included in the Company’s consolidated balance sheet at their historical book value; and
- (ii) control of the net assets and business of the Company was acquired effective April 3, 1996. The transaction was accounted for as a purchase of the assets and liabilities of the Company by IHC at their fair values.

IHC’s primary asset was a 50% joint venture interest in Minas Argentinas (Barbados) Inc. (“Minas Barbados”). Oro Belle Resources Corporation (“Oro Belle”), a third party, held the remaining 50% interest in Minas Barbados. The sole asset of Minas Barbados is its 100% interest in Minas Argentinas S.A. (“MASA”). MASA is an Argentine company whose main activity is exploration of mineral properties in Argentina. During 1998, the Company held discussions with Oro Belle and its majority shareholder, Viceroy Resource Corporation (“Viceroy”), to restructure the arrangement

and facilitate the funding of future financial requirements of MASA.

In May 1998, the Company entered into an arrangement (the “Plan of Arrangement”) with Viceroy whereby the Company agreed to exchange its 50% interest in Minas Barbados for 2,200,000 common shares of Viceroy (the “Viceroy Shares”), at a price of \$2.25 per Viceroy Share (being the market value of the Viceroy Shares on the date of the transaction), a 1% net smelter returns royalty interest (the “MASA NSR”) in the mineral property interests held by MASA, and the extinguishment of all debts owing by the Company to MASA. No value was ascribed to the MASA NSR for the purpose of calculating the total consideration received at the date of exchange.

---

Table of Contents

[26]

The Company also restructured its share capital to facilitate the distribution of 1,540,000 Viceroy Common Shares to the Company's shareholders. The transaction was accomplished as follows:

- i) each issued and outstanding common share of the Company was exchanged for one Class A common share and one Class B preferred share (the "Preferred Shares") of the Company;
- ii) the holders of the Preferred Shares received 1,540,000 Viceroy Common Shares, directly from Viceroy, in exchange for all of the Preferred Shares;
- iii) the Company relinquished its ownership interest in Minas Barbados to Viceroy in exchange for the Preferred Shares, the MASA NSR, the extinguishment of all debts to MASA and 660,000 Viceroy Shares. The Preferred Shares were then canceled by the Company; and
- iv) all options and warrants to purchase common shares of the Company became exercisable to purchase Class A common shares on the same basis as the common shares.

The transaction became effective July 7, 1998, upon filing an Altered Memorandum, and the Company changed its name to IMA Exploration Inc. As a result of the transaction, the Company consolidated its share capital on the basis of four old shares for one new share.

On June 30, 1999, the shareholders of the Company passed a Special Resolution approving a redesignation of the Class A Common Shares to common shares.

On March 29, 2004, the new British Columbia Business Corporations Act (the "BCBCA") came into force in British Columbia and replaced the former Company Act, which is the statute that previously governed the Company. See "Item 10. Additional Information – Memorandum and Articles of Association."

On May 3, 2004, the Company announced its intention to proceed with a reorganization of the Company which had the result of dividing its present mineral resource assets between two separate public companies. Under the reorganization, the Company's Navidad silver-lead-copper project and certain other Navidad area properties in central Chubut Province, Argentina (the "Navidad Properties") continued to be owned by the Company, while the Company's non-Navidad mineral properties along with \$750,000 of operating cash and the joint venture agreements (including the marketable securities) relating to the transferred properties (collectively the "Transferred Assets") were transferred to Golden Arrow Resources Corporation ("Golden Arrow"), a public company formed to effect the reorganization.

The reorganization was implemented by a Plan of Arrangement under the BCBCA. The Company's shareholders and optionholders approved the Plan of Arrangement at the Company's Annual General Meeting that was held on June 22, 2004. All other approvals were subsequently received.

The common shares of Golden Arrow were distributed to shareholders of the Company in proportion to their shareholdings in the Company on July 7, 2004 and on the basis of one Golden Arrow share for every 10 shares of the Company held. On March 5, 2004, Aquiline Resources Inc. ("Aquiline"), through its subsidiary, Minera Aquiline Argentina SA, filed a claim in the Supreme Court of British Columbia against the Company seeking a constructive trust over the Navidad properties and damages. The trial was held in Vancouver British Columbia commencing in October 2005, and ended on December 12, 2005. Additionally, as a condition of the reorganization, Golden Arrow became a party to the Aquiline action. The Company provided an indemnity to Golden Arrow for any costs or losses that might be incurred by Golden Arrow in connection with this matter.

On July 14, 2006 the court released its judgment on the Aquiline claim. The Company was not successful in its defense and the court found in Aquiline's favour.

---

Table of Contents

[27]

The Order read in part:

- (a) that Inversiones Mineras Argentinas SA (“IMA SA”) transfer the Navidad Claims and any assets related thereto to Minera Aquiline or its nominee within 60 days of this order;
- (b) that IMA take any and all steps required to cause IMA SA to comply with the terms of this order;
- (c) that the transfer of the Navidad Claims and any assets related thereto is subject to the payment to IMA SA of all reasonable amounts expended by IMA SA for the acquisition and development of the Navidad Claims to date; and
- (d) any accounting necessary to determine the reasonableness of the expenditures referred to in (c) above shall be by reference to the Registrar of this court.”

On October 18, 2006, the Company and Aquiline reached a definitive agreement (the “Interim Agreement”) for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The parties agreed that the transactions outlined in the Interim Agreement were in satisfaction of the Order referenced above. The principal terms and conditions of the Interim Agreement were as follows:

- (i) control of the Navidad Project was transferred to Aquiline in trust for the ultimately successful party in the appeal
- (ii) the Company and Aquiline agreed to the costs spent to date developing the Navidad Project in the amount of \$18.5 million. Upon transfer of control of the Navidad Project, Aquiline paid \$7.5 million of the costs into trust and the balance was to be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions and
- (iii) in the event that the Company was unsuccessful on appeal, the Company was to be paid such \$18.5 million amount.

The effective date of the transfer of the Navidad project was November 16, 2006. A copy of the Interim Agreement has been posted on the SEDAR website as one of the Company’s public documents and is titled “Interim Project Development Agreement”, and filed with the U.S. Securities and Exchange Commission on Form 6-K on October 19, 2006.

The Company’s appeal of this judgment was heard by the British Columbia Court of Appeal between April 10 and April 12, 2007. The Court of Appeal dismissed the Company’s appeal and released their reasons for judgment on June 7, 2007. The Company filed an application for leave to appeal to the Supreme Court of Canada in October 2007. On December 20, 2007 the Supreme Court of Canada denied the Company’s appeal. This brought the lawsuit to a close, and the Navidad property was transferred to Aquiline.

The Company was paid \$18.5 million as consideration for these assets. The Company received the \$7.5 million held in trust on January 8, 2008, plus interest that had accrued in the amount of \$341,380. The \$11 million balance was received on February 11, 2008.

On February 29, 2008 IMA Holdings Inc. was wound up into IMA Exploration Inc.

On August 12, 2008, the Company signed an Option Agreement with Western Copper Corporation to earn up to 70% interest in the assets of Moraga Resources Ltd. (“the Island Copper Project”) located on Vancouver Island, British Columbia, Canada. Moraga Resources Ltd. is a wholly-owned subsidiary company of Western Copper

Corporation. The Company agreed to expend a minimum of \$1.9 million in the first year of a three year option period. Over years two and three, the Company will spend an additional \$13.1 million on drilling, metallurgical, and engineering studies in the completion of a pre-feasibility report on the Island Copper Project. This expenditure, a total of \$15 million, and the completion of a pre-feasibility report will earn the Company a 49% interest in the project (Option 1). The Company can earn an additional 16% by funding a subsequent feasibility study by the fourth year (Option 2) and an additional 5% can be earned upon completion of mine permitting (Option 3) for a total interest of 70% with Western Copper retaining a 30% participating interest in the joint venture. The Company met its \$1.9 million dollar expenditure commitment in January 2009.

The Island Copper Project consists of two blocks of claims: the West and the East Blocks, which include 216 claims covering 42,669 Ha. The Western Block formerly included the Moraga (144 claims) and Electra blocks (53 claims).

---



Table of Contents

[28]

The original Moraga block is subject to a 10% Net Profits Interest (NPI) in favour of BHP Billiton Diamonds Inc (BHPBD). BHPBD sold the interest to International Royalty Corp in 2005. Western Copper is obligated to pay \$1,000,000 to iTech Capital Corp. sixty days after a decision is made to proceed with commercial development of the Moraga block.

The agreement is also encumbered by a prior agreement with Electra Gold Ltd. who holds the rights to explore and exploit industrial minerals on the Electra Block.

Pursuant to an arrangement agreement dated August 17, 2009, among the Company (formerly IMA Exploration Inc.), Kobex Resources Ltd. ("Kobex") and International Barytex Resources Ltd. ("Barytex"), the Company agreed, among other things, to acquire all the issued and outstanding common shares of Kobex and Barytex in exchange for issuing: (i) to Kobex shareholders, 1.311 common shares of the Company for each common share of Kobex acquired; and (ii) to Barytex shareholders, 0.221 common shares of the Company for each common share of Barytex acquired. This transaction was effected by way of two statutory plans of arrangement (the "Kobex Arrangement" and the "Barytex Arrangement", respectively, and together, the "Arrangements"), and was subject to approvals from the TSX Venture Exchange and the Barytex and Kobex shareholders, as well as court approval of the Arrangements. The details of the Arrangements are fully disclosed in the joint information circular dated August 25, 2009, prepared by Kobex and Barytex in connection with the Arrangements, and available on SEDAR at [www.sedar.com](http://www.sedar.com) under their respective profiles.

On September 25, 2009, the shareholders of the Company passed a special resolution authorizing the Company's authorized share structure be altered by consolidating (the "Consolidation") all of the approximately 110,317,580 fully paid and issued common shares without par value in the capital of the Company on the basis of 2.4 old common shares of the Company for one new common share of the Company into approximately 45,967,077 common shares of the Company; and the name of the Company be changed from "IMA Exploration Inc." to "Kobex Minerals Inc.".

On September 30, 2009, the Company completed the business combination with Barytex and Kobex. The Company filed an amendment to its Notice of Articles pursuant to the BCBCA to effect the consolidation and name change on September 30, 2009.

All information in this annual report is presented on a post-consolidation basis, unless otherwise noted.

**Acquisition and Disposition of Mineral Property Interests during the Three Prior Fiscal Years**

During the year ended December 31, 2008, the Company retrospectively changed its accounting policy for exploration expenditures. Prior to the year ended December 31, 2008, the Company capitalized all such costs to mineral properties. Exploration expenditures are now charged to earnings as they are incurred until the property reaches development stage. All direct costs related to the acquisition of resource property interests will continue to be capitalized.

The Company has incurred acquisition costs of \$28,048, \$Nil, \$Nil for the years ended December 31, 2009, 2008 and 2007, respectively. The Company has made exploration expenditures of \$165,100, \$1,930,325 and \$99,589 for the years ended December 31, 2009, 2008 and 2007, respectively. On May 12, 2008 the Company entered into an Option Agreement with Western Copper Corporation to further explore and develop the Hushamu Property and the Company has the right to acquire up to a 70% interest. As at December 31, 2007, the Company recorded a recovery of \$18,314,000 for the Navidad interest, comprised of exploration expenditures of \$18,314,000 and marketable securities of \$186,000 which were subject to transfer to Aquiline under the terms of the Interim Agreement. The Company

received the \$7.5 million held in trust on January 8, 2008, plus interest that had accrued in the amount of \$341,380. The \$11 million balance was received on February 11, 2008.

#### Planned Exploration Expenditures and Property Payments

The Company has been actively reviewing many projects and opportunities for future acquisitions. The Company has approximately \$41 million of cash available and is well funded to acquire projects and properties and to then further develop their potential for 2010 and beyond. The Company's reviews have focused on projects with a defined resource combined with future potential or which have had previous positive exploration activities. Proper due diligence takes time and resources, then followed by negotiations with the property vendors and then whatever regulatory approvals may also be required.

---

Table of Contents

[29]

The Company is well placed to apply strict criteria to its selection and given current market conditions expects to be presented with excellent opportunities for one or more acquisitions on which to act.

The Company considers that it has adequate resources to maintain its contemplated operations. The Company will continue to rely on successfully completing additional equity financing and/or conducting joint venture arrangements to identify and acquire future properties. There can be no assurance that the Company will be successful in obtaining the required financing or negotiating joint venture agreements. The failure to obtain such financing or joint venture agreements could result in the Company being unable to identify and acquire future properties. See “Item 4. Information on the Company - History and Development of the Company, and Item 3. Key Information – Risk Factors – Additional Financing; and Exploration Risks”.

B. Business Overview

The Company is a natural resource company engaged in the business of acquisition, exploration and development of mineral properties. At present, the Company has no producing properties and consequently has no current operating income or cash flow. As of the date of this annual report, the Company is an exploration stage company and has not generated any revenues from mining operations. There is no assurance that a commercially viable mineral deposit exists on any of the Company’s properties. Further exploration and evaluation will be required before a final determination as to the economic and legal feasibility of any of the properties is determined.

Government Regulations

The Company’s operations are subject to certain governmental laws and regulations. The Company’s properties are affected in varying degrees by government regulations relating, among other things, to the acquisition of land, pollution control and environmental protection, land reclamation, safety and production. Changes in any of these regulations or in the application of the existing regulation are beyond the control of the Company and may adversely affect its operations. Failure to comply with the conditions set out in any permit or failure to comply with the applicable statutes and regulations may result in orders to cease or curtail operations or to install additional equipment. The Company may be required to compensate those suffering loss or damage by reason of its activities. The effect of these regulations cannot be accurately predicted. See “Item 3. Key Information - Risk Factors - Foreign Countries and Regulatory Requirements”, “Item 3. Key Information - Risk Factors - Impact of Government Regulations on the Company’s Business” and “Item 3. Key Information - Risk Factors - Environmental Regulations.”

Competition

The mineral property exploration and development business, in general, is intensively competitive and there is not any assurance that even if commercial quantities of ore are discovered, a ready market will exist for sale of same. Numerous factors beyond our control may affect the marketability of any substances discovered. These factors include market fluctuations; the proximity and capacity of natural resource markets and processing equipment; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of mineral and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may make it difficult for us to receive an adequate return on investment.

We compete with many companies possessing greater financial resources and technical facilities for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

Seasonality

There are no material seasonal affects at the Island Copper Project.

---

Table of Contents

[30]

C. Organizational Structure

The Company has three direct wholly-owned subsidiary, IMA Latin America Inc. (“IMA Latin America”), a British Virgin Islands company, Kobex Resources Ltd. (“Kobex Resources”), a Vancouver based company and International Barytex Resources Inc. (“Barytex”), a Vancouver based company.

IMA Latin America has one direct wholly-owned subsidiary, Punto Dorado SA, an Argentinean company.

Kobex Resources has one direct wholly-owned subsidiary, Kobex Colorado Corp., a United States company.

The Company’s current corporate structure is depicted below. See “Item 4. Information on the Company - History and Development of the Company.”

Unless otherwise indicated herein, the term “Company” means collectively the Company and its subsidiaries.

D. Property, Plant and Equipment

The Company’s principal business is the acquisition and exploration of mineral properties. As of the date of this annual report, the Company’s has a group of claims under option agreement (“the Island Copper Project”) and the Company’s operations are exploratory in nature. See “Item 4. Information on the Company - History and Development of the Company.”

Principal Properties - Canada

Island Copper Project

Location and Access

The Island Copper Project is located on northern Vancouver Island in the province of British Columbia (“B.C.”), Canada. It is centred near the village of Coal Harbour and is 15 kilometres south of the full service community of Port Hardy. It lies between 50° 33’ and 50° 42’ North latitude and between 127° 11’ and 128° 02’ West longitude. The tenure of the project consists of two separate blocks of mixed legacy and cell mineral claims, referred to as the West Block and the East Block, each forming contiguous claim blocks.

Provincial Highway 19 provides year round access to the East Block from Port McNeil and Port Hardy, as does Highway 37 from the junction with Highway 19 to Port Alice. The publicly maintained and paved Coal Harbour Road and the unpaved Holberg Road provide year round access to the West Block. A vast network of privately maintained or un-maintained logging roads provides access to most the Island Copper Project through negotiated road use agreements with forestry tenure holders. Travel time by road from most areas of the project to Port Hardy is less than 1 hour.

Table of Contents

[31]

The Island Copper mine was a previous mining operation of BHP Utah. Consequently, there is a power line to the property and a deep water ocean port nearby that can be used for shipment of concentrate to Asian markets. Additionally, there is active mining in the region of industrial minerals that are the main components in the production of cement and a local skilled labour force that the Company can employ as the project grows in magnitude.

The following map identifies the location of the Island Copper Project:

The surface rights over most of the Island Copper Project are held by the B.C. government as crown land. Small parcels of surface rights are privately held within the area of the Project, mainly at or near the village of Coal Harbour. Forestry tenures and logging roads cover most of the Project area, and are held and managed by two divisions of Western Forest Products Ltd.: the eastern 80% by the Port McNeil Division, and the western 20% by the Holberg Division. In 2008, the Company entered into two separate road use agreements, one with each of the two divisions of Western Forest Products, to facilitate road access to the Hushamu (Port McNeil) and Northwest Expo (Holberg) target areas. The Company was also required to obtain a Mining Free Use Permit from the B.C. Ministry of Forest and Range prior to undertaking road rehabilitation work in the area of the Hushamu target.

Most of the Project occurs within the traditional lands of the Quatsino First Nation (“Quatsino”), whose primary residential community is Quatsino, located immediately north of and adjacent to Coal Harbour. The Quatsino also own the surface rights and remaining infrastructure facilities of the past producing Island Copper Mine. In July 2008, the Company entered into a lease agreement with the Quatsino to rent a building at the former mine as an office and core facility.

Similar to elsewhere in British Columbia, no permit is required for non-mechanized exploration, but a valid permit is required to undertake any mechanized work on the Island Copper Property. Such permits are issued by the Inspector of Mines at the Victoria-based Southwest Regional Office, Health and Safety Branch, Mining and Minerals Division, B.C. Ministry of Energy, Mines and Petroleum Resources. This requires submission of a Notice of Work and Reclamation Application, which should take approximately one month to process, but commonly takes much longer. In 2008, the permit was received by the Company in October for the application submitted in July, or approximately 3 months.

---

Table of Contents

[32]

In addition, owners of the surface rights if privately held must be notified in advance of any mining exploration activity on their land, and fairly compensated for any damages inflicted to the surface rights, by the mineral tenure holder. It is generally considered good protocol for explorationists working in British Columbia to notify anyone with specific local interests prior to undertaking any exploration programs. In the case of the Island Copper Project, the Company notified forestry tenure holders, First Nations bands, and local communities in advance of the 2008 program, and has maintained a good working relationship with all these groups.

## Mineral Titles Included in the Island Copper Project

The Island Copper Project is comprised of 216 mineral claims covering a total of 42,669 hectares, all of which are in good standing until August 5, 2011 or later. All the claims are held by Moraga Resources Ltd. (owner ID 135925), a wholly-owned subsidiary company of Western Copper Corporation. The claims are described in the table below.

Tenure Number	Claim Name	Owner	Tenure Type	Tenure Sub Type	Map Number	Issue Date	Good To Date	Status	Area (ha)
229789	EXPO 1013 FR.	135925 (100%)	Mineral	Legacy	092L	1983/aug/22	2011/aug/05	GOOD	25
229790	EXPO 1014 FR.	135925 (100%)	Mineral	Legacy	092L	1983/aug/22	2011/aug/05	GOOD	25
229791	EXPO 1015 FR.	135925 (100%)	Mineral	Legacy	092L	1983/aug/22	2011/aug/05	GOOD	25
231651	HEP #36	135925 (100%)	Mineral	Legacy	092L	1966/sep/20	2011/aug/05	GOOD	25
231667	HEP #54	135925 (100%)	Mineral	Legacy	092L	1966/sep/20	2011/aug/05	GOOD	25
231668	HEP #55	135925 (100%)	Mineral	Legacy	092L	1966/sep/20	2011/aug/05	GOOD	25
231669	HEP #56	135925 (100%)	Mineral	Legacy	092L	1966/sep/20	2011/aug/05	GOOD	25
231671	HEP #58	135925 (100%)	Mineral	Legacy	092L	1966/sep/20	2011/aug/05	GOOD	25
231672	HEP #59	135925 (100%)	Mineral	Legacy	092L	1966/sep/20	2011/aug/05	GOOD	25
231933	EXPO 190	135925 (100%)	Mineral	Legacy	092L	1967/oct/10	2011/aug/05	GOOD	25
231934	EXPO 191	135925 (100%)	Mineral	Legacy	092L	1967/oct/10	2011/aug/05	GOOD	25
231961	EXPO 218	135925 (100%)	Mineral	Legacy	092L	1967/oct/10	2011/aug/05	GOOD	25
231963	EXPO 220	135925 (100%)	Mineral	Legacy	092L	1967/oct/10	2011/aug/05	GOOD	25
231965	EXPO 222	135925 (100%)	Mineral	Legacy	092L	1967/oct/10	2011/aug/05	GOOD	25
231966	EXPO 223	135925 (100%)	Mineral	Legacy	092L	1967/oct/10	2011/aug/05	GOOD	25
231968	EXPO 225	135925 (100%)	Mineral	Legacy	092L	1967/oct/10	2011/aug/05	GOOD	25

Edgar Filing: KOBEX MINERALS INC. - Form 20-F

231980	EXPO 227	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
231982	EXPO 229	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
231984	EXPO 231	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
231990	EXPO 237	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
231991	EXPO 238	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
231995	EXPO 242	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
231997	EXPO 244	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232000	EXPO 247	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25

---



Table of Contents

[33]

Tenure Number	Claim Name	Owner	Tenure Type	Tenure Sub Type	Map Number	Issue Date	Good To Date	Status	Area (ha)
232001	EXPO 248	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232002	EXPO 249	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232004	EXPO 251	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232005	EXPO 252	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232006	EXPO 253	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232007	EXPO 254	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232008	EXPO 255	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232011	EXPO 258	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232015	EXPO 262	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232017	EXPO 264	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232019	EXPO 266	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232020	EXPO 267	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232021	EXPO 268	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232022	EXPO 269	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232024	EXPO 271	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232025	EXPO 272	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232026	EXPO 273	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232027	EXPO 274	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232028	EXPO 275	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232030	EXPO 278	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232037	EXPO 285	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232041	EXPO 289	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232044	EXPO 292	135925	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25

Edgar Filing: KOBEX MINERALS INC. - Form 20-F

		(100%)							
232045	EXPO 293	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232046	EXPO 294	135925 (100%)	Mineral	Legacy	092L	1967/oct/19	2011/aug/05	GOOD	25
232105	EXPO 312	135925 (100%)	Mineral	Legacy	092L	1967/nov/13	2011/aug/05	GOOD	25
232107	EXPO 314	135925 (100%)	Mineral	Legacy	092L	1967/nov/13	2011/aug/05	GOOD	25
232220	EXPO 326	135925 (100%)	Mineral	Legacy	092L	1967/dec/18	2011/aug/05	GOOD	25
232228	EXPO 504 FR	135925 (100%)	Mineral	Legacy	092L	1967/dec/18	2011/aug/05	GOOD	25
232275	EXPO 1008 FR	135925 (100%)	Mineral	Legacy	092L	1968/dec/05	2011/aug/05	GOOD	25
232276	EXPO 1011 FR	135925 (100%)	Mineral	Legacy	092L	1968/dec/05	2011/aug/05	GOOD	25
232277	EXPO 1012 FR	135925 (100%)	Mineral	Legacy	092L	1968/dec/05	2011/aug/05	GOOD	25
232306	DON 9 FR.	135925 (100%)	Mineral	Legacy	092L	1969/nov/21	2011/aug/05	GOOD	25
232307	DON 10 FR.	135925 (100%)	Mineral	Legacy	092L	1969/nov/21	2011/aug/05	GOOD	25

Table of Contents

[34]

Tenure Number	Claim Name	Owner	Tenure Type	Tenure Sub Type	Map Number	Issue Date	Good To Date	Status	Area (ha)
232308	DON 11 FR.	135925 (100%)	Mineral	Legacy	092L	1969/nov/21	2011/aug/05	GOOD	25
232309	DON 12 FR.	135925 (100%)	Mineral	Legacy	092L	1969/nov/21	2011/aug/05	GOOD	25
232310	DON 13 FR.	135925 (100%)	Mineral	Legacy	092L	1969/nov/21	2012/aug/05	GOOD	25
371777	APPLE BAY THREE	135925 (100%)	Mineral	Legacy	092L	1999/sep/18	2011/aug/05	GOOD	200
374744	APPLE BAY FOUR	135925 (100%)	Mineral	Legacy	092L	2000/mar/11	2011/aug/05	GOOD	400
377240	APPLE BAY TWO	135925 (100%)	Mineral	Legacy	092L	2000/may/17	2011/aug/05	GOOD	500
394718	APPLE BAY NINETEEN	135925 (100%)	Mineral	Legacy	092L	2002/jul/05	2011/aug/05	GOOD	500
398335	APPLE BAY TWENTY	135925 (100%)	Mineral	Legacy	092L	2002/nov/16	2011/aug/05	GOOD	500
402033	APPLE BAY TWENTY-THREE	135925 (100%)	Mineral	Legacy	092L	2003/apr/26	2011/aug/05	GOOD	400
402037	APPLE BAY TWENTY SEVEN	135925 (100%)	Mineral	Legacy	092L	2003/apr/29	2011/aug/05	GOOD	250
402513	NORTHWEST 900	135925 (100%)	Mineral	Legacy	092L	2003/may/27	2011/aug/05	GOOD	250
405216	NORTHWEST 901	135925 (100%)	Mineral	Legacy	102I	2003/sep/19	2011/aug/05	GOOD	25
501677		135925 (100%)	Mineral	Cell	092L	2005/jan/12	2011/aug/05	GOOD	81.854
506021	Wanakana Central	135925 (100%)	Mineral	Cell	092L	2005/feb/06	2011/aug/05	GOOD	348.306
509465	mo 1	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.267
509466	mo 2	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.523
509467	mo 3	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.264
509468	mo 4	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.519
509469	mo 5	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.26
509470	mo 6	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.514
509471	mo 7	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.263
509472	mo 8	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.517
509474	mo 9	135925	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.262

Edgar Filing: KOBEX MINERALS INC. - Form 20-F

		(100%)								
509475	mo 10	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.521	
509476	mo 11	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.256	
509479	mo 12	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.52	
509480	mo 13	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.247	
509481	mo 14	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.517	
509482	mo 15	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.237	
509483	mo 16	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.509	
509485	mo 17	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.234	
509486	mo 18	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.508	

---

Table of Contents

[35]

Tenure Number	Claim Name	Owner	Tenure Type	Tenure Sub Type	Map Number	Issue Date	Good To Date	Status	Area (ha)
509487	mo 19	135925 (100%)	Mineral	Cell	092L	2005/mar/23	2011/aug/05	GOOD	492.369
512085	FILL 1	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	511.669
512087	FILL 2	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	511.897
512088	FILL 3	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	143.38
512089	FILL 4	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	511.951
512091	FILL 5	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	511.956
512092	FILL 6	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	512.075
512093	FILL 7	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	512.204
512094	FILL 8	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	512.233
512095	FILL 9	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	163.886
512096	FILL 10	135925 (100%)	Mineral	Cell	092L	2005/may/05	2011/aug/05	GOOD	512.77
512102	FILL 11	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	225.594
512103	FILL 12	135925 (100%)	Mineral	Cell	092L	2005/may/05	2011/aug/05	GOOD	123.051
512104	FILL 13	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	430.721
512105	FILL 14	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	328.072
512107	FILL 15	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	61.509
512108	FILL 15	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	512.246
512109	FILL 16	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	512.216
512110	FILL 17	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	511.954
512111	FILL 18	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	511.845
512113	FILL 18	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	512.037
512114	FILL 19	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	511.872
512115	FILL 20	135925	Mineral	Cell	102I	2005/may/05	2012/feb/03	GOOD	368.512

Edgar Filing: KOBEX MINERALS INC. - Form 20-F

		(100%)							
512116	FILL 21	135925 (100%)	Mineral	Cell	102I	2005/may/05	2012/feb/03	GOOD	225.109
512117	FILL 22	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	122.759
512118	FILL 23	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	164.174
512120	FILL 24	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	245.798
512122	FILL 25	135925 (100%)	Mineral	Cell	092L	2005/may/05	2012/feb/03	GOOD	245.745
512952		135925 (100%)	Mineral	Cell	092L	2005/may/18	2016/aug/05	GOOD	81.972
512963		135925 (100%)	Mineral	Cell	092L	2005/may/18	2016/aug/05	GOOD	81.972
512964		135925 (100%)	Mineral	Cell	092L	2005/may/18	2016/aug/05	GOOD	81.971
512966		135925 (100%)	Mineral	Cell	092L	2005/may/18	2016/aug/05	GOOD	61.479
512967		135925 (100%)	Mineral	Cell	092L	2005/may/18	2016/aug/05	GOOD	61.478
512968		135925 (100%)	Mineral	Cell	092L	2005/may/18	2016/aug/05	GOOD	61.471

Table of Contents

[36]

Tenure Number	Claim Name	Owner	Tenure Type	Tenure Sub Type	Map Number	Issue Date	Good To Date	Status	Area (ha)
512972		135925 (100%)	Mineral	Cell	092L	2005/may/18	2016/aug/05	GOOD	81.949
512980		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	81.933
512983		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	81.948
512984		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.969
512986		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.96
512988		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.961
512989		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	20.48
512990		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.964
512993		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.969
512994		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	81.957
512996		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	81.957
512999		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.973
513006		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	20.49
513013		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.967
513026		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	20.486
513053		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	61.439
513057		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.957
513060		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.964
513062		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.97
513065		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	61.458
513066		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	20.487
513067		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	81.957
513068		135925	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	81.965

Edgar Filing: KOBEX MINERALS INC. - Form 20-F

	(100%)							
513071	135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	81.951
513072	135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	81.934
513075	135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	61.443
513076	135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.961
513077	135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	20.48
513078	135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	81.934
513080	135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	20.487
513082	135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.957
513086	135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	20.479
513087	135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.953

---



Table of Contents

[37]

Tenure Number	Claim Name	Owner	Tenure Type	Tenure Type	Sub Map Number	Issue Date	Good To Date	Status	Area (ha)
513089		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.953
513090		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.957
513091		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	61.432
513092		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.95
513093		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	81.896
513094		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	81.881
513104		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	20.471
513107		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.948
513108		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	40.962
513109		135925 (100%)	Mineral	Cell	092L	2005/may/19	2016/aug/05	GOOD	184.29
513172		135925 (100%)	Mineral	Cell	092L	2005/may/21	2016/aug/05	GOOD	40.981
513183	CONNECT01	135925 (100%)	Mineral	Cell	092L	2005/may/22	2011/aug/05	GOOD	225.529
513758	RED DOG NORTH	135925 (100%)	Mineral	Cell	092L	2005/jun/01	2011/aug/05	GOOD	429.609
513760	HEP 2.2	135925 (100%)	Mineral	Cell	092L	2005/jun/01	2011/aug/05	GOOD	20.464
513909		135925 (100%)	Mineral	Cell	092L	2005/jun/03	2011/aug/05	GOOD	511.699
513910		135925 (100%)	Mineral	Cell	092L	2005/jun/03	2011/aug/05	GOOD	347.912
513911		135925 (100%)	Mineral	Cell	092L	2005/jun/03	2011/aug/05	GOOD	61.383
513912		135925 (100%)	Mineral	Cell	102I	2005/jun/03	2011/aug/05	GOOD	40.921
513913		135925 (100%)	Mineral	Cell	102I	2005/jun/03	2011/aug/05	GOOD	20.461
513914		135925 (100%)	Mineral	Cell	092L	2005/jun/03	2011/aug/05	GOOD	81.853
513926		135925 (100%)	Mineral	Cell	092L	2005/jun/04	2011/aug/05	GOOD	286.505
513927		135925 (100%)	Mineral	Cell	092L	2005/jun/04	2011/aug/05	GOOD	409.297
513929		135925	Mineral	Cell	092L	2005/jun/04	2011/aug/05	GOOD	430.364

Edgar Filing: KOBEX MINERALS INC. - Form 20-F

	(100%)							
513930	135925 (100%)	Mineral	Cell	092L	2005/jun/04	2011/aug/05	GOOD	389.316
513931	135925 (100%)	Mineral	Cell	092L	2005/jun/04	2011/aug/05	GOOD	696.946
515275	135925 (100%)	Mineral	Cell	092L	2005/jun/25	2011/aug/05	GOOD	470.906
515276	135925 (100%)	Mineral	Cell	092L	2005/jun/25	2011/aug/05	GOOD	655.547
515277	135925 (100%)	Mineral	Cell	092L	2005/jun/25	2011/aug/05	GOOD	245.854
515278	135925 (100%)	Mineral	Cell	092L	2005/jun/25	2011/aug/05	GOOD	655.917
515279	135925 (100%)	Mineral	Cell	092L	2005/jun/25	2011/aug/05	GOOD	184.473
515280	135925 (100%)	Mineral	Cell	092L	2005/jun/25	2011/aug/05	GOOD	471.442
515281	135925 (100%)	Mineral	Cell	092L	2005/jun/25	2011/aug/05	GOOD	614.929
515282	135925 (100%)	Mineral	Cell	092L	2005/jun/25	2011/aug/05	GOOD	676.187
515283	135925 (100%)	Mineral	Cell	092L	2005/jun/25	2011/aug/05	GOOD	553.442

---

Table of Contents

[38]

Tenure Number	Claim Name	Owner	Tenure Type	Tenure Sub Type	Map Number	Issue Date	Good To Date	Status	Area (ha)
515284		135925 (100%)	Mineral	Cell	092L	2005/jun/25	2011/aug/05	GOOD	902.618
515285		135925 (100%)	Mineral	Cell	092L	2005/jun/25	2011/aug/05	GOOD	102.424
515313		135925 (100%)	Mineral	Cell	092L	2005/jun/26	2011/aug/05	GOOD	163.85
515593		135925 (100%)	Mineral	Cell	092L	2005/jun/30	2011/aug/05	GOOD	656.144
515594		135925 (100%)	Mineral	Cell	092L	2005/jun/30	2011/aug/05	GOOD	164.031
515595		135925 (100%)	Mineral	Cell	092L	2005/jun/30	2011/aug/05	GOOD	615.08
515596		135925 (100%)	Mineral	Cell	092L	2005/jun/30	2011/aug/05	GOOD	451.075
516074		135925 (100%)	Mineral	Cell	092L	2005/jul/05	2011/aug/05	GOOD	553.632
516075		135925 (100%)	Mineral	Cell	092L	2005/jul/05	2011/aug/05	GOOD	102.382
516076		135925 (100%)	Mineral	Cell	092L	2005/jul/05	2011/aug/05	GOOD	245.871
516077		135925 (100%)	Mineral	Cell	092L	2005/jul/05	2011/aug/05	GOOD	389.645
516078		135925 (100%)	Mineral	Cell	092L	2005/jul/05	2011/aug/05	GOOD	286.991
516079	QUATSE LAKE TOO	135925 (100%)	Mineral	Cell	092L	2005/jul/05	2011/aug/05	GOOD	143.488
516081		135925 (100%)	Mineral	Cell	102I	2005/jul/05	2011/aug/05	GOOD	491.182
516527		135925 (100%)	Mineral	Cell	092L	2005/jul/09	2011/aug/05	GOOD	163.942
516529	APPLE BAY 9PLUS	135925 (100%)	Mineral	Cell	092L	2005/jul/09	2011/aug/05	GOOD	20.49
516930	NORTH RG	135925 (100%)	Mineral	Cell	092L	2005/jul/11	2011/aug/05	GOOD	204.535
517055	NEW 402513	135925 (100%)	Mineral	Cell	092L	2005/jul/12	2011/aug/05	GOOD	143.2
517076	NEW RD	135925 (100%)	Mineral	Cell	092L	2005/jul/12	2011/aug/05	GOOD	20.462
517123	RD NORTHEAST	135925 (100%)	Mineral	Cell	092L	2005/jul/12	2011/aug/05	GOOD	204.601
517213	HOLBERG	135925 (100%)	Mineral	Cell	092L	2005/jul/12	2011/aug/05	GOOD	143.523
517236	NUMMMIS	135925 (100%)	Mineral	Cell	092L	2005/jul/12	2011/aug/05	GOOD	41.018
517541		135925	Mineral	Cell	092L	2005/jul/12	2011/aug/05	GOOD	20.508

	APPLE BAY TEN	(100%)							
518531		135925 (100%)	Mineral	Cell	092L	2005/jul/29	2012/feb/03	GOOD	511.762
525702	HUSHAMU NORTHEAST	135925 (100%)	Mineral	Cell	092L	2006/jan/17	2011/aug/05	GOOD	307.117
Total	216 Claims								42669

The Company has not found any “reserves” on the Island Copper Project, as that term is defined in SEC Industry Guide 7.

#### Agreements

See “Item 4. Information on the Company – History and Development of the Company” for a description of the Agreements under which the Company acquired its interest in the Island Copper Project.

As of December 31, 2009, the Company had expended \$28,048 in acquisition costs and \$2,020,661 in exploration expenses on the Island Copper Project. During 2009 the Company also received a British Columbia Mining Tax Credit for \$308,172 which has been recorded as a reduction of expenditures.

Table of Contents

[39]

## Regional and Local Geology

The Island Copper Project is situated along the “Northern Island Copper Belt” on Vancouver Island, British Columbia. The Project covers over 50 kilometre strike length of the belt, and is underlain mainly by Jurassic volcanic rocks of the Bonanza Group and rocks of the Island Plutonic Suite. There are at least seven known mineral occurrences of porphyry and related types containing copper-gold-molybdenum-rhenium on the Project. The Hushamu, Northwest Expo, Cougar, Hep, South McIntosh, Pemberton Hills targets are located on the West Block and the Rupert target on the East Block of the project.

## History

Exploration in the Island Copper Project area started in the early 1900’s with reported occurrences of limonite (bog iron and polymetallic veins). In 1962, a magnetic survey funded by the federal and provincial governments was flown over the area leading to the identification of a northwesterly-trending magnetic belt north of Holberg and Rupert Inlets. This survey initiated exploration of the belt leading to the discovery by Utah Construction and Mining Company (“Utah”) of the Island Copper Mine which is located between the West and East Blocks of the Island Copper Project. The mine entered production in 1971 and operated until 1995, producing 345 million metric tonnes (t) of ore with average grades of 0.41% copper, 0.017% molybdenum, 0.19 ppm gold and 1.4 ppm silver.

The table below summarizes past exploration on the Island Copper Project from initial staking by Utah of mineral claims included in the current tenure.

DATE	COMPANY	EXPLORATION AND TARGET AREAS*
1966 to 1987	Utah Construction & Mining Company	<ul style="list-style-type: none"> <li>- Geological mapping, soil sampling, geophysics and drilling leading to the discovery of the Hushamu deposit; initial resource estimate</li> <li>- Drilling of the Hep target area</li> <li>- Drilling in the Hushamu and Hep Creek valleys</li> <li>- Drilling of the McIntosh Mountain and Pemberton Hills</li> <li>- Drilling of the Rupert Stock</li> </ul>
1987 to 1994	Moraga Resources Ltd.	<ul style="list-style-type: none"> <li>- Geological mapping and soil sampling</li> <li>- Drilling of the Hushamu deposit and nearby McIntosh Mountain</li> <li>- New resource estimate for the Hushamu deposit</li> <li>- Metallurgical study, ore transport alternatives study and preliminary mining study for the Hushamu deposit</li> </ul>
1993 to 1997	Jordex Resources Inc.	<ul style="list-style-type: none"> <li>- Drilling of the NW Expo zone with BHP Minerals</li> <li>- Geophysical survey of NW Expo area</li> </ul>
1993	BHP Minerals	<ul style="list-style-type: none"> <li>- Drilling of the Rupert Stock and two other anomalies on the East Block.</li> </ul>
2002-2003	CRS Copper Resources Corp.	<ul style="list-style-type: none"> <li>- Resource estimate for the Hushamu deposit</li> </ul>
2003 to 2006	Lumina Copper Corp.	<ul style="list-style-type: none"> <li>- Digital compilation</li> <li>- Helicopter-borne geophysics</li> <li>- Drilling at Hushamu, Cougar, NW Expo and Rupert targets</li> <li>- Drilling of NW Expo and Cougar zones</li> </ul>

2006 to Western Copper  
2008 Corporation

\*Current targets include: Hushamu, Northwest Expo, Cougar, Hep, South McIntosh, Pemberton Hills on the West Bloc and the Rupert target on the East Block.

---

Table of Contents

[40]

## Exploration Program

During the fall of 2008, IMA completed an initial drilling program at 2 of the 7 known mineral occurrences on the project: Northwest Expo and Hushamu. The program consisted of 13 holes of HQ size core drilling totaling 5,123 metres, with 11 holes totaling 4,610 metres drilled at Northwest Expo and 2 holes totaling 513 metres at Hushamu.

Drilling of the Northwest Expo target was designed to delineate the northwest projection of the mineralized zone beyond significant intercepts of copper, molybdenum and gold achieved by Western Copper in their 2007 drilling program. The 2008 program utilized new logging roads to establish 5 drill pads located 300 to 400 metres apart with 2 to 3 holes drilled from each pad. At Hushamu, drilling was designed to confirm the grade continuity of the core portion of the mineralized zone, particularly for rhenium and molybdenum, which had never been systematically analyzed in previous drilling programs. The 2008 program utilized refurbished logging roads to establish 2 drill pads located about 1 kilometre apart with 1 hole drilled from each pad.

Survey data of the 2008 drilling program is summarized in the table below.

DRILL HOLE NO*	EASTING (m)	NORTHING (m)	COLLAR ELEVATION (m)	AZIMUTH (deg)	INCLINATION (deg)	DEPTH (m)
EC08-248	569172	5619689	468	272	87	594
EC08-249	569869	5619941	319	266	85	209
EC08-250	569172	5619689	468	272	64	581
EC08-251	569869	5619941	319	266	60	539
EC08-252	569353	5619463	434	274	87	488
EC08-253	569868	5619943	319	88	60	173
EC08-254	569352	5619463	434	279	66	475
EC08-255	570061	5619716	258	272	86	386
EC08-257	570061	5619716	258	271	59	529
EC08-259	569936	5619434	240	276	87	234
EC08-261	569936	5619434	240	276	69	402
HI08-08	580403	5614364	325	183	87	316
HI08-03	580912	5614209	319	264	86	197

\*EC drill holes refers to the Northwest Expo target and HI refers to the Hushamu deposit

At Northwest Expo, the mineralized zone was confirmed as a tabular shaped, +600 metre long by 300 metre thick hydrothermal breccia body striking approximately east-west and dipping moderately to the north. The drilling program was successful in delineating both the northern down-dip extent and the eastern fault-bounded extent of the mineralized zone, but the western strike projection of the zone remains open and untested towards the western Property boundary. Copper values appear to decrease down-dip to the north within the zone relative to previous drilling results to the south, but gold, molybdenum and rhenium values are persistent throughout the zone. Preliminary microscopy work completed on 11 selected core samples from the zone confirmed hydrothermal breccia textures and alteration mineralogy similar to epithermal mineral deposits.

At Hushamu, the mineralized zone is relatively well established in shape, dimensions and grades of copper and gold. Sufficient size and grades have been established to warrant a pre-feasibility study. From the limited drilling completed in 2008, the values and distribution of molybdenum and particularly rhenium within and peripheral to the

zone appear to be persistent and correlate well with copper and gold.

---



Table of Contents

[41]

Reported intercepts from the Company 2008 drilling are summarized in the table below.

Target	Hole No.	Interval (m)	Length (m)	Au (ppm)	Cu (%)	Mo (%)	Re (ppm)
		267 – 367	100	0.052	0.003	0.003	0.215
NW Expo	EC08-248 including	267 – 271	4	0.026	0.002	0.022	0.561
		291 – 487	196	0.149	0.009	0.019	1.222
	including	299 – 313	14	0.074	0.003	0.031	1.280
	and	381 – 473	92	0.218	0.015	0.030	2.210
	or	413 – 433	20	0.299	0.017	0.045	1.987
NW Expo	EC 08-250 and	445 – 471	26	0.152	0.011	0.036	4.806
		165 – 455	290	0.227	0.026	0.016	0.490
	including	165 – 267	102	0.121	0.006	0.020	0.754
	and	215 – 231	16	0.172	0.009	0.037	1.725
	and	329 – 453	124	0.299	0.053	0.017	0.359
	or	359 – 391	32	0.554	0.092	0.010	0.191
NW Expo	EC 08-252 and	417 – 443	26	0.114	0.029	0.035	0.230
		194 – 432	238	0.606	0.084	0.010	0.264
	including	238 – 402	164	0.817	0.119	0.011	0.367
	or	272 – 288	16	1.123	0.127	0.017	0.661
	and	298 – 402	104	0.982	0.151	0.007	0.277
NWExpo	EC08-254 and	326 – 362	36	1.295	0.246	0.007	0.173
		10.7 – 190	179.3	0.471	0.423	0.011	0.436
	including	28 – 102	74	0.655	0.469	0.008	0.391
Hushamu	HI08-03 or	28 – 190	162	0.475	0.438	0.011	0.421
Hushamu	EC08-08	8 – 172	164	0.505	0.303	0.007	0.419

After receiving the positive results from the 2008 work program, the Company's technical team is integrating the information into the project database to assist in determining the appropriate next steps for the project. The Company's management is also currently determining how the Island Copper Project fits into the context of the ongoing corporate strategy of the Company.

During the fiscal years ending December 31, 2009, 2008 and 2007 the Company had capitalized and expensed costs on all of its properties as follows:

Fiscal Year Ending	Navidad Interest Recovery	Acquisition Costs Expensed in Fiscal Year	Exploration Expensed in Fiscal Year (a)
December 31, 2007	\$ 18,314,000	\$ Nil	\$ 209,255
December 31, 2008	\$ Nil	\$ Nil	\$ 1,930,325
December 31, 2009	\$ Nil	\$ 28,048	\$ 165,100

(a) In fiscal 2007, this amount includes \$109,666 (2006 - \$312,349) in Navidad holding costs which is comprised of:

- (i) costs incurred in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline; and
- (ii) costs incurred in the period between the date of the judgment and the transfer of control of the Navidad project to Aquiline.

#### ITEM 4A. UNRESOLVED STAFF COMMENTS

Not Applicable.

#### ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion contains forward-looking statements, including the Company's belief as to the Company's potential future financial position, business strategy and plans for future operations, and statements that are not historical facts, involve known and unknown risks and uncertainties, which could cause our actual results to differ materially from those in the forward-looking statements. See the heading "Cautionary Note Regarding Forward-Looking Statements" above.

## Table of Contents

[42]

The following discussion of the results of operations of the Company for the fiscal years ended December 31, 2009, 2008 and 2007, respectively, should be read in conjunction with the audited consolidated financial statements of the Company and related notes included therein under the heading “Item 17. Financial Statements” below.

### Critical accounting policies

Reference should be made to significant accounting policies contained in Note 3 of the December 31, 2009 audited consolidated financial statements of the Company attached hereto. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

### Legal Proceedings

On March 5, 2004, Aquiline, through its subsidiary, filed a claim in the Supreme Court of British Columbia against the Company seeking a constructive trust over the Navidad properties and damages. The trial was held in Vancouver British Columbia commencing in October 2005 and ended on December 12, 2005.

On July 14, 2006 the court released its judgment on the Aquiline claim. The Company was not successful in its defense and the court found in Aquiline’s favour.

The Company’s appeal of this judgment was heard by the British Columbia Court of Appeal between April 10 and April 12, 2007. The Court of Appeal dismissed the Company’s appeal and released their reasons for judgment on June 7, 2007.

The Company filed an application for leave to appeal to the Supreme Court of Canada in October 2007. On December 20, 2007 the Supreme Court of Canada denied the Company’s appeal. This brought the lawsuit to a close. As a result, the Navidad property has been transferred to Aquiline. See “Item 4. Information on the Company - History and Development of the Company.”

### Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of the fair value of stock based compensation, other than temporary impairments for investments, environmental obligations and impairment of mineral properties and deferred costs. Actual results may differ from these estimates.

### Mineral Properties

Consistent with the Company’s accounting policy disclosed in Note 3 of the December 31, 2009 consolidated financial statements attached hereto, direct costs related to the acquisition of mineral properties held or controlled by it are capitalized on an individual property basis. It is the Company’s policy to expense any exploration expenditures or associated costs to projects or properties. Management periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the costs are written-off, or if its carrying value has been impaired, then the acquisition costs are written down to fair value.

A. Operating Results

The Company's operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. See "Item 3. Key Information - Risk Factors."

---

## Table of Contents

[43]

The Company's consolidated financial statements were prepared on a going concern basis which assumes that it will be able to realize assets and discharge liabilities in the normal course of business.

The Company's audited consolidated financial statements are in Canadian dollars (Cdn\$) and are prepared in accordance with Canadian GAAP, the application of which, in the case of the Company, conforms in all material respects for the periods presented with U.S. GAAP except for the measurement differences referred to in Note 13 of the consolidated financial statements of the Company included herein. The effects of inflation and price changes have not had a material impact on the Company's income or net sales revenues during the past three years, as the Company has had no income or net sales revenue during such period.

The Company and its subsidiaries' functional currency is the Canadian dollar. The majority of the Company's cash deposits and accounts are in Canadian funds. The Canadian dollar varies under market conditions, the continued fluctuation of the Canadian dollar against the U.S. dollar will continue to affect the Company's operations and financial position. See "Item 3. Key Information - Risk Factors - Currency Fluctuations".

### Overview

The Company is a natural resource company engaged in the business of acquisition, exploration and development of mineral properties. At this stage the Company has no producing properties and, consequently, has no current operating income or cash flow.

The Company's accounting policy under Canadian and US GAAP is to defer all direct costs related to the acquisition of mineral properties held or controlled by the Company and to expense all exploration relating to proven and unproven mineral properties and incurred. When a property is placed in commercial production, such deferred costs are depleted using the units-of-production method. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned, then the costs are written-off, or if its carrying value has been impaired, then the acquisition costs are written down to fair value. At December 31, 2009 the Company had \$28,048 acquisition costs deferred. At December 31, 2008 the Company had \$Nil acquisition costs deferred. At December 31, 2007 the Company recorded \$18,314,000 as a recovery of Navidad exploration expenditures with a corresponding entry to Navidad Interest receivable; this amount was received in January and February 2008.

During the year ended December 31, 2009, there was no exercise of options, warrants or agents warrants. As of December 31, 2009, the Company had reserved 1,242,264 common shares (2008 – 1,291,321; 2007 – 1,362,946) for issuance upon the exercise of outstanding warrants and 4,187,925 common shares for outstanding options (2008 – 2,625,000; 2007 – 4,330,000).

Cash on hand and cash equivalents at December 31, 2009 were approximately \$40,900,000.

### Results of Operations

The following discussion of the results of operations of the Company for the fiscal years ended December 31, 2009, 2008 and 2007 should be read in conjunction with the audited consolidated financial statements of the Company attached hereto and related notes included therein. See the heading "Item 17. Financial Statements" below.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

For the year ended December 31, 2009, the Company reported a consolidated loss of \$3,069,636 (\$0.11 loss per share), a decrease of \$1,232,274 from the loss of \$4,301,910 (\$0.20 loss per share) for the year ended December 31, 2008. The decrease in the loss in 2009, compared to the 2008 amount, can be attributed to a \$734,841 decrease in operating expenses and a decrease of \$497,433 from other expense items.

---

Table of Contents

[44]

The Company's operating expenses for the year ended December 31, 2009 were \$3,043,544, a decrease of \$734,841 from \$3,778,385 in 2008.

Exploration expenditures decreased to \$165,100 in 2009 compared to \$1,930,325 in 2008 as the Island Copper project was worked on mainly in 2008. Consulting fees increased by \$195,213 to \$427,213 in 2009, as the Company incurred significant consulting fees associated with the three way merger with Kobex Resources and Barytex. Salary and employee benefits increased costs increased by \$324,558 to \$675,350 in 2009 compared to \$350,792 in 2008. The increase in salaries is mainly as a result of the change in management that was a result of the merger with Kobex and Barytex. During the year Company recorded non-cash stock-based compensation of \$520,722 (2008 - \$62,900) for stock options granted to its employees, consultants and directors.

Other notable changes are:

In the 2009 period the Company recorded interest income of \$393,863 compared to \$863,416 in 2008 as a result of the Company having lower interest rates on its short-term investments in 2009. In addition the Company recorded a gain of \$432,454 (2008 - \$117,699 loss) on its held-for-trading investment.

The Company has accounted for the investment in Blue Sky using the equity method. During 2009 the Company recorded a \$261,471 equity loss resulting from the investment. During the period, the Company's holdings of Blue Sky was diluted from 22% to 19%. As a result, the Company recorded a dilution loss of \$11,357. On October 26, 2009 the Company sold 8,333,333 warrants that it held of Blue Sky for proceeds of \$528,333. As of result of Blue Sky completing a financing of 5,500,000 units on October 27, 2009 and the sale of 8,333,333 warrants, the Company's holding in Blue Sky was reduced to 16.5%. Along with the termination of the services contract with Grosso Group Management Ltd. (the "Grosso Group"), which provides services and facilities to both the Company and Blue Sky, the latter is no longer under common management. Consequently, the Company changed its method for accounting for its investment in Blue Sky from the equity method. Effective September 30, 2009, the Company classifies the investment as available-for-sale with gains and losses arising from changes in fair value included in other comprehensive income until ultimate sale when the accumulative gains or losses are transferred to net income. As at December 31, 2009 the investment had a market value of \$5,000,000, net of a \$205,000 deposit paid as of December 31, 2008, and as a result the Company made an adjustment to other comprehensive income for \$4,554,580.

As a result of merger the Company terminated its agreement with the President of the Company and paid \$1,211,500 related to this bonus and termination benefits. Of this amount \$711,500 was accrued as at December 31, 2008. The Company terminated its management services contract with Grosso Group on November 30, 2009 and as a result paid a severance of \$500,000. Also as a result of the merger the Company terminated a consulting contract on September 30, 2009 and paid a severance of \$31,750.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

For the year ended December 31, 2008, the Company reported a consolidated loss of \$4,301,910 (\$0.20 loss per share), a decrease of \$20,980,742 from the income of \$16,678,832 (\$0.77 earnings per share) for the year ended December 31, 2007. The increase in the loss in 2008, compared to the 2007 amount, can primarily be attributed to a \$1,476,385 increase in operating expenses and a decrease of \$19,504,357 from other income items where the Company recorded a recovery of \$18,314,000 on its Navidad interest.

The Company's operating expenses for the year ended December 31, 2008 were \$3,778,385, an increase of \$1,476,385 from \$2,302,000 in 2007.

Exploration expenditures increased to \$1,930,325 in 2008 compared to \$99,589 in 2007 as the Island Copper project commenced in 2008. Professional fees decreased by \$787,939 to \$234,382 in 2008, as the Company incurred significant legal costs incurred in connection with the Aquiline legal action in 2007 which were not repeated in 2008. The Company's 2008 legal fees primarily consist of costs related to the appeal to the British Columbia Court of Appeal in and the application of leave to appeal to the Supreme Court of Canada. In 2008 the Company recorded non-cash stock-based compensation of \$62,900 compared to \$34,421 in 2007, for stock options granted to its employees, consultants and directors.

---



Table of Contents

[45]

Other notable changes in the operating expenses are:

- (i) Administrative and management services increased by \$59,681 primarily as a result of increased fees paid for the services of consultants and the president of the Company. See “Item 7. Major Shareholders and Related Party Transactions – Related Party Transactions.
- (ii) Consulting costs were \$232,000 in 2008 compared to \$Nil in 2007 as a result of the Company actively searching for possible mergers and acquisitions during the year.
- (iii) Rent, parking and storage increased by \$59,635 in 2008 due to increased activity during the year.
- (iv) Salaries and employee benefits increased by \$106,455 to \$350,792 in 2008 compared to \$244,337 in 2007 due to increased activity during the year.
- (v) Navidad holding costs decreased \$109,666 to \$Nil. These were costs incurred in 2007 in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline.

In 2008 the Company recorded interest income of \$863,416 compared to \$675,156 in 2007. A loss of \$14,758 for foreign exchange was recorded in 2008 compared to loss of \$8,324 in 2007. In addition the Company recorded an other than temporary write-down on marketable securities in the amount of \$474,810 and a loss of \$117,699 on its held-for-trading investment.

The Company has accounted for the investment in Blue Sky Uranium Corp. using the equity method. Blue Sky has a December 31st year end and is under common management. During 2008 the Company recorded a \$68,174 loss resulting from accounting for the investment.

As at December 31, 2008 the Company accrued \$711,500 relating to bonus and termination benefits due to the President of the Company under a contractual arrangement (see “Related party transactions”).

**B. Liquidity and Capital Resources**

The Company’s cash position at December 31, 2009 was \$40,911,288, an increase of \$19,460,813 from December 31, 2008. Total assets increased to \$46,259,721 at December 31, 2009 from \$22,684,599 at December 31, 2008. This increase is mainly due to the merger with Kobex Resources and Barytex.

During fiscal 2006, Company completed a syndicated brokered private placement financing of 2,865,000 special warrants at \$3.50 per warrant for gross proceeds of \$10,027,500. Each special warrant entitled the holder to acquire one unit consisting of one common share and one half common share purchase warrant. All special warrants were converted into common shares on May 25, 2006. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$3.80 per share until March 21, 2010. As a result of share consolidation on September 30, 2009 the number of special warrants decreased to 596,875 and the exercise price increased to \$9.12. In addition to a cash commission of 6% the underwriters were granted 171,900 agents’ warrants, representing 6% of the number of special warrants issued. Each agent’s warrant is exercisable for one share at a price of \$3.80, for a period of twenty four months, expiring on March 21, 2008. At December 31, 2009, no common share purchase warrants or agent’s warrants had been exercised.

Stock options and warrants were not exercised during 2009 or 2008.

As at December 31, 2009, the Company had working capital of approximately \$45.7 million. The Company has received \$Nil from the exercise of options and warrants from January 1 to March 26, 2010.

The Company considers that it has adequate resources to maintain its core operations for the next fiscal year. The Company will continue to rely on successfully completing additional equity financing to identify, acquire and conduct exploration and development of mineral exploration projects. There can be no assurance that the Company will be successful in obtaining the required financing.

---

Table of Contents

[46]

There has been a severe deterioration in global credit and equity markets. This has resulted in the need for government intervention in major banks, financial institutions and insurers and has also resulted in greater volatility, increased credit losses and tighter credit conditions. These disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase the Company's cost of obtaining, capital and financing for our operations. If our capital costs exceed management's expectations or new project opportunities become available and desirable to us, we may need to access additional capital. Further, our access to additional capital may not be available on terms acceptable to us or at all.

## C. Research and Development, Patents and Licenses, Etc.

None.

## D. Trend Information

While the Company does not have any producing mines it is directly affected by trends in the metal industry. At the present time global metal prices are extremely volatile. Base metal prices and, in particular, copper prices (which are relevant to the Island Copper project), driven by rising global demand, climbed dramatically and approached near historic highs over the past several years.

Overall market prices for securities in the mineral resource sector and factors affecting such prices, including base metal prices, political trends in the countries such companies operate, and general economic conditions, may have an effect on the terms on which financing is available to the Company, if at all.

Except as disclosed, the Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the Company's exploration programs.

The Company currently does not and also does not expect to engage in currency hedging to offset any risk of currency fluctuations.

## E. Off-Balance Sheet Arrangements

The Company does not have any material off balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## F. Tabular Disclosure of Contractual Obligations

Except as otherwise disclosed, the Company knows of no other contractual obligations during the period from January 1, 2009 through December 31, 2009.

Total	Payments Due by Period			
	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years

Edgar Filing: KOBEX MINERALS INC. - Form 20-F

Contractual Obligations	-	-	-	-	-
Long-term Debt Obligations	-	-	-	-	-
Capital (Finance) Lease Obligations	-	-	-	-	-
Operating Lease Obligations	686,915	221,713	446,594	18,608	-
Purchase Obligations	-	-	-	-	-
Other Long-Term Liabilities Reflected in the Company's Balance Sheet under the GAAP of the Primary Financial Statements	-	-	-	-	-
Total	686,915	221,713	446,594	18,608	-

---

Table of Contents

[47]

## G. Safe Harbor

The Company seeks safe harbor for our forward-looking statements contained in Items 5.E and F. See the heading “Cautionary Note Regarding Forward-Looking Statements” above.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.

## A. Directors and Senior Management

The name, positions held with the Company and principal occupation of each director, officer and executive officer of the Company within the five years preceding the date of this annual report, are as follows:

Name, Age and Position(1)	Principal Occupation During Past Five Years	Period of Service as a Director/Officer
ALFRED L. HILLS(3) British Columbia, Canada Chief Executive Officer, President and Director Age (55)	Former Chief Executive Officer of International Barytex Resources Ltd., Mining Engineer. Former Vice-President of evaluations for Placer Dome Inc.	Director, President and CEO since September 30, 2009 to present.
ROMAN SHKLANKA British Columbia, Canada Chairman and Director Age (77)	Chairman and Director of Polaris Minerals Corporation and Pacific Imperial Mines Inc. Directors of Delta Minerals Corporation. Former Chairman and Director of Kobex Resources Ltd., International Barytex Resources Ltd., Canico Resources Corp. and Sutton Resources Ltd.	Chairman and Director since September 30, 2009 to present.
R. STUART (TOOKIE) ANGUS(2)(3) British Columbia, Canada Director Age (61)	Independent business consultant to the Mining Industry since January 1, 2006; Managing Director, Mergers & Acquisitions, Endeavour Financial Ltd., November 2003 to December 31, 2005; Partner, Fasken Martineau DuMoulin LLP from 2001 to 2003. Serves as a director on the board of several mining companies.	Director since May 2003 to present.
MICHAEL ATKINSON (2) British Columbia, Canada Director Age (37)	President of Maverick Projects Inc. since July 2008. Vice President of Quest Capital Corp. from June 2002 to June 2008.	Director since December, 2008 to present.
JAMES C. O’ROURKE(2) British Columbia, Canada Director Age (70)	Director and Chief Executive Officer of Copper Mountain Mining Corporation, a mining company. Corporate Director and Self-employed Mining Consultant.	Director since September, 2009 to present

Edgar Filing: KOBEX MINERALS INC. - Form 20-F

ALEXANDER DAVIDSON (2)(3) Ontario, Canada Director Age (58)	(Retired) Executive Vice-President Exploration and Corporate Development of Barrick Gold Corporation.	Director since September, 2009 to present
SAMUEL YIK British Columbia, Canada Chief Financial Officer Age (45)	Former Chief Financial Officer of International Barytex Resources Ltd. and Kobex Resources Ltd., Vice President of Finance and Investor Relations of GBS Gold International Inc., and Vice President of Commercial Operations of Pine Valley Mining Ltd.	CFO since September 30, 2009 to present

(1) Officers and Directors of the Company may also serve as directors of other companies. See “Conflicts of Interest” below.

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee

---

Table of Contents

[48]

Family Relationships

There are no family relationships between any directors or executive officers of the Company.

Arrangements

There are no known arrangements or understandings with any major shareholders, customers, suppliers or others, pursuant to which any of the Company's officers or directors was selected as an officer or director of the Company, other than indicated immediately above and at "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

Conflicts of Interest

There are no existing or potential conflicts of interest among the Company, its directors, officers or promoters as a result of their outside business interests with the exception that certain of the Company's directors, officers and promoters serve as directors, officers and promoters of other companies, as set out below, and, therefore, it is possible that a conflict may arise between their duties as a director, officer or promoter of the Company and their duties as a director or officer of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBCA, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

All of the Company's directors are also directors, officers or shareholders of other companies that are engaged in the business of acquiring, developing and exploiting natural resource properties including properties in countries where the Company is conducting its operations. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk that the Company may enter into a transaction on terms which place the Company in a worse position than if no conflict existed. The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interest which they may have in any project or opportunity of the Company. However, each director has a similar obligation to other companies for which such director serves as an officer or director. The Company has no specific internal policy governing conflicts of interest.

Table of Contents

[49]

The following table identifies the name of each director of the Company and any company, which is a reporting issuer in Canada or the United States, and for which such director currently serves as an officer or director:

Name of Director	Name of Company	Position	Term of Service
Alfred L. Hills			
Roman Shklanka	Pacific Imperial Mines Inc	Director	Sep/04 to present
	Polaris Minerals Inc.	Director	2000 to present
		Chairman	
Robert Stuart (Tookie)	Wildcat Silver Corporation	Director	May/06 to present
Angus	Uranium North Resources Corp.	Director	May/06 to present
	Bolero Resources Corp	Director	Mar/06 to present
	Tsodilo Resources Limited	Director	Sep/04 to present
	CMQ Resources Inc.	Director	Dec/03 to present
	Nevsun Resources Ltd.	Director	Jan/03 to present
	Plutonic Power Corporation	Director	Jun/99 to present
	Blackstone Ventures Inc.	Director	Sept/97 to present
	Dynasty Gold Corp.	Director	Oct/99 to present
		Chairman	Jan/06 to present
	Polaris Minerals Corporation	Director	Sept/03 to present
	Santa Fe Metals Corp.	Director	Apr/06 to present
	Tirex Resources Ltd.	Director	Nov/06 to present
	Stealth Energy Inc.	Director	Feb/06 to present
	Coro Mining Corp.	Director	Apr/05 to present
	Ventana Gold Corp.	Director	Dec/06 to present
	San Marco Resources Inc.	Director	Sep/09 to present
Michael Atkinson	Petra Petroleum Corp	Director	Dec/09 to present
	Canadian Phoenix	Director	Feb/09 to present
	Resource Corp.	President	Jan/09 to present
	Sierra Geothermal Corp	Director	Feb/10 to present
James C. O'Rourke	Copper Mountain Mining Corp	Director	Apr/06 to present
		President	Apr/06 to present
	Compliance Energy Corp.	Director	2000 to present
		President	2000 to present
	Madison Pacific Properties Inc.	Director	May/98 to present
Alexander Davidson	Namakwa Diamonds Ltd.	Director	Dec/07 to present
	MBAC Fertilizer Corp	Director	Jan/10 to present
	Noront Resources Ltd.	Director	Oct/09 to present



**B. Compensation**

During the fiscal year ended December 31, 2009, the directors and officers of the Company, as a group, had received or charged the Company a total of \$520,486 (2008-\$310,558; 2007-\$353,283) for services rendered by the directors and officers or companies owned by the individuals. The Company also paid termination benefits totaling \$1,031,750 (2008 - \$Nil) to such companies.

The Company is required, under applicable securities legislation in Canada, to disclose to its shareholders details of compensation paid to its directors and officers. The following fairly reflects all material information regarding compensation paid by the Company to its directors and officers, which information has been disclosed to the Company's shareholders in accordance with applicable Canadian law.

**Compensation Discussion & Analysis**

The compensation of the Company's Named Executive Officers (defined below) is determined by the Company's Compensation Committee, a committee of the Company's Board of Directors. The Company's compensation program is designed to provide competitive levels of compensation, a significant portion of which is dependent upon individual and corporate performance and contribution to increasing shareholder value. The Company recognizes the need to provide a total compensation package that will attract and retain qualified and experienced executives as well as align the compensation level of each executive to that executive's level of responsibility. In general, a Named Executive Officer's compensation is comprised of salary and/or consulting fees and stock option grants.

---

Table of Contents

[50]

The objectives and reasons for this system of compensation are generally to allow the Company to remain competitive compared to its peers in attracting experienced personnel. The salaries and/or consulting fees are set on a basis of a review and comparison of compensation paid to executives at similar companies. Stock option grants are designed to reward the Named Executive Officers for success on a similar basis as the shareholders of the Company, but these rewards are highly dependent upon the volatile stock market, much of which is beyond the control of the Named Executive Officers.

Executive Compensation

“Named Executive Officers” or “NEO’s” means the Chief Executive Officer and Chief Financial Officer of the Company, regardless of the amount of compensation of that individual, and each of the Company’s four most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, who were serving as executive officers at the end of the most recent fiscal year and whose total salary and bonus amounted to \$150,000 or more. In addition, disclosure is also required for any individual whose total salary and bonus during the most recent fiscal year was at least \$150,000, whether or not they were an executive officer at the end of the most recent fiscal year.

During the year ended December 31, 2009, the Company had four Named Executive Officers: Alfred Hills, Chief Executive Officer and President; Joseph Grosso, President and Chief Executive Officer, Samuel Yik, Chief Financial Officer, and Michael Clark, acting Chief Financial Officer. Messrs. Grosso and Clark resigned from the Company on September 30, 2009, at which time Mr. Hills was named President and Chief Executive Officer and Mr. Yik was named Chief Financial Officer. The following table sets forth all annual and long-term compensation awarded, paid to or earned by the Company’s Named Executive Officers during the financial years ended December 31, 2007, 2008 and 2009.

The following table (presented in accordance with Form 51-102F6 – Statement of Executive Compensation under National Instrument 51-102 – Continuous Disclosure Obligations) sets forth all annual, long term and other compensation for services in all capacities to the Company and its subsidiaries payable to the NEOs for the three financial years ended December 31, 2009, 2008, and 2007 (to the extent required by the Regulations) in respect of the Named Executive Officers:

Table of Contents

[51]

## Summary Compensation Table

Name and Principal Position	Year Ended December 31	Salary (\$)	Share-based Awards (\$)	Option-Based Awards (\$)(13)	Annual incentive plans (\$)	Non-equity incentive plan compensation (\$)		Long-term incentive plans (\$)	Pension value (\$)	All other Compensation (\$)	Total Compensation (\$)
Alfred Hills	2009	56,250	Nil	\$91,757	Nil	Nil	Nil	Nil	Nil	Nil	148,007
President and CEO (1)(2)(3)	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2009	48,750	Nil	\$91,757	Nil	Nil	Nil	Nil	Nil	Nil	140,507
Samuel Yik	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
CFO (4)(5)	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Roman Shklanka	2009	160,000	Nil	\$91,757	Nil	Nil	Nil	Nil	Nil	Nil	251,757
Chairman(6)(7)	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Joseph Grosso	2009	\$187,500	Nil	Nil	Nil	Nil	Nil	Nil	\$1,211,500		1,399,000
President and CEO (8)(9)(10)	2008	\$250,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil		250,000
	2007	\$250,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil		250,000
	2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil		Nil
Arthur Lang,	2008	\$52,440	Nil	Nil	Nil	Nil	Nil	Nil	Nil		\$52,440
CFO (11)	2007	\$64,612	Nil	Nil	Nil	Nil	Nil	Nil	Nil		\$64,612
Michael Clark											
Acting Chief Financial Officer (12)	2009	\$42,068	Nil	Nil	Nil	Nil	Nil	Nil	Nil		\$42,068
	2008	\$21,578	Nil	Nil	Nil	Nil	Nil	Nil	Nil		\$21,578
	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil		Nil

\*Note: On September 30, 2009, the authorized share capital of the Company was altered by consolidating all of the issued and outstanding common shares of the Company on the basis of one (1) post-consolidation common share for every 2.4 pre-consolidation common shares. All stock option amounts set out in the footnotes below are on a post-consolidation basis.

- (1) Mr. Hills is also a director but does not receive any compensation in that capacity.
- (2) During the year 2009, Mr. Hills' compensation from the Company was \$56,250 for the year. Mr. Hills was appointed President and CEO as of September 30, 2009.
- (3) Mr. Hills' option-based awards during 2009 consisted of 400,000 stock options granted October 26, 2009 at an exercise price of Cdn.\$0.82 and fair value of Cdn\$0.69 per share. The shares vest over a three year period.
- (4) During the year 2009, Mr. Yik's compensation from the Company was \$48,750 for the year. Mr. Yik was appointed CFO as of September 30, 2009.
- (5) Mr. Yik's option-based awards during 2009 consisted of 400,000 stock options granted October 26, 2009 at an exercise price of Cdn.\$0.82 and fair value of Cdn\$0.69 per share. The shares vest over a three year period.

- (6) Mr. Shklanka is the chairman of the Company. Mr. Shklanka's compensation was \$160,000 for the year, which included an honorarium of \$122,500 for past services with Kobex and Barytex. Mr. Shklanka is also a director of the Company, but did not receive any compensation in that capacity.
- (7) Mr. Shklanka's option-based awards during 2009 consisted of 400,000 stock options granted October 26, 2009 at an exercise price of Cdn.\$0.82 and fair value of Cdn\$0.69 per share. The shares vest over a three year period.
- (8) Mr. Grosso was a director until September 30, 2009, but did not receive any compensation in that capacity.
- (9) During the year 2009, Mr. Grosso's compensation from the Company was \$187,500 for the year. Mr. Grosso resigned as President and CEO as of September 30, 2009.
- (10) Mr. Grosso provided his services on a full-time basis under a contract with private company controlled by Mr. Grosso for an annual fee of \$250,000. As a result of the Business Combination, the contract was terminated and \$1,211,500 in termination payments were received.
- (11) Mr. Lang's total compensation from the Grosso Group during 2008 was \$150,000 of which \$52,440 was allocated to the Company as part of the Grosso Group fees for the year; and during 2007 Mr. Lang received \$151,000, of which \$64,612 was allocated to the Company as part of the Grosso Group fees for the year. Mr. Lang resigned as Chief Financial Officer as of September 3, 2008.
- (12) Mr. Clark's total compensation from the Grosso Group during 2009 was \$110,000 of which \$42,068 was allocated to the Company as part of the Grosso Group fees; for the year 2008 was \$87,083 of which \$21,578 was allocated to the Company as part of the Grosso Group fees for the year. Mr. Clark resigned as acting Chief Financial Officer as of September 30, 2009.
- (13) The valuation of the fair value of the options at the time of the grant is based on the Black Scholes model and includes the following assumptions; weighted average risk free rate, weighted average expected life, expected volatility and dividend yield. For options that vest, only the vested options are valued.
-

Table of Contents

[52]

Narrative discussion

The Company does not have a share-based award plan other than the stock option plan referred to above. The Company also does not have a pension plan or a long term incentive plan.

The Company had engaged Grosso Group Management Ltd. to provide services and facilities to the Company. The Grosso Group is a private company that is currently owned by Blue Sky Uranium Corp. ("Blue Sky") and Golden Arrow Resources Corporation ("Golden Arrow"), each of which owns one share. Until November 30, 2009, the Company was also a member shareholder of the Grosso Group. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company.

The arrangement with the Grosso Group was terminated effective November 30, 2009. During the year ended December 31, 2009, the Company incurred fees of \$521,122 to the Grosso Group paid in monthly payments as a result of a review of the allocation of the Grosso Group costs to the member companies for the year. As a result of terminating the agreement with Grosso Group the Company paid a severance payment of \$500,000 on November 30, 2009.

During the year ended December 31, 2009 Joseph Grosso provided his services to the Company through Oxbow International Marketing Corp. ("Oxbow"). The Company entered into a consulting agreement with Oxbow (the "Oxbow Consulting Agreement") effective as of July 1, 1999, subsequently amended on May 1, 2006, and further amended in November 2008, pursuant to which Mr. Grosso provided executive services as President and Chief Executive Officer of the Company.

During the fiscal year ended December 31, 2009, Oxbow was paid \$187,500 (2008 - \$250,000; 2007 - \$250,000). During the year ended December 31, 2009, in connection with the Business Combination, the Oxbow Consulting Agreement was terminated effective September 30, 2009 and a termination payment of \$1,211,500 was paid relating to the above bonus and termination benefits (see "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions.").

Incentive Plan Awards

Option-Based Awards

Stock option grants are made on the basis of the number of stock options currently held, position, overall individual performance, anticipated contribution to the Company's future success and the individual's ability to influence corporate and business performance. The purpose of granting such stock options is to assist the Company in compensating, attracting, retaining and motivating the officers, directors, employees and consultants of the Company and to closely align the personal interest of such persons to the interest of the shareholders.

The recipients of incentive stock options and the terms of the stock options granted are determined from time to time by the Compensation Committee, who is responsible for administering the Company's stock option plan (the "Stock Option Plan"). The exercise price of the stock options granted is determined by the market price at the time of grant. The options are always granted at market price. The valuation of the fair value of the options at the time of the grant is based on the Black-Scholes model and includes the following assumptions: weighted average risk free rate, weighted

average expected life, expected volatility and dividend yield.

---

Table of Contents

[53]

## Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth stock options granted by the Company during the financial year ended December 31, 2009 to the Named Executive Officers of the Company:

Name	Option-based Awards		Option expiration date	Stock-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)		Value of unexercised in-the-money options (\$)(1)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Alfred Hills	400,000	0.82	Oct 26, 2014	91,757	Nil	Nil
	18,416	1.09	Feb 25, 2014	4,996		
	4,604	6.73	Feb 5, 2013	155		
	4,604	20.31	Mar 16, 2012	19		
	13,656	3.42	Mar 16, 2012	1,207		
	46,041	25.09	Jul 6, 2011	Nil		
Samuel Yik	400,000	0.82	Oct 26, 2014	91,757	Nil	Nil
	24,581	0.53	Feb 26, 2014	10,266		
	3,683	1.09	Feb 25, 2014	999		
	920	6.73	Feb 5, 2013	31		
	27,312	1.67	Dec 12, 2012	5,223		
	68,281	2.03	Nov 15, 2012	10,839		
	11,510	13.36	Nov 7, 2012	113		
Joseph Grosso	Nil	Nil	Nil	Nil	Nil	Nil
Michael Clark	Nil	Nil	Nil	Nil	Nil	Nil

(1) Percentage of all options granted during the financial year.

(2) The exercise price of stock options was set according to the rules of the TSX-V. The exercise price of stock options may only be adjusted in the event that specified events cause dilution of the Company's share capital.

## Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth details of the value vested or earned for all incentive plan awards during the most recently completed financial year by each Named Executive Officer:

Value Vested or Earned for Incentive Plan Awards During the Most Recently Completed Financial Year

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
------	---	--	--

Alfred Hills (1)	\$91,757	Nil	Nil
Samuel Yik (2)	\$91,757	Nil	Nil
Joseph Grosso (3)	Nil	Nil	Nil
Michael Clark (4)	Nil	Nil	Nil

(1) Alfred Hills was appointed as President and CEO on September 30, 2009. Mr. Hills was granted 400,000 stock options of which 133,333 vested during the year with a value of \$91,757.

(2) Samuel Yik was appointed as Chief Financial Officer on September 30, 2009. Mr. Yik was granted 400,000 stock options of which 133,333 vested during the year with a value of \$91,757.

(3) Joseph Grosso resigned as President and CEO on September 30, 2009

(4) Mike Clark resigned as Chief Financial Officer on September 30, 2009.

#### Pension Plan Benefits

As reported under the Summary Compensation Table, the Company does not maintain a Pension Plan for its employees and therefore no benefits were received.



Table of Contents

[54]

Narrative Discussion

The following information is intended as a brief description of the Stock Option Plan and is qualified in its entirety by the full text of the Stock Option Plan.

1. The Stock Option Plan provides that options may be granted to any employee, officer, director or consultant of the Company or a subsidiary of the Company.
2. The options issued pursuant to the Stock Option Plan will be exercisable at a price not less than the Market Value (as such term is defined in the Stock Option Plan) of the Company's common shares at the time the option is granted.
3. Options granted under the Stock Option Plan will be granted for a term not to exceed 10 years from the date of their grant, provided that if the Company is then a "Tier 2" company listed on the TSX Venture Exchange, the term of the option will be not more than five years.
4. Options under the Stock Option Plan will be subject to such vesting schedule as the Compensation Committee may determine. In the event that an option is to be terminated prior to expiry of its term due to certain corporate events, all options then outstanding shall become immediately exercisable for 10 days after notice thereof, notwithstanding the original vesting schedule.
5. Options will also be non-assignable and non-transferable, provided that they will be exercisable by an optionee's legal heirs, personal representatives or guardians for up to 12 months following the death or termination of an optionee due to disability, or up to 12 months following the death of an employee if the employee dies within 12 months of termination due to disability. All such options will continue to vest in accordance with their original vesting schedule.
6. The maximum number of common shares to be reserved for issuance under the Stock Option Plan, including options currently outstanding, will not exceed 10% of the number of common shares of the Company issued and outstanding on the applicable date of grant.

Termination of Employment or Change of Control

Other than as described below and in the Narrative Discussion section under the Summary Compensation Table, the Company has no plans or arrangements with respect to remuneration received or that may be received by the Named Executive Officers during the Company's most recently completed financial year or current financial year in view of compensating such officers in the event of termination of employment (as a result of resignation, retirement, change of control, etc.) or a change in responsibilities following a change of control, where the value of such compensation exceeds \$150,000 per executive officer.

Pursuant to the terms of the employment agreement with Mr. Alfred Hills, in the event the agreement is terminated by the Company within one year of change of control, or if Mr. Hills resigns within one year of change of control, Mr. Hills' entitlement to severance pay will be an amount equal to two years' base salary plus the cost of two years' benefits other than incentive stock options, but including bonus (averaged up to three years as applicable). Mr. Hills may resign from the Company anytime prior to October 31, 2010, by providing two weeks' notice to the Company and, at the conclusion of such period of notice, the Company shall pay to Mr. Hills a sum equal to one year of Mr. Hills' then current base annual salary, plus an amount equal to the cost of the benefits excluding incentive stock options but

including bonus (average up to three years as applicable) for a period of one year

Pursuant to the terms of the employment agreement with Mr. Samuel Yik, in the event the agreement is terminated by the Company within one year of change of control, or if Mr.. Yik resigns within one year of change of control, Mr. Yik's entitlement to severance pay will be an amount equal to two years' base salary plus the cost of two years' benefits other than incentive stock options, but including bonus (averaged up to three years as applicable). Mr. Yik may resign from the Company anytime prior to October 31, 2010, by providing two weeks' notice to the Company and, at the conclusion of such period of notice, the Company shall pay to Mr. Yik a sum equal to one year of Mr. Yik's then current base annual salary, plus an amount equal to the cost of the benefits excluding incentive stock options but including bonus (average up to three years as applicable) for a period of one year

Pursuant to the terms of the employment agreement with Mr. Roman Shklanka, in the event the agreement is terminated by the Company within one year of change of control, or if Mr.. Shklanka resigns within one year of change of control, Mr. Shklanka's entitlement to severance pay will be an amount equal to two years' base salary plus the cost of two years' benefits other than incentive stock options, but including bonus (averaged up to three years as applicable).

---

Table of Contents

[55]

Pursuant to the terms of the Oxbow Consulting Agreement, in the event the agreement was terminated by the Company as a result of Mr. Grosso's death or permanent disability while providing services to the Company, or by Mr. Grosso as a result of a material breach or default by the Company, Oxbow was entitled to a bonus payment in the amount of \$461,500 plus one year of annual fees. In the event the agreement was terminated by the Company without cause or as a result of a change of control, Oxbow was entitled to (i) any monthly compensation due to the date of termination, (ii) options as determined by the Company's Board of Directors, (iii) three years of Mr. Grosso's monthly compensation (which may be adjusted annually), and (iv) a bonus payment of \$461,500. The Oxbow Consulting Agreement was terminated on September 30, 2009, and as a result of the Arrangements. Oxbow received \$1,211,500 in termination payments.

Compensation of Directors

The Company does not have a share-based award plan for the directors other than the stock option plan referred to above, details of which are provided below under Outstanding Option-Based Awards, Share- Based Awards and Non-equity Incentive Plan Compensation. The Company also does not have a pension plan or a non-equity incentive plan for its directors.

Other than as described in the Narrative Description, no directors, who were not NEO's of the Company were compensated during the financial year ended December 31, 2009 for services in their capacity as directors.

Narrative Description

Directors of the Company who are also NEOs are not compensated for their services in their capacity as directors, although directors of the Company are reimbursed for their expenses incurred in connection with their services as directors.

During the year ended December 31, 2009, and subsequent to the Arrangements, the Company paid to the directors \$50,000 (2008 - \$120,000; 2007 - \$Nil).

During the year ended December 31, 2009 the Company paid consulting fees of \$42,501 to a company controlled by the director of the company (2008 - \$Nil; 2007 - \$Nil).

During the year ended December 31, 2009 the Company paid consulting fees of \$25,000 to a director of the Company (2008 - \$Nil; 2007 - \$Nil)

During the year ended December 31, 2009 the Company paid the Chairman of the Company \$122,500 as an honorarium for past services

Information with respect to grants of options to the directors is reported below under the Narrative Description in the section below entitled Outstanding Option-Based Awards, Share-Based Awards and Non-equity Incentive Plan Compensation.

Other than as described above, no directors of the Company were compensated by the Company during the financial year ended December 31, 2009 for services as consultants or experts.

Option-Based Awards, Share-Based Awards and Non-equity Incentive Plan Compensation for Directors

Option-based awards to the directors are granted pursuant to the terms of the Company's stock option plan. The options are always granted at market price. The valuation of the fair value of the options at the time of the grant is based on the Black Scholes model and includes the following assumptions; weighted average risk free rate, weighted average expected life, expected volatility and dividend yield.

Directors generally receive a grant of stock options upon their appointment.

---

Table of Contents

[56]

The following table sets forth the outstanding share-based awards and option-based awards held by the directors of the Company at the end of the most recently completed financial year:

Outstanding Share-Based Awards and Option-Based Awards						
Name	Option-based Awards			Stock-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in- the-money options (\$)(1)	Number of shares or units of shares that have not vested (#)	Market or payout value of share- based awards that have not vested (\$)
Roman Shklanka	32,775	2.71	Jan 28, 2010	18	Nil	Nil
	7,366	11.51	Sep 28, 2010	Nil		
	16,387	1.81	Feb 9, 2011	1,100		
	13,656	3.42	Mar 16, 2012	1,207		
	4,604	20.31	Mar 16, 2012	18		
	27,312	1.67	Dec 12, 2012	5,223		
	4,604	6.73	Feb 5, 2013	155		
	13,812	1.09	Feb 25, 2014	3,747		
	38,237	0.53	Feb 26, 2014	15,969		
	400,000	0.82	Oct 26, 2014	97,757		
R. Stuart	12,500	9.87	Mar 16, 2010	Nil	Nil	Nil
(Tookie)	16,667	7.70	Jun 22, 2011	Nil		
Angus	200,000	0.82	Oct 14, 2014	48,879		
Michael Atkinson	200,000	0.82	Oct 14, 2014	48,879	Nil	Nil
James O'Rourke	200,000	0.82	Oct 14, 2014	48,879	Nil	Nil
	38,237	0.53	Feb 26, 2014	15,970		
	27,312	1.67	Dec 12, 2012	5,223		
	13,656	3.42	Mar 16, 2012	1,207		
	16,387	1.81	Feb 9, 2011	1,100		
	32,775	2.71	Jan 28, 2010	18		
Alex Davidson	200,000	0.82	Oct 14, 2014	48,879	Nil	Nil

Each of the directors above except for Roman Shklanka were also paid a fee of \$12,500 as a directors fee.

There were 1,200,000 stock options granted by the Company during the financial year ended December 31, 2009 to the directors who are not a Named Executive Officer of the Company. As a result of the Plan of Arrangement on September 30, 2009 there were 287,120 options transferred into the Company.

There were no exercises of stock options during the financial year ended December 31, 2009 by the directors who are not the Named Executive Officer, and the financial year end value of unexercised options. There were no unexercised options at the financial year end held by a director who is not a Named Executive Officer, none of which were

in-the-money.

#### Incentive Plan Awards Tables

Of the incentive stock options held by the non-executive directors, 272,000 options vested during the 2009 year.

#### Employment Agreements

There were no employment or consulting agreements entered into with the Company during the financial year ended December 31, 2009 with directors who are not a Named Executive Officer of the Company.

Other than the Company's agreement with Mr. Roman Shklanka, Mr. Alfred Hills, and Mr. Sam Yik, there are no other agreements with any of the Company's officers or directors which provide for benefits upon termination of employment.

---

Table of Contents

[57]

## Option Grants

The following table sets forth information concerning stock options granted to directors, as a group, who are not Named Executive Officers during the most recently completed fiscal year:

Name	Securities Under Options Granted(1) (#)	% of Total Options Granted in Financial Year(2) (%)	Exercise or Base Price(3) (\$/Security)	Market Value of Securities Underlying Options on Date of Grant (\$/Security)	Expiration Date
Directors as a group who are not Named Executive Officers	1,200,000	35 %	\$ 0.82	\$ 0.82	Oct 26, 2014

(1) All options are for the Company's Common Shares.

(2) Percentage of all options granted in the year.

(3) The exercise price of the option is set at not less than the market value of the Company's Common Shares on the date of grant, less a discount allowed by the TSX-V. The exercise price may be adjusted under certain circumstances, subject to regulatory acceptance.

## Management Contracts

## Grosso Group Management Ltd.

Pursuant to the terms of an Administration Services Agreement, the Company engaged Grosso Group Management Ltd. (the "Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by Golden Arrow, and Blue Sky Uranium Corp. ("Blue Sky"), each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. The Grosso Group services contract also provides that, in the event the services are terminated by a member company, a termination payment would include three months of compensation and any contractual obligations that the Grosso Group undertook for the company, up to a maximum of \$500,000.

On October 19, 2009 the Company gave notice that it was terminating this agreement effective November 30, 2009. A termination payment of \$500,000, as described above, less the deposit of \$205,000 was made on November 30, 2009.

During the year ended December 31, 2009, the Company incurred fees of \$521,122 (2008: \$619,807; 2007: \$349,143) to the Grosso Group: \$539,288 (2008: \$595,482; 2007: \$330,305) was paid in twelve monthly payments and \$18,166 is included in accounts receivable as a result of a review of the allocation of the Grosso Group costs to the member companies for the period (2008 – \$24,325 included in accounts payable; 2007 – \$18,838 included in accounts

payable). Also, included in deposits is a \$Nil (2008 - \$205,000; 2007 - \$205,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

See “Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions.”

#### Alfred Hills

The Company is party to an agreement with Mr. Alfred Hills, effective as of November 9, 2009, pursuant to which Mr. Hills provides executive services as President and Chief Executive Officer of the Company. During the fiscal year ended December 31, 2009, Mr. Hills was paid \$56,250 (2008 - \$Nil, 2007 – \$Nil).

Pursuant to the terms of this agreement, in the event the agreement is terminated by the Company within one year of change of control, or if Mr.. Hills resigns within one year of change of control, Mr. Hills’ entitlement to severance pay will be an amount equal to two years’ base salary plus the cost of two years’ benefits other than incentive stock options, but including bonus (averaged up to three years as applicable). Mr. Hills may resign from the Company anytime prior to October 31, 2010, by providing two weeks’ notice to the Company and, at the conclusion of such period of notice, the Company shall pay to Mr. Hills a sum equal to one year of Mr. Hills’ then current base annual salary, plus an amount equal to the cost of the benefits excluding incentive stock options but including bonus (average up to three years as applicable) for a period of one year.

---



Table of Contents

[58]

Roman Shklanka

The Company is party to an agreement with Mr. Roman Shklanka, effective as of October 1, 2009, pursuant to which Mr. Shklanka provides executive services as Chairman of the Company. During the fiscal year ended December 31, 2009, Mr. Shklanka was paid \$160,000 which includes an honorarium of \$122,500 for past services for Kobex and Barytex (2008 - \$Nil, 2007 - \$Nil).

Pursuant to the terms of this agreement, in the event the agreement is terminated by the Company within one year of change of control, or if Mr.. Shklanka resigns within one year of change of control, Mr. Shklanka's entitlement to severance pay will be an amount equal to two years' base salary plus the cost of two years' benefits other than incentive stock options, but including bonus (averaged up to three years as applicable).

Samuel Yik

The Company is party to an agreement with Mr. Samuel Yik, effective as of November 9, 2009, pursuant to which Mr. Yik provides executive services as Chief Financial Officer of the Company. During the fiscal year ended December 31, 2009, Mr. Yik was paid \$48,750 (2008 - \$Nil, 2007 - \$Nil).

Pursuant to the terms of this agreement, in the event the agreement is terminated by the Company within one year of change of control, or if Mr.. Yik resigns within one year of change of control, Mr. Yik's entitlement to severance pay will be an amount equal to two years' base salary plus the cost of two years' benefits other than incentive stock options, but including bonus (averaged up to three years as applicable). Mr. Yik may resign from the Company anytime prior to October 31, 2010, by providing two weeks' notice to the Company and, at the conclusion of such period of notice, the Company shall pay to Mr. Yik a sum equal to one year of Mr. Yik's then current base annual salary, plus an amount equal to the cost of the benefits excluding incentive stock options but including bonus (average up to three years as applicable) for a period of one year.

Joseph Grosso

The Company was party to an agreement with Oxbow, effective as of July 1, 1999, subsequently amended on May 1, 2006, and further amended in November 2008, pursuant to which Mr. Grosso provided executive services as President and Chief Executive Officer of the Company.

Pursuant to the terms of the Oxbow Consulting Agreement, in the event the agreement was terminated by the Company as a result of Mr. Grosso's death or permanent disability while providing services to the Company, or by Mr. Grosso as a result of a material breach or default by the Company, Oxbow was entitled to a bonus payment in the amount of \$461,500 plus one year of annual fees. In the event the agreement was terminated by the Company without cause or as a result of a change of control, Oxbow was entitled to (i) any monthly compensation due to the date of termination, (ii) options as determined by the Company's Board of Directors, (iii) three years of Mr. Grosso's monthly compensation (which may be adjusted annually), and (iv) a bonus payment of \$461,500. The Oxbow Consulting Agreement was terminated on September 30, 2009, and as a result of the Arrangements. Oxbow received \$1,211,500 in termination payments. During the fiscal year ended December 31, 2009, Oxbow was paid \$187,500 in addition to the aforementioned termination payment (2008 - \$250,000, 2007 - 250,000).

See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

Nikolaos Cacos

As of January 2005, Mr. Cacos provided executive services to the Company as a consultant. Mr. Cacos consulting agreement was terminated on September 30, 2009, and as a result of the Business Combination. Mr. Cacos received \$31,750 in termination payments. During the year ended December 31, 2009 Mr. Cacos's total compensation, not including the termination payment, was \$47,625 (2008 - \$22,225, 2007 - \$Nil). Mr. Cacos also provides executive services as a consultant of the Grosso Group. During the year ended December 31, 2009, Mr. Cacos's total compensation from the Grosso Group was \$22,969 (2008 - \$22,500, 2007 - \$22,500) of which \$Nil was allocated to the Company (2008 - \$3,574; 2007 - \$938) as part of the Grosso Group fees for the year.

---

Table of Contents

[59]

See ““Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions.”

Sean Hurd

As of January 2005, and until September 30, 2009 as a result of the Business combination, Mr. Hurd provided executive services to the Company as an employee of the Grosso Group. During the year ended December 31, 2008, Mr. Hurd’s total compensation from the Grosso Group was \$120,000 (2008 - \$120,000, 2007 - \$120,000), of which \$32,471 was allocated to the Company (2008 - \$22,964, 2007 - \$25,497) as part of the Grosso Group fees for the year.

See ““Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions.”

David Terry

As of January 1, 2005, and until September 30, 2009 as a result of the Business combination, Mr. Terry provided executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2009, Mr. Terry’s total compensation from the Grosso Group was \$105,000 (2008 - \$200,000; 2007 - \$175,000), of which \$71,156 was allocated to the Company (2008 - \$97,174; 2007 - \$24,579) as part of the Grosso Group fees. Mr. Terry also had consulting fees paid directly by the Company in 2009 totaling \$42,501 (2008 - \$Nil; 2007 - \$Nil).

See ““Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions.”

Michael Clark

As of September 3, 2008, and until September 30, 2009 as a result of the Business combination, Mr. Clark provided executive services to the Company as an employee of the Grosso Group. During the year ended December 31, 2009, Mr. Clark’s total compensation from the Grosso Group was 110,000 (2008 - \$87,083) of which \$42,068 (2008 - \$21,578) was allocated to the Company as part of the Grosso Group fees and \$Nil was paid directly as a bonus.

See ““Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions.”

Corporate Cease Trade Orders or Bankruptcies

Mr. Angus serves as a director of Wildcat Silver Corporation (“Wildcat”) which requested and received notice from the British Columbia Securities Commission of the issuance of a management cease trader order on October 30, 2007. The management cease trade order was in connection with the late filing of its annual audited consolidated financial statements for the fiscal year ending June 30, 2007. Wildcat’s failure to make the filing within the required time frame was due to the need to clarify potential tax obligations relating to an acquisition it made. The required filing was made on January 7, 2008 and the management cease trade order was revoked on January 8, 2008.

Mr. Shklanka is a director and chairman of Pacific Imperial Mines Inc. which company is the subject of cease trade orders issued by the British Columbia Securities Commission on November 8, 2008, and the Alberta Securities Commission on February 9, 2009 for failure to file financial statements and related documents as required. The financial statements have since been filed and the company has applied for a revocation order. As of March 26, 2010, the cease trade orders were still in effect. Mr. Shklanka is also a director of Texon Technologies Ltd., a private company, which received a Petition for a Receiving Order under the Bankruptcy and Insolvency Act (Canada) on August 27, 2004. The issues surrounding the Receiving Order were resolved in the first half of 2005 pursuant to a Plan of Arrangement.

Other than as disclosed herein, no director or officer of the Company is or has been, within the preceding ten years, a director or officer of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade order or similar order or an order that denied the other issuer access to any exemptions for a period of more than 30 consecutive days, or
-

Table of Contents

[60]

- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No director or officer of the Company is or has, within the past ten years:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority, or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

No director or officer of the Company is or has, within the preceding 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

C. Board Practices

Compensation Committee

The Board of Directors of the Company has adopted procedures to ensure that all employment, consulting or other compensation agreements between the Company and any director or senior officer of the Company or between any associate or affiliate of the Company and any director or senior officer are considered and approved by the disinterested members of the Board of Directors or a committee of independent directors.

The Company's Compensation Committee must be comprised of at least two independent directors, who are not employees, control persons or members of the management of the Company or any of its associates or affiliates. As of the date of this report, Messrs. Hills, Angus and Davidson are members of the Compensation Committee. The Board of Directors of the Company, after each annual shareholder's meeting must appoint or re-appoint a compensation committee.

Terms of Reference for the Compensation Committee

General

The Compensation Committee is a committee of the Board to which the Board has delegated its responsibility for oversight of the Corporation's overall human resources policies and procedures. This includes reviewing the adequacy and form of the compensation paid to the Corporation's executives and key employees to ensure that such compensation realistically reflects the responsibilities and risks of such positions.

The Compensation Committee's objectives are to assist the Board in meeting its responsibilities in respect of overall human resources policies and procedures including recruitment, performance management, compensation, benefit programs, resignation/terminations, training and development, succession planning and organizational planning and design, to ensure a broad plan of executive compensation is established that is competitive and motivating in order to attract, retain and inspire executive management and other key employees and to review all compensation and benefit proposals for the Corporation's executives and make recommendations to the Board.

#### Composition and Process

1. The Compensation Committee will be comprised of a minimum of two directors, all of whom will be independent.
-

Table of Contents

[61]

2. Compensation Committee members will be appointed by the Board on an annual basis for a one-year term and may serve any number of consecutive terms, which are encouraged to ensure continuity of experience.
3. The Chair of the Compensation Committee will be appointed by its members on an annual basis for a one-year term and may serve any number of consecutive terms. The Compensation Committee Chair will arrange for an alternate chair for a specific meeting if he or she is planning to be absent.
4. The Compensation Committee Chair will establish the agenda for Compensation Committee meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for review prior to the meeting.
5. The Compensation Committee will meet at least twice per year and may call special meetings as required. A quorum at meetings of the Compensation Committee will be one of its members. The Compensation Committee may hold its meetings, and members of the Compensation Committee may attend meetings, by telephone conference call.
6. At all meetings of the Compensation Committee every question will be decided by a majority of the votes cast. In case of an equality of votes, the Compensation Committee Chair will forward the matter to the Board of Directors for resolution.
7. The minutes of Compensation Committee meetings will document the date and time of the meetings.
8. The Compensation Committee will have the authority to retain (or terminate) any outside counsel, advisors or consultants it determines necessary to assist it in discharging its functions, independently of the Board, Chair or CEO. The Compensation Committee will be provided with the necessary funding to compensate any counsel, advisors or consultants it retains.
9. The CEO may attend and participate in meetings of the Compensation Committee, except when his compensation is the subject matter.

Responsibilities

1. The Compensation Committee will review management prepared policies and make recommendations to the Board regarding the following matters:
2. Compensation, philosophy, policies and guidelines for senior officers, as well as supervisory and management personnel of the Corporation and any subsidiary companies.
3. Corporate benefits for senior management (i.e. car insurance, life insurance, retirement plan, expense accounts, etc.).
4. Incentive plans, along with global payment information as it applies to senior management bonus and discretionary bonus plans.
5. Review and approval of Corporate goals and objectives relevant to CEO and other senior management compensation.

6. Evaluation of the performance of the CEO and other senior management in light of corporate goals and objectives and making recommendations with respect to compensation levels based on such evaluations.
  7. Policies regarding the Corporation's Incentive Stock Option Plan and the granting of stock options to Directors, management and employees of the Corporation.
  8. Policies regarding the development and implementation of incentive compensation plans and equity based compensation plans.
  9. Compensation levels for directors and committee members, including the compensation of the Chair and the Chair of any Board committees, to ensure compensation realistically reflects the responsibilities and risk involved in being an effective director. Compensation should be commensurate with the time spent by directors in meeting their obligations and should be transparent and easy for shareholders to understand.
  10. Succession plan for the CEO and other executives and key employees of the Corporation, in conjunction with the CEO.
  11. Any material changes in human resources policy, procedure, remuneration and benefits.
  12. Review of executive compensation disclosure in all public disclosure documents.
-



Table of Contents

[62]

13. The Compensation Committee will review and assess its effectiveness, contribution and these Terms of Reference annually and recommend any proposed changes thereto to the Board.
14. Perform any other activities consistent with these Terms of Reference, as the Compensation Committee or the Board deems necessary or appropriate.
15. The Compensation Committee will have the authority to delegate any specific tasks to individual Compensation Committee members.

Audit Committee

The Corporation has formed an Audit Committee in accordance with Section 3(a)(58)(A) of the U.S. Securities and Exchange Commission of 1934, as amended, consisting of three independent directors pursuant to the Rule 803 of the NYSE Amex Company Guide and Rule 10A-3 of the United States Securities Exchange Act of 1934, as amended: Mr. Alexander Davidson, Mr. James C. O'Rourke, Mr. Michael Atkinson and Mr. R. Stuart Angus. Each Audit Committee member is financially literate.

Terms of Reference for the Audit Committee

General

The Company's Audit Committee must be comprised of at least three directors, who are not employees, control persons or members of the management of the Company or any of its associates or affiliates. As of the date of this report, Messrs. Horton, Angus, and Atkinson are members of the Audit Committee. The Board of Directors of the Company, after each annual shareholder's meeting must appoint or re-appoint an audit committee.

The Audit Committee must review the annual financial statements of the Company before they are approved by the Board of Directors of the Company. The Board of Directors of the Company must review, and if considered appropriate, approve the annual financial statements of the Company before presentation to the shareholders of the Company. In addition, the Audit Committee is responsible for:

- retaining the external auditors and communicating to them that they are ultimately accountable to the Committee and the Board as the representatives of the shareholders;
- reviewing the external audit plan and the results of the audit, approves all audit engagement fees and terms and pre-approves all non-audit services to be performed by the external auditor;
- reviewing the Company's financial statements and related management's discussion and analysis of financial and operating results; and
- having direct communication channels with the Company's auditors.

The Audit Committee's mandate requires that all of the members be financially literate and at least one member have accounting or related financial management expertise. The mandate of the Committee empowers it to retain legal, accounting and other advisors.

D. Employees

The Company has 6 full-time employees. Exploration activities are conducted by consultants, laborers and technicians hired for the duration of the exploration program.

E. Share Ownership

As of March 26, 2010, the Company had 45,967,077 shares outstanding. The following table sets forth details of all employee share ownership and includes information regarding the date of expiration or any options or warrants held by each employee; the exercise price of the particular option or warrant held; the total number of options and warrants held by each employee; the total number of shares held by each employee; and each employee's percentage of ownership:

---

Table of Contents

[63]

The following table sets forth certain information regarding ownership of the Company's shares by the Company's officers and directors as of March 31, 2010.

Title of Class	Name	Shares and Rights Beneficially Owned or Controlled (1)		Percent of Class(1)	
Common Stock	Alfred Hills (2)	484,432		1.04	%
Common Stock	Roman Shklanka (3)	2,381,837		4.93	%
Common Stock	Robert Stuart (Tookie) Angus (4)	229,167		0.50	%
Common Stock	Michael Atkinson (5)	200,000		0.43	%
Common Stock	James C. O'Rourke (6)	418,442		0.90	%
Common Stock	Alexander Davidson (7)	200,000		0.43	%
Common Stock	Samuel Yik (8)	512,657		1.10	%
Common Stock	Officers and Directors (as a group, 7 persons)	4,426,535	(9)	8.78	%

- (1) Where persons listed on this table have the right to obtain additional shares of common stock through the exercise of outstanding options and or warrants, these additional shares are deemed to be outstanding for the purpose of computing the percentage of common stock owned by such persons, but are not deemed to be outstanding for the purpose of computing the percentage owned by any other person. Based on 45,967,077 shares of common stock outstanding as of February 28, 2010.
- (2) Includes 10,767 shares held by Mr. Hills and 473,665 options held by Mr. Hills to acquire an additional 473,665 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (3) Includes 40,950 and 1,716,629 shares held by Mr. Shklanka and Shklanka Holdings Ltd. respectively and 125,978 options held by Mr. Shklanka to acquire an additional 125,978 shares and 98,280 warrants held by Shklanka Holdings Ltd. to acquire an additional 98,280 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (4) Includes 229,167 options held by Mr. Angus to acquire 229,167 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (5) Includes 200,000 options held by Mr. Atkinson to acquire an additional 200,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (6) Includes 122,850 shares held by Mr. O'Rourke and 295,592 options held by Mr. O'Rourke to acquire an additional 295,592 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (7) Includes 200,000 options held by Mr. Davidson to acquire an additional 200,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (8) Includes 1,841 shares held by Mr. Yik and 508,975 options held by Mr. Yik to acquire an additional 508,975 shares and 1,841 warrants held by Mr. Yik to acquire an additional 1,841 shares. See "Item 6. Directors, Senior

Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options.”

(9)Includes the shares, options, and warrants set forth in footnotes 2 through 8 above. See “Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options.”

#### Options, Warrants and Other Rights to Acquire Securities

As of February 28, 2010, the Company had granted a number of stock options, issued a number of warrants and entered into a number of agreements pursuant to which up to 5,430,189 common shares of the Company may be issued. The following is a brief summary of these stock options and warrants currently outstanding and agreements.

---

Table of Contents

[64]

Stock Options

The TSX-V requires all TSX-V listed companies to adopt stock options plans, and such plans must contain certain provisions. At the annual and extraordinary general meeting of shareholders of the Company held on June 26, 2003, the shareholders approved the Company's stock option plan (the "Stock Option Plan"). At the annual and extraordinary general meetings of shareholders of the Company held on June 24, 2004 and at each subsequent meeting of shareholders respectively, the shareholders approved and ratified by ordinary resolution the 2003 Stock Option Plan to make a total of up to 10% of the issued and outstanding shares of IMA available for issuance. The purpose of the Stock Option Plan is to provide incentive to the Company's employees, officers, directors, and consultants responsible for the continued success of the Company. The following is a summary of the Stock Option Plan.

Administration of the Stock Option Plan

The Stock Option Plan provides that it will be administered by the Company's Board of Directors or by the Compensation Committee of the Company's Board of Directors consisting of not less than two of its members. The Stock Option Plan is currently administered by the Compensation Committee.

Description of Stock Option Plan

The effective date (the "Effective Date") of the Stock Option Plan is June 2, 2003, the date the Board of Directors approved the Stock Option Plan, and it will terminate ten years from the Effective Date.

The Stock Option Plan provides that options may be granted to any employee, officer, director or consultant of the Company or a subsidiary of the Company.

The options issued pursuant to the Stock Option Plan will be exercisable at a price not less than the market value of the Company's common shares at the time the option is granted. "Market Value" means:

- (a) for each organized trading facility on which the common shares are listed, Market Value will be the closing trading price of the common shares on the day immediately preceding the grant date less any discounts permitted by the applicable regulatory authorities;
- (b) if the Company's common shares are listed on more than one organized trading facility, the Market Value shall be the Market Value as determined in accordance with subparagraph (a) above for the primary organized trading facility on which the common shares are listed, as determined by the Board (or a committee thereof), subject to any adjustments as may be required to secure all necessary regulatory approvals;
- (c) if the Company's common shares are listed on one or more organized trading facilities but have not traded during the ten trading days immediately preceding the grant date, then the Market Value will be determined by the Board (or a committee thereof), subject to any adjustments as may be required to secure all necessary regulatory approvals; and
- (d) if the Company's common shares are not listed for trading on a stock exchange or over the counter market, the value which is determined by the Board (or a committee thereof) to be the fair value of the Company's common shares, taking into consideration all factors that the Board (or a committee thereof) deems appropriate, including, without limitation, recent sale and offer prices of the Company shares in private transactions negotiated at arms' length.

Options granted under the Stock Option Plan will be granted for a term not to exceed 10 years from the date of their grant, provided that if the Company is then a “Tier 2” company listed on the TSX-V, the term of the option will be not more than five years.

Options under the Stock Option Plan will be subject to such vesting schedule as the Compensation Committee may determine. In the event that an option is to be terminated prior to expiry of its term due to certain corporate events, all options then outstanding shall become immediately exercisable for 10 days after notice thereof, notwithstanding the original vesting schedule.

Options will also be non-assignable and non-transferable, provided that they will be exercisable by an optionee’s legal heirs, personal representatives or guardians for up to 12 months following the death or termination of an optionee due to disability, or up to 12 months following the death of an employee if the employee dies within 12 months of termination due to disability. All such options will continue to vest in accordance with their original vesting schedule.

---

Table of Contents

[65]

The maximum number of common shares to be reserved for issuance under the Stock Option Plan, including options currently outstanding, will not exceed 10% of the number of common shares of the Company issued and outstanding on the applicable date of grant.

If a material alteration in the capital structure of the Company occurs as a result of a recapitalization, stock split, reverse stock split, stock dividend, or otherwise, the Compensation Committee shall make adjustments to the Stock Option Plan and to the options then outstanding under it as the Compensation Committee determines to be appropriate and equitable under the circumstances, unless the Compensation Committee determines that it is not practical or feasible to do so, in which event the options granted under the Stock Option Plan will terminate as set forth above.

The TSX-V requires all TSX-V listed companies who have adopted stock option plans which reserve a maximum of 10% of the number of common shares of the Company issued and outstanding on the applicable date of grant, to obtain shareholder approval to the Stock Option Plan on an annual basis.

As of March 26, 2010, the Company has issued 3,643,688 non-transferable incentive stock options to purchase common shares outstanding to the following persons:

Optionee	Nature of Option(1)	Number of Shares	Exercise Price	Expiration Date	Market Value on Date of Grant or Repricing
Samuel Yik	Officer	11,510	\$13.36	Nov 7, 2012	\$13.36
		68,281	\$2.03	Nov 15, 2012	\$2.03
		920	\$6.73	Feb 5, 2013	\$6.73
		3,683	\$1.09	Feb 24, 2014	\$1.09
		24,581	\$0.53	Feb 26, 2014	\$0.53
		400,000	\$0.82	Oct 26, 2014	\$0.82
Roman Shklanka	Director	7,366	\$11.51	Sept 28, 2010	\$11.51
		16,387	\$1.81	Feb 9, 2011	\$1.81
		13,656	\$3.42	Mar 16, 2012	\$3.42
		4,605	\$20.31	Mar 16, 2012	\$20.31
		27,312	\$1.67	Dec 12, 2012	\$1.67
		4,604	\$6.73	Feb 5, 2013	\$6.73
		13,812	\$1.09	Feb 25, 2014	\$1.09
		38,237	\$0.53	Feb 26, 2014	\$0.53
Leo King	Consultant	400,000	\$0.82	Oct 26, 2014	\$0.82
		9,208	\$11.51	Sep 28, 2010	\$11.51
		16,387	\$1.81	Feb 9, 2011	\$1.81
		4,604	\$20.31	Mar 16, 2012	\$20.31
		13,656	\$3.42	Mar 16, 2012	\$3.42
		27,312	\$1.67	Dec 12, 2012	\$1.67
		4,604	\$6.73	Feb 5, 2013	\$6.73
		10,129	\$1.09	Feb 25, 2014	\$1.09
		38,237	\$0.53	Feb 26, 2014	\$0.53
James O'Rourke	Director	100,000	\$0.82	Oct 26, 2014	\$0.82
		16,387	\$1.81	Feb 9, 2011	\$1.81
		13,656	\$3.42	Mar 16, 2012	\$3.42
		27,312	\$1.67	Dec 12, 2012	\$1.67

38,237	\$0.53	Feb 26, 2014	\$0.53
200,000	\$0.82	Oct 26, 2014	\$0.82

---



Table of Contents

[66]

Optionee	Nature of Option(1)	Number of Shares	Exercise Price	Expiration Date	Market Value on Date of Grant or Repricing
Geoffrey Bird	Former Director of Kobex Resources Ltd.	16,387	\$1.81	Feb 9, 2011	\$1.81
		13,656	\$3.42	Mar 16, 2012	\$3.42
		27,312	\$1.67	Dec 12, 2012	\$1.67
		38,237	\$0.53	Feb 26, 2014	\$0.53
Evan Koblanski	Consultant	4,143	\$11.51	Sept 28, 2010	\$11.51
		16,387	\$1.81	Feb 9, 2011	\$1.81
		27,312	\$3.42	Mar 16, 2012	\$3.42
		27,312	\$1.67	Dec 12, 2012	\$1.67
		38,237	\$0.53	Feb 26, 2014	\$0.53
Steve Bebek	Consultant	4,143	\$11.51	Sept 28, 2010	\$11.51
		16,387	\$1.81	Feb 9, 2011	\$1.81
		13,656	\$3.42	Mar 16, 2012	\$3.42
		27,312	\$1.67	Dec 12, 2012	\$1.67
		38,237	\$0.53	Feb 26, 2014	\$0.53
Chelsia Cheam	Employee	4,604	\$11.51	Sept 28, 2010	\$11.51
		8,193	\$1.81	Feb 9, 2011	\$1.81
		5,462	\$3.42	Mar 16, 2012	\$3.42
		2,302	\$20.31	Mar 16, 2012	\$20.31
		8,193	\$1.67	Dec 12, 2012	\$1.67
		1,381	\$6.73	Feb 5, 2013	\$6.73
		1,841	\$1.09	Feb 25, 2014	\$1.09
		10,925	\$0.53	Feb 26, 2014	\$0.53
		60,000	\$0.82	Oct 26, 2014	\$0.82
Theodore Muraro	Consultant	7,366	\$11.51	Sept 28, 2010	\$11.51
		4,604	\$20.31	Mar 16, 2012	\$20.31
		4,604	\$6.73	Feb 5, 2013	\$6.73
		6,906	\$1.09	Feb 25, 2014	\$1.09
William Pillipow	Former Director of International Barytex Resources Ltd.	5,525	\$11.51	Sept 28, 2010	\$11.51
		4,604	\$20.31	Mar 16, 2012	\$20.31
		4,604	\$6.73	Feb 5, 2013	\$6.73
		6,906	\$1.09	Feb 25, 2014	\$1.09
Alfred Hills	Officer	46,041	\$25.09	Jul 6, 2011	\$25.09
		4,604	\$20.31	Mar 16, 2012	\$20.31
		4,604	\$6.73	Feb 5, 2013	\$6.73
		18,416	\$1.09	Feb 25, 2014	\$1.09
		400,000	\$0.82	Oct 26, 2014	\$0.82
Mike Davies	Consultant	2,731	\$3.42	Mar 16, 2012	\$3.42
		460	\$20.31	Mar 16, 2012	\$20.31
		184	\$6.73	Feb 5, 2013	\$6.73
Zofia Ashby	Consultant	5,462	\$3.42	Mar 16, 2012	\$3.42
		2,731	\$1.67	Dec 12, 2012	\$1.67
Megan Carlson	Employee	1,381	\$12.81	Nov 8, 2012	\$12.81

Edgar Filing: KOBEX MINERALS INC. - Form 20-F

		460	\$6.73	Feb 5, 2013	\$6.73
		920	\$1.09	Feb 25, 2014	\$1.09
		8,193	\$0.53	Feb 26, 2014	\$0.53
		60,000	\$0.82	Oct 26, 2014	\$0.82
Ian Marshall	Consultant	8,193	\$1.97	Dec 12, 2012	\$1.97
		920	\$1.09	Feb 25, 2014	\$1.09
		20,000	\$0.82	Oct 26, 2014	\$0.82

---

Table of Contents

[67]

Optionee	Nature of Option(1)	Number of Shares	Exercise Price	Expiration Date	Market Value on Date of Grant or Repricing
Augusto Baertl	Former Consultant	62,500	\$7.01	Nov 16, 2010	\$7.01
Nikolaos Cacos	Former Officer	6,250	\$7.01	Nov 16, 2010	\$7.01
Sean Hurd	Former Officer	8,333	\$7.01	Nov 16, 2010	\$7.01
Claudia Sandoval	Former Employee	2,083	\$7.71	Jun 22, 2011	\$7.71
Per Hedblom	Former Consultant	8,333	\$7.01	Nov 16, 2010	\$7.01
Leonard Harris	Former Director	20,833 20,833	\$7.71 \$7.01	Jun 22, 2011 Nov 16, 2010	\$7.71 \$7.01
Keith Patterson	Former Consultant	10,417	\$7.01	Nov 16, 2010	\$7.01
Campbell Smyth	Former Consultant	2,083	\$7.01	Nov 16, 2010	\$7.01
David Horton	Former Director	12,500	\$7.71	Jun 22, 2011	\$7.71
Joseph Grosso	Former Officer and Former Director	20,000	\$7.71	Jun 22, 2011	\$7.71
Louis Kabwe	Consultant	460	\$1.09	Feb 25, 2014	\$1.09
CoMo Investment	Consultant	920	\$1.09	Feb 25, 2014	\$1.09
Maurice Tagami	Former Director of Kobex Resources Ltd.	1,841	\$1.09	Feb 25, 2014	\$1.09
Michael Atkinson	Director	200,000	\$0.82	Oct 26, 2014	\$0.82
Michael Bayback	Consultant	104,167	\$1.30	Jun 2, 2011	\$0.54
Tookie Angus	Director	200,000 16,667	\$0.82 \$7.71	Oct 26, 2014 Jun 22, 2011	\$0.82 \$7.71
Alex Davidson	Director	200,000	\$0.82	Oct 26, 2014	\$0.82
David Terry	Former Director	29,167	\$7.01	Nov 16, 2010	\$7.01
Bondy Lau	Consultant	30,000	\$0.82	Oct 26, 2014	\$0.82
Albert Wu	Consultant	4,604 8,193	\$11.51 \$1.81	Sept 28, 2010	\$11.51 \$1.81

Edgar Filing: KOBEX MINERALS INC. - Form 20-F

8,193	\$3.42	Feb 9,	\$3.42
3,222	\$20.31	2011	\$20.31
2,731	\$1.67	Mar 16,	\$1.67
920	\$6.73	2012	\$6.73
		Mar 16,	
		2012	
		Dec 12,	
		2012	
		Feb 5,	
		2013	
		Sept 28,	\$11.51
		2010	\$20.31
		Mar 16,	\$6.73
		2012	\$1.09
		Feb 5,	\$0.53
		2013	
		Feb 25,	
		2014	
		Feb 26,	
		2014	

Anthonie Luteijn  
 Former Director of  
 International Barytex  
 Resources Ltd.

7,366	\$11.51	Sept 28,	\$11.51
4,604	\$20.31	2010	\$20.31
4,604	\$6.73	Mar 16,	\$6.73
6,906	\$1.09	2012	\$1.09
38,237	\$0.53	Feb 5,	\$0.53
		2013	
		Feb 25,	
		2014	
		Feb 26,	
		2014	

TOTAL
 3,643,688

Table of Contents

[68]

As of March 26, 2010, Officers and directors, as a group (7 persons), held 2,433,378 options to purchase the Company's common shares.

## Warrants and Other Commitments

As of March 26, 2010, there were 645,389 non-transferable common share purchase warrants exercisable.

As of March 26, 2010 the Company's officers and directors, as a group, including entities controlled or under significant influence of officers and directors of the Company, held 100,221 warrants to purchase the Company's common shares.

There are no assurances that the options, warrants or other rights described above will be exercised in whole or in part.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.

## A. Major Shareholders

To the best of the Company's knowledge, the following table sets forth certain information regarding ownership of the Company's common shares by the Company's major shareholders as of March 26, 2010:

TITLE OF CLASS	NAME AND ADDRESS OF OWNER	SHARES AND RIGHTS BENEFICIALLY OWNED OR CONTROLLED		PERCENT OF CLASS
		(1)	(1)	
COMMON STOCK	EXPLORATION CAPITAL PARTNERS 2006 LIMITED PARTNERSHIP (2) 7770 EL CAMINO REAL CARLSBAD, CALIFORNIA 92009 CITIZENSHIP: CALIFORNIA	2,083,333		4.5%
	RESOURCE INVESTMENT MANAGEMENT CORPORATION (2) 7770 EL CAMINO REAL CARLSBAD, CALIFORNIA 92009 CITIZENSHIP: CALIFORNIA	2,083,333		4.5%
	RULE FAMILY TRUST UDT 12/17/98 (2) 7770 EL CAMINO REAL CARLSBAD, CALIFORNIA 92009 CITIZENSHIP: CALIFORNIA	6,383,893		13.9%
	ARTHUR RICHARDS RULE (2)	2,083,333		4.5%

7770 EL CAMINO REAL  
CARLSBAD, CALIFORNIA 92009  
CITIZENSHIP: CALIFORNIA

SEA WAVE INVEST LIMITED 902B EURO TRADE CENTER 21- 23 DES VOEUX ROAD CENTRAL, HONG KONG	1,031,329	2.2%
--	-----------	------

NOTES:

- (1) Where persons listed on this table have the right to obtain additional shares of common stock through the exercise of outstanding options or warrants within 60 days from February 28, 2010, these additional shares are deemed to be outstanding for the purpose of computing the percentage of common stock owned by such persons, but are not deemed to be outstanding for the purpose of computing the percentage owned by any other person. Based on 45,967,077 shares of common stock outstanding as of February 28, 2010.
- (2) These shares are held by affiliated entities as follows: (i) by exploration capital partners 2006 limited partnership, as the direct beneficial owner of 2,083,333 common shares of the issuer; (ii) by resource investment management corporation by virtue of its position as general partner of exploration capital partners 2006 limited partnership; (iii) by the Rule Family Trust udt 12/17/98 by virtue of its indirect ownership and control of exploration capital partners 2006 limited partnership (as owner of 100% of resource investment management corporation); and (iv) by Arthur Richards Rule by virtue of his positions with resource investment management corporation and ownership interest in the Rule Family Trust udt 12/17/98. Mr. Rule is president and a director of RIMC and, with his wife, is co-trustee of the Rule Family Trust udt 12/17/98, which owns 100% of Resource Investment Management Corporation.
- (3) Mr. Michael Atkinson was nominated by the board to represent the interests of the above-mentioned significant shareholders of the company. Mr. Atkinson was elected a director at the company's annual meeting of shareholders on December 9, 2008

Table of Contents

[69]

Changes in ownership by major shareholders

To the best of the Company's knowledge there have been no changes in the ownership of the Company's shares other than disclosed herein.

Shares Held in the United States

As of February 28, 2010, there were approximately 182 registered holders of the Company's shares in the United States, with combined holdings of 11,595,419 shares

Change of Control

As of February 28, 2010, there were no arrangements known to the Company which may, at a subsequent date, result in a change of control of the Company.

Control by Others

To the best of the Company's knowledge, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

B. Related Party Transactions

Other than as disclosed below, from January 1, 2009 through February 28, 2010, the Company did not enter into any transactions or loans between the Company and any (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close members of any such individual's family; (d) key management personnel and close members of such individuals' families; or (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly by any person described in (c) or (d) or over which such a person is able to exercise significant influence.

1. The Company previously engaged Grosso Group Management Ltd. (the "Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow Resources Corporation and Blue Sky, each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. The Grosso Group services contract also provides that, in the event the services are terminated by a member company, a termination payment would include three months of compensation and any contractual obligations that the Grosso Group undertook for the company, up to a maximum of \$500,000.

During the year ended December 31, 2009, the Company incurred fees of \$521,122 (2008: \$619,807; 2007: \$349,143) to the Grosso Group: \$539,288 (2008: \$595,482; 2007: \$330,305) was paid in twelve monthly payments and \$18,166 is included in accounts receivable as a result of a review of the allocation of the Grosso Group costs to the member companies for the period (2008 – \$24,325 included in accounts payable; 2007 – \$18,838 included in accounts payable). Also, included in deposits is a \$Nil (2008 - \$205,000; 2007 - \$205,000) deposit to the Grosso Group for the

purchase of equipment and leasehold improvements and for operating working capital.

---



Table of Contents

[70]

On October 19, 2009 the Company gave notice that it was terminating this agreement effective November 30, 2009. A termination payment of \$500,000, as described above, less the deposit of \$205,000 was made on November 30, 2009. See “Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts”.

2. The Company was party to an agreement with Oxbow, pursuant to which Mr. Grosso, a former officer and former director of the Company, provides executive services to the Company. During the fiscal year ended December 31, 2009, Oxbow was paid \$187,500 (2008 - \$250,000, 2007 - \$250,000). On September 29, 2009, the Company terminated this agreement and paid \$1,211,500 related to this bonus and termination benefits. See “Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts”.
3. The Company leased a portion of its office space from Beauregard, a private company owned by Mr. Grosso’s wife, Mrs. Evelina Grosso and subleased these premises to the Grosso Group in 2005 and 2006, the balance of the existing lease term, and recovered the 2006 and 2005 rent it had paid Effective January 1, 2007 Beauregard and Grosso Group executed a lease for the office premises. During the fiscal years ended December 31, 2007 and 2006, the Company paid rent to Beauregard in the amount of \$Nil and \$141,203, respectively. During the year ended December 31, 2009, the Company’s rent allocated from the Grosso Group was \$85,914 (2008 - \$63,185; 2007 - 32,966). – See “Item 4. Information on the Company - Properties, Plants and Equipment - Principal Office”.
4. As of January 2005, Mr. Terry provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2005, Mr. Terry’s total compensation from the Grosso Group was \$120,000, of which \$63,600 was allocated to the Company as part of the Grosso Group fees during the year. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry’s monthly fee to \$12,500 (\$150,000 annually) effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006, Mr. Terry’s total compensation from the Grosso Group was \$140,000, of which \$57,400 was allocated to the Company. On July 9, 2007 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry’s monthly fee to \$16,667 (\$200,000 annually) effective July 1, 2007. During the year ended December 31, 2009, Mr. Terry’s total compensation from the Grosso Group was \$105,000 (2008 - \$200,000; 2007 - \$175,000), of which \$71,156 (2008 - \$97,174; 2007 - \$24,579) was allocated to the Company. The Company also paid consulting fees to Mr. Terry totaling \$42,501 for the year ended December 31, 2009. See “Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts.”
5. From January 2005 to September 2008, Mr. Lang provided executive services to the Company as an employee of the Grosso Group. During the year ended December 31, 2006, Mr. Lang’s total compensation from the Grosso Group was \$134,000, of which \$54,940 was allocated to the Company. During the year ended December 31, 2007, Mr. Lang’s total compensation from the Grosso Group was \$151,000 of which \$64,612 was allocated to the Company. During the year ended December 31, 2008, Mr. Lang’s total compensation from the Grosso Group was \$150,000 of which \$52,440 was allocated to the Company Effective September 3, 2008, Mr. Lang resigned from the Grosso Group and the Company. See “Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts.”
6. As of January 2005, Mr. Cacos provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2009, Mr. Cacos’s total compensation from the Grosso Group was \$22,969 (2008 - \$22,500, 2007 - \$22,500 from the Grosso Group), of which \$Nil was allocated to the Company (2007 - \$3,574, 2006 - \$938) as part of the Grosso Group fees for the year. During the year ended December 31, 2009 Mr. Cacos’s total compensation was \$79,375 (2008 - \$21,167). The consulting agreement with Mr. Cacos was terminated on September 30, 2009. As a result Mr. Cacos received a termination payment of \$31,750 which is included in the amount above. See “Item 6. Directors, Senior Management and Employees - Compensation -

Management Contracts.”

7. As of January 2005, Mr. Hurd provides executive services to the Company as an employee of the Grosso Group. During the year ended December 31, 2009, Mr. Hurd’s total compensation from the Grosso Group was \$120,000 (2008 - \$120,000, 2007 - \$112,000), of which \$32,471 was allocated to the Company (2008 - \$22,964, 2007 - \$25,497) as part of the Grosso Group fees for the year. See “Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts.”
-

Table of Contents

[71]

8. On February 14, 2006 and effective January 1, 2006, the Company entered into an agreement with RSA Holdings Ltd., pursuant to which Mr. Angus, a director of the Company, provides advisory services including participation on various committees of the Company. A monthly fee of US\$5,000 for services is payable under this agreement for a minimum period of six months. In 2009, the Company paid RSA \$Nil (2008 - \$Nil, 2007 - \$66,050). This agreement was terminated by mutual agreement, effective December 31, 2007.

9. Effective January 1, 2008 the Company entered into a consulting agreement with a company controlled by a director of the Company for a fee of \$10,000 per month plus reimbursement for out-of-pocket expenses. Discretionary bonuses may also be paid if approved by the compensation committee. The Company may terminate this agreement by giving the director thirty day written notice. In the event the Company terminates this agreement the director may be entitled to receive the discretionary bonus. Accordingly, the total compensation paid to the director in the year ended December 31, 2009 was \$50,000 (2008 - \$120,000). This agreement was terminated by mutual agreement, effective April 1, 2009.

10. During the period the Company paid consulting fees of \$25,000 to a director of the Company (2008 - \$Nil).

11. During the period the Company received fees of \$4,640 from a company controlled by a director in common (2008 - \$Nil).

12. During the period the Company paid the Chairman of the Company \$122,500 as an honorarium for past service.

13. During the period the Company paid directors' fees totaling \$50,000 to the four independent directors of the Company (2008 - \$Nil).

C. Interests of Experts and Counsel

Not Applicable.

ITEM 8. FINANCIAL INFORMATION.

A. Consolidated Statements and Other Financial Information

Financial Statements

Description	Page
<u>Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007.</u>	F-1 - F-27
<u>Independent Auditor's Report (PricewaterhouseCoopers) for the Years Ended December 31, 2008 and 2007</u>	F-28

Table of Contents

[F-1]

---

Kobex Minerals Inc.  
(Formerly IMA Exploration Inc.)

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

---

---

Table of Contents

[F-2]

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada and reconciled to accounting principles generally accepted in the United States as set out in Note 13 and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, KPMG LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada and the Public Company Accounting Oversight Board (United States), and their report follows.

"Alfred Hills"

"Samuel Yik"

Alfred Hills  
President

Samuel Yik  
Chief Financial Officer

March 20, 2010

---

Table of Contents

[F-3]

KPMG LLP	Telephone	(604) 691-3000
Chartered Accountants	Fax	(604) 691-3031
PO Box 10426 777	Internet	www.kpmg.ca
Dunsmuir Street		
Vancouver BC V7Y 1K3		
Canada		

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Kobex Minerals Inc.

We have audited the accompanying consolidated balance sheet of Kobex Minerals Inc. (the “Company”) as of December 31, 2009 and the related consolidated statements of operations and deficit, comprehensive income (loss) and cash flows for the year ended December 31, 2009. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and the results of its operations and its cash flows for the year ended December 31, 2009 in conformity with Canadian generally accepted accounting principles.

Canadian generally accepted accounting principles vary in certain significant respects from US generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in note 13 consolidated financial statements.

The financial statements as at December 31, 2008 and 2007 and for the years then ended were audited by other auditors.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada  
March 16, 2010

Table of Contents

[F-4]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS  
AS AT DECEMBER 31, 2009 AND 2008

(Expressed in Canadian Dollars)

	2009 \$	2008 \$
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	40,911,288	21,450,475
Marketable securities and investment (Note 4)	5,000,900	120,869
Other receivables and prepaids (Note 8)	319,485	190,007
	46,231,673	21,761,351
EQUITY INVESTMENT (Note 4)	-	718,248
MINERAL PROPERTY INTEREST (Note 5)	28,048	-
DEPOSIT (Note 8)	-	205,000
	46,259,721	22,684,599
<b>L I A B I L I T I E S</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 8)	213,818	193,343
TERMINATION BENEFIT (Note 8)	-	711,500
	213,818	904,843
<b>S H A R E H O L D E R S ' E Q U I T Y</b>		
SHARE CAPITAL (Note 6)	81,325,651	58,753,501
CONTRIBUTED SURPLUS (Note 7)	8,333,185	7,502,258
ACCUMULATED OTHER COMPREHENSIVE INCOME	4,026,983	-
DEFICIT	(47,639,916)	(44,476,003)

	46,045,903	21,779,756
	46,259,721	22,684,599

NATURE OF OPERATIONS (Note 1)

COMMITMENTS (Note 15)

APPROVED BY THE BOARD

“Roman Shklanka” , Director

“Alfred Hills” , Director

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



Table of Contents

[F-5]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007**

(Expressed in Canadian Dollars)

	2009 \$	2008 \$	2007 \$
<b>EXPENSES</b>			
Administrative and management services	230,682	268,882	209,201
Corporate development and investor relations	153,945	183,784	167,817
Consulting	50,000	232,000	-
Exploration (Note 5)	165,100	1,930,325	99,589
Office and sundry	200,722	245,894	238,220
Merger and acquisition costs	401,928	-	-
Professional fees	294,788	234,382	1,022,321
Rent, parking and storage	180,947	108,658	49,023
Salaries and employee benefits	675,350	350,792	244,337
Stock-based compensation (Note 6(b))	614,999	62,900	34,421
Telephone and utilities	18,730	20,347	12,053
Transfer agent and regulatory fees	84,184	70,731	80,122
Travel and accommodation	66,446	69,690	35,230
Navidad holding costs	-	-	109,666
	3,137,821	3,778,385	2,302,000
<b>LOSS BEFORE OTHER ITEMS</b>	<b>(3,137,821 )</b>	<b>(3,778,385 )</b>	<b>(2,302,000 )</b>
<b>OTHER INCOME (EXPENSE)</b>			
Foreign exchange loss	(86,441 )	(14,758 )	(8,324 )
Interest income	393,863	863,416	675,156
Other than temporary loss on marketable securities (Note 4)	-	(474,810 )	-
Gain (loss) on held-for-trading investment (Note 4)	432,454	(117,699 )	-
Dilution loss from equity investment (Note 4)	(11,357 )	-	-
Loss from equity investment (Note 4)	(261,471 )	(68,174 )	-
Gain on sale of marketable securities (Note 4)	11,913	-	-
Termination benefits and severances (Note 8)	(1,031,750 )	(711,500 )	-
Navidad recovery (Note 5)	-	-	18,314,000
	(552,789 )	(523,525 )	18,980,832
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(3,690,610 )</b>	<b>(4,301,910 )</b>	<b>16,678,832</b>
<b>INCOME TAX RECOVERY (Notes 4 and 11)</b>	<b>526,697</b>	<b>-</b>	<b>-</b>

NET INCOME (LOSS) FOR THE YEAR	(3,163,913 )	(4,301,910 )	16,678,832
DEFICIT - BEGINNING OF YEAR	(44,476,003)	(40,174,093)	(56,852,925)
DEFICIT - END OF YEAR	(47,639,916)	(44,476,003)	(40,174,093)
BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE	\$ (0.11 )	\$ (0.20 )	\$ 0.77
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	27,958,434	21,721,693	21,708,245

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

Table of Contents

[F-6]

KOBEX MINERALS INC.  
 (Formerly IMA Exploration Inc.)  
 (An Exploration Stage Company)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(Expressed in Canadian Dollars)

	2009 \$	2008 \$	2007 \$
LOSS FOR YEAR	(3,163,913)	(4,301,910)	16,678,832
OTHER COMPREHENSIVE INCOME			
Unrealized gain on available-for-sale marketable securities	4,553,680	-	-
Income tax effect of unrealized gain on marketable securities	(526,697 )	-	-
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	863,070	(4,301,910)	16,678,832

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

---

Table of Contents

[F-7]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007  
(Expressed in Canadian Dollars)

	2009 \$	2008 \$	2007 \$
CASH PROVIDED FROM (USED FOR)			
OPERATING ACTIVITIES			
Net income (loss) for the year	(3,163,913 )	(4,301,910 )	16,678,832
Items not affecting cash			
Stock-based compensation	614,999	62,900	34,421
Loss on marketable securities (Note 4)	-	474,810	-
Loss from equity investment (Note 4)	261,471	68,174	-
Loss (gain) on held-for-trading investment	(432,454 )	117,699	-
Dilution loss from equity investment (Note 4)	11,357	-	-
Gain on sale of marketable securities (Note 4)	(11,913 )	-	-
Income tax recovery	(526,697 )	-	-
Receipt of Navidad interest (Note 5)	-	18,500,000	-
Termination benefit (Note 8)	-	711,500	-
Navidad recovery (Note 5)	-	-	(18,314,000)
	(3,247,150 )	15,663,173	(1,600,747 )
Change in non-cash working capital balances (Note 14)	(621,235 )	320,012	(353,083 )
	(3,868,385 )	15,953,185	(1,953,830 )
INVESTING ACTIVITIES			
Expenditures on mineral properties	(28,048 )	-	-
Cash from acquisitions (Note 2)	22,792,010	-	-
Proceeds (purchase) on sale of marketable securities and investments	565,236	(1,499,800 )	-
	23,329,198	(1,499,800 )	-
FINANCING ACTIVITIES			
Issuance of common shares	-	-	59,500
	-	-	59,500
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,460,813	14,453,385	(1,894,330 )
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	21,450,475	6,997,090	8,891,420
CASH AND CASH EQUIVALENTS – END OF YEAR	40,911,288	21,450,475	6,997,090

SUPPLEMENTARY CASH FLOW INFORMATION (Note 14)

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

---

Table of Contents

[F-8]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

## 1. NATURE OF OPERATIONS

Kobex Minerals Inc. (formerly IMA Exploration Inc.) (the “Company”) is a natural resource company engaged in the business of acquisition, exploration and development of mineral properties. The Company presently has no property interests with proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently the Company considers itself to be an exploration stage company.

On September 30, 2009 IMA Exploration Inc. (“IMA”) acquired all of the issued and outstanding shares of Kobex Resources Ltd. (“KBX”) and International Barytex Resources Ltd. (“IBX”). The transactions were effected by way of court approved statutory plans of arrangements (the “Arrangements”) under the Business Corporations Act (British Columbia), pursuant to which all of the issued and outstanding securities of KBX and IBX at the effective time were exchanged for IMA securities on the following basis: (i) 1.311 IMA common shares for each KBX common share; (ii) 0.221 IMA common shares for each IBX common share; and (iii) stock options and warrants exercisable to acquire IMA common shares on an adjusted basis to reflect the respective share exchange ratios, for each of the KBX and IBX stock options and warrants.

Following the completion of the Arrangements, the common shares of IMA were consolidated on a 2.4 old shares for one new share basis, and IMA’s name was changed to Kobex Minerals Inc.

## 2. ACQUISITIONS

On September 30, 2009, as described in note 1, the Company acquired all issued and outstanding securities of KBX and IBX by issuing 58,185,516 common shares, 3,135,019 options and 1,549,934 warrants of the Company (all pre-consolidation). Since KBX and IBX are not considered businesses for accounting purposes, the acquisitions have been accounted for as an acquisition of net assets. As virtually all of the assets and liabilities acquired were either cash and cash equivalents or monetary in nature, the non-monetary exchange of securities has been recorded at the more reliably measurable fair value of the net assets received. The consideration and acquisition allocation is summarized in the following table:

	\$
Common shares issued (58,185,516 shares)	22,572,150
Exchange options and warrants (3,135,019 options and 1,548,934 warrants)	215,928
	22,788,078

The assets and liabilities acquired are as follows:

Cash and cash equivalents	22,792,010	
Marketable securities	1,800	
Accounts receivable and prepaids	217,741	
Accounts payable	(223,473	)
Net assets acquired	22,788,078	

---

Table of Contents

[F-9]

KOBEX MINERALS INC.

(Formerly IMA Exploration Inc.)

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

2. ACQUISITIONS (continued)

The total consideration of the acquisition was \$22,788,078. Incremental costs related to this acquisition of \$401,928 have been included in merger and acquisition costs. The fair values allocated to these options and warrants using the Black-Scholes Valuation Model were \$215,928 and Nil respectively. The fair value of options and warrants exchanged on acquisition of \$215,928 are included as a cost of the acquisition and were determined using the Black-Scholes option pricing model using following weighted average assumptions:

2009	
Risk-free interest rate	1.24%
Estimated volatility	63%
Expected life	2.4 years
Expected dividend yield	0%

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The significant measurement differences between those principles and those that would be applied under United States generally accepted accounting principles ("US GAAP") as they affect the Company are disclosed in Note 13.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of the fair value of stock based compensation, other than temporary impairments for investments, environmental obligations and impairment of mineral properties and deferred costs. Actual results may differ from these estimates.



## Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All inter-company transactions and balances have been eliminated. The Company also accounted for its investment in Blue Sky Uranium Corp.'s common shares under the equity method until September 30, 2009 at which date the Company ceased to have significant influence over the entity.

## Cash and Cash Equivalents

Cash and cash equivalents include cash and money market investments, maturing less than 3 months from the date of initial investment. Cash and cash equivalents are classified as held-for-trading and recorded at fair value.

---

Table of Contents

[F-10]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral Properties

Exploration expenditures are charged to earnings as they are incurred until a property reaches the development stage. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the costs are written-off, or if its carrying value has been impaired, then it is written down to fair value.

The Company accounts for foreign value added taxes paid as expenses when incurred. The recovery of these taxes may commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a recovery of exploration expenses at that time.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, 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 defects.

Asset Retirement Obligations

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized on the same basis as the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at December 31, 2009 and 2008 the Company does not have any asset retirement obligations.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when events or circumstances suggest their carrying value has become impaired. Assets are impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to

result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

#### Translation of Foreign Currencies

The Company's foreign operations are integrated and are translated using the temporal method. Under this method, the Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates in effect during the period except for depreciation and amortization which are translated at historical rates. The resulting gains or losses are reflected in operating results in the period of translation.

---

Table of Contents

[F-11]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Company uses the asset and liability method of accounting for future income taxes. Under this method of tax allocation, future income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Potential future income tax assets are not recognized to the extent that they are not considered more likely than not to be realized.

Investment Tax Credits

The Company has been eligible to receive investment tax credits ("ITCs") related to certain of its mineral property expenditures. The ITCs are accounted for as a reduction in the cost of mineral properties or exploration costs in the period when related expenditures are incurred.

Loss Per Share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. In years in which a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted losses per share are the same. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Note 6. The weighted average number of shares and net income (loss) per share for the comparative periods has been restated to reflect the September 30, 2009 share consolidation.

Stock-Based Compensation

The Company records all stock-based compensation for options using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable, and are charged to operations over the vesting period. The offset is credited to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.



Table of Contents

[F-12]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments – Recognition and Measurement

The Company classifies all financial instruments as held to maturity, available-for-sale, held for trading, loans and receivables or other liabilities. Financial assets classified as held to maturity, loans and other receivables and other liabilities are measured at amortized cost. Available for sale financial instruments are measured at fair value with temporary unrealized gains and losses recorded in other comprehensive income. Realized losses and other than temporary unrealized losses on available-for-sale financial assets are recognized in the statement of operations. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of operations for the period.

The Company has designated its financial instruments as follows:

- (i) Cash and cash equivalents are classified as “Held-for-trading” and recorded at fair value with changes in fair value recorded in income.
- (ii) Marketable securities are classified as either “Available-for-sale” or “Held-for-trading”. Available-for-sale securities are recorded at fair value with temporary changes in fair value recorded in other comprehensive income. The fair value of marketable securities is obtained by reference to the closing quoted market price on the balance sheet date.
- (iii) Amounts receivable and deposits are classified as “Loans and Receivables” and are recorded at their amortized cost.
- (iv) Accounts payable and accrued liabilities and termination benefits are classified as “Other Financial Liabilities” and are carried at their amortized cost.

Recent Accounting Pronouncements

During 2009, new accounting standards issued by the CICA became effective for the Company as follows:

- (a) Goodwill and Intangible Assets

CICA Handbook Section 3064, Goodwill and Intangible Assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the preoperating period. On January 1, 2009, the

Company adopted these changes, with no impact on its consolidated financial statements.

(b) Credit Risk and Fair Value of Financial Assets and Liabilities

In January 2009, the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments.

This standard is effective for our fiscal year beginning January 1, 2009. Adoption of this EIC did not have a significant effect on the Company's financial statements for the year ended December 31, 2009.

---

Table of Contents

[F-13]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Mining Exploration Costs

In March 2009, the CICA issued EIC-174, Mining Exploration Costs. The EIC provides guidance on the accounting and the impairment review of exploration costs. This standard is effective for our fiscal year beginning January 1, 2009. The application of this EIC did not have an effect on the Company's financial statements for the year ended December 31, 2009.

(d) General Standard of Financial Statement Presentation

For the year ended December 31, 2009, the Corporation adopted the amendments to CICA Handbook Section 3862, Financial Instruments – Disclosures, which expands financial instrument fair value measurement and liquidity risk management disclosures. The Company has included the additional disclosures in note 10.

Future Accounting Standards

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidations, and Section 1602, Non-controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination.



CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.

All three sections must be adopted concurrently. These new sections may affect the accounting and disclosure related to future acquisitions.

---

Table of Contents

[F-14]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that the date for publicly-listed companies to use IFRS, replacing Canadian GAAP, is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is evaluating the financial reporting impact of the transition to IFRS.

4. MARKETABLE SECURITIES AND INVESTMENT

For the Year Ended December 31, 2009

	January 1, 2009 carrying value	Proceeds on sale of investment	Dilution loss	Loss from equity investment	Gain on held for trading investment	Transfer Acquired on acquisition (Note 4)	on investment from Equity Method	Adjustment to Fair Value	December 31, 2009 Carrying Value
Available-for-sale investment	\$	\$	\$	\$	\$	\$	\$	\$	\$
Panthera Exploration Inc. (a)	24,990	(36,903 )	-	-	11,913	-	-	-	-
Urodynamix Technologies Ltd.	-	-	-	-	-	1,800	-	(900 )	900
Blue Sky Uranium Corp. (b)									
Common shares	-	-	-	-	-	-	445,420	4,554,580	5,000,000

Held-for-trading  
investmentBlue Sky  
Uranium Corp.

(b)

Warrants	95,879	(528,333)	-	-	432,454	-	-	-	-
----------	--------	-----------	---	---	---------	---	---	---	---

Investment  
accounted for  
under the equity  
methodBlue Sky  
Uranium Corp.

(b)

Common shares	718,248	-	(11,357)	(261,471)	-	-	(445,420)	-	-
------------------	---------	---	----------	-----------	---	---	-----------	---	---

Total marketable  
securities

839,117	(565,236)	(11,357)	(261,471)	444,367	1,800	-	4,553,680	5,000,900
---------	-----------	----------	-----------	---------	-------	---	-----------	-----------

For the year ended December 31, 2008

	Cost \$	Other than temporary loss \$	Loss on equity investment \$	Loss on held for trading investment \$	December 31, 2008 Carrying Value \$
Available-for-sale investment					
Panthera Exploration Inc. (a)	499,800	(474,810 )	-	-	24,990
Held-for-trading investment					
Blue Sky Uranium Corp. (b)					
Warrants	213,578	-	-	(117,699 )	95,879
Investment accounted for under the equity method	713,378	-	-	(117,699 )	120,869
Blue Sky Uranium Corp. (b)					
Common shares	786,422	-	(68,174 )	-	718,248
Total marketable securities and investments	1,499,800	(474,810 )	(68,174 )	(117,699 )	839,117

Table of Contents

[F-15]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES AND INVESTMENT (continued)

a) On June 16, 2008 the Company purchased 3,570,000 units of Panthera Exploration Inc. ("Panthera") (formerly Amera Resources Corporation), a company with directors in common at the time, for \$0.14 per unit for a total of \$499,800. Each unit consisted of one common share and one-half of non-transferable share purchase warrant exercisable on or before June 16, 2010 at a price of \$0.18 per share. On December 23, 2008 Panthera completed a 10 for 1 rollback of its shares. This resulted in the Company holding 357,000 shares and 178,500 warrants exercisable at a price of \$1.80. On August 25, 2009 the Company sold the 357,000 shares for proceeds of \$36,903 for an accounting gain of \$11,913.

b) On September 17, 2008 and October 24, 2008 the Company purchased 2,750,000 and 5,583,333 Units, respectively, of Blue Sky Uranium Corp. ("Blue Sky"), for \$0.12 per unit for a total of \$1,000,000. Each Unit consisted of one common share and one transferable share purchase warrant. Each warrant entitled the Company to purchase one additional common share at a price of \$0.18 per share in year one and \$0.20 per share in year two. The warrants were originally recorded at \$213,578 using the Black-Scholes Option Pricing Model. On October 26, 2009 the Company sold the 8,333,333 warrants that it held of Blue Sky for proceeds of \$528,333. As a result the Company recorded a gain of \$432,454 for the year ended December 31, 2009.

The Company accounted for its investment in common shares using the equity method and classified it as long-term. On May 6, 2009, the Company's holdings of Blue Sky were diluted from 22% to 19% as a result of Blue Sky completing a private placement to outside parties of 7,000,000 common shares. As a result the Company recorded a dilution loss of \$11,357 in the second quarter of 2009. Blue Sky was under management in common. During the period ended September 30, 2009 the Company recorded a \$261,471 equity loss.

As a result of the Company's change in management, dilution in share interest and its agreement to sell the Blue Sky warrants on September 30, 2009, the Company no longer had significant influence and changed its method for accounting for its investment in Blue Sky common shares from the equity basis. The Company then classified the investment as available-for-sale with gains and losses arising from changes in fair value included in other comprehensive income until ultimate sale.

As at December 31, 2009, the quoted market value of the shares was \$5,000,000. As a result of the future income tax liability with a corresponding decrease to accumulated other comprehensive income arising on the unrealized gain on marketable securities, the Company has recorded a recovery of future income taxes of \$526,697 due to tax benefits recognized on previously unrecorded tax loss carryforwards.

5. MINERAL PROPERTIES

The table below summarizes the acquisition costs and exploration expenditures for the year ended December 31, 2009:

	Acquisition Costs \$	Exploration Expenditures \$	2009 Total \$	2008 Total \$
Hushamu property	28,048	253,647	281,695	1,767,014
General exploration	-	219,625	219,625	163,311
Mineral income tax credit	-	(308,172 )	(308,172)	-
	28,048	165,100	193,148	1,930,325

---

Table of Contents

[F-16]

KOBEX MINERALS INC.  
 (Formerly IMA Exploration Inc.)  
 (An Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

## 5. MINERAL PROPERTIES (continued)

## Hushamu Property

The Company entered into an Option Agreement on May 12, 2008 with Western Copper Corporation (“Western Copper”) to further explore and develop the Hushamu Property and the Company has the right to acquire up to a 70% interest. The Hushamu porphyry style copper-molybdenum-gold deposit is located on northern Vancouver Island, B.C.

The Company agreed to expend a minimum of \$1.9 million (incurred) by August 15, 2009 of a three year option period. Over the next two years ending August 15, 2011, the Company has an option to spend an additional \$13.1 million on drilling, metallurgical, and engineering studies in the completion of a pre-feasibility report on the Hushamu deposit to meet the required terms of the agreement. These expenditures total of \$15 million and the completion of a pre-feasibility report will earn the Company a 49% interest in the project (Option 1) by August 15, 2011. The Company can earn an additional 16% by funding a subsequent feasibility study by August 15, 2012 (Option 2) and an additional 5% can be earned upon completion of mine permitting (Option 3) for a total interest of 70% with Western Copper retaining a 30% participating interest in the joint venture.

The table below summarizes the cumulative mineral property acquisition costs and exploration expenditures a December 31, 2009:

Hushamu Property	
Acquisition costs:	\$
Balance, beginning of year	-
Acquisition costs	28,048
Balance, end of year	28,048
Exploration expenditures:	
Balance, beginning of year	1,767,014
Salaries and contractors	171,634
Office	36,957
Assays	29,531
Geotechnical	8,500
Environmental	3,030
Petrography	2,659
Communications	1,336

	253,647
Balance, end of year	2,020,661
Mineral income tax credit	(308,172 )
Total	1,740,537

#### Navidad Interest

Pursuant to various claims and court cases and an Interim Agreement entered into in 2006, the Company transferred its ownership in the Navidad property in Argentina to a third party in 2007 in consideration for \$18.5 million plus interest of \$341,380, which was all received in 2008. There are no outstanding claims related to the property and the Company no longer has any ownership interest.







Table of Contents

[F-18]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

A summary of the changes in the number of stock options outstanding and exercisable for the years ended December 31, 2009, 2008 and 2007 is as follows:

	2009		2008		2007	
	Options Outstanding	Weighted Average Exercise Price \$	Options Outstanding and Exercisable	Weighted Average Exercise Price \$	Options Outstanding and Exercisable	Weighted Average Exercise Price \$
Balance, beginning of year	2,625,000	3.12	4,330,000	2.72	4,624,000	2.69
Granted	-	-	250,000	0.54	100,000	0.47
Exercised	-	-	-	-	(119,000 )	0.50
Cancelled/Forfeited	(10,000 )	3.21	(680,000 )	2.46	(160,000 )	3.66
Expired	(1,147,000)	3.10	(1,275,000)	1.62	(115,000 )	0.50
Exchanged options (Note 2)	3,135,019	3.71	-	-	-	-
Share consolidation (Note 6(a)(ii))	(2,685,094)	-	-	-	-	-
	1,917,925	4.92	2,625,000	3.12	4,330,000	2.72
Granted after share consolidation	2,270,000	0.82	-	-	-	-
Balance, end of year	4,187,925	2.70	2,625,000	3.12	4,330,000	2.72

Stock options outstanding at December 31, 2009 are as follows:

Number of Options Granted	Exercise Price (Post Consolidation) \$	Expiry Date
256,737	2.71	January 28, 2010
287,500	9.98	March 16, 2010
54,325	11.51	September 28, 2010
147,917	7.01	

		November 16, 2010
114,708	1.81	February 9, 2011
104,167	1.30	June 2, 2011
72,083	7.70	June 22, 2011
46,041	25.09	July 6, 2011
117,440	3.42	March 16, 2012
33,608	20.31	March 16, 2012
11,510	13.36	November 7, 2012
1,381	12.81	November 8, 2012
68,281	2.03	November 15, 2012
185,720	1.67	December 12, 2012
31,489	6.73	February 5, 2013
73,660	1.09	February 25, 2014
311,358	0.53	February 26, 2014
2,270,000	0.82	October 26, 2014
4,187,925	2.70	

Table of Contents

[F-19]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

Stock options exercisable at December 31, 2009 are as follows:

Number of Options Vested	Weighted Average Exercise Price of Vested Options (Post Consolidation) \$	Weighted Average Remaining Contractual Life of Options Outstanding (years)
256,737	2.71	0.08
287,500	9.98	0.21
54,325	11.51	0.74
147,917	7.01	0.88
114,708	1.81	1.11
104,167	1.30	1.42
72,083	7.70	1.47
46,041	25.09	1.51
117,440	3.42	2.21
33,608	20.31	2.21
11,510	13.36	2.85
1,381	12.81	2.85
68,281	2.03	2.87
185,720	1.67	2.95
31,489	6.73	3.10
73,660	1.09	4.15
311,358	0.53	4.16
756,667	0.82	4.82
2,674,592	2.49	3.45

During the year ended December 31, 2009, the Company granted stock options to directors, employees or consultants to acquire 2,270,000 post consolidated common shares (2008 – 250,000; 2007 – 100,000 pre-consolidation) of the Company. The options granted vest over a vesting period. As a result the Company recorded compensation expense of \$614,999 (2008: \$62,900; 2007: \$34,421), with a corresponding increase in contributed surplus.

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes Option Pricing Model. The following weighted average assumptions were used for the grants made during the year:

	2009	2008	2007
Risk-free interest rate	2.53%	3.18%	4.21%
Estimated volatility	128%	125%	136%
Expected life	3.4 years	3 years	2.5 years
Expected dividend yield	0%	0%	0%

The weighted average fair value per stock option granted during the year was \$0.70 (2008 - \$0.60; 2007 - \$0.82). Option pricing models require the use of estimates and assumptions including the expected volatility.

---

Table of Contents

[F-20]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(b) Warrants

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agents warrants outstanding at December 31, 2009, 2008 and 2007 and the changes for the years ending on those dates is as follows:

	2009	2008	2007
Balance, beginning of year	3,099,170	3,271,070	3,504,404
Expired	(1,666,670)	(171,900 )	(233,334 )
Exchanged warrants (Notes 2 and 6(a)(i))	1,548,934	-	-
Share consolidation (Note 6(a)(ii))	(1,739,170)	-	-
Balance, end of year	1,242,264	3,099,170	3,271,070

Common shares reserved pursuant to warrants and agent warrants outstanding at December 31, 2009 are as follows:

	Exercise Price	
Number	\$	Expiry Date
596,875	9.12	March 21, 2010
645,389	16.29	April 22, 2010
1,242,264	12.84	

7. CONTRIBUTED SURPLUS

A continuity summary of contributed surplus for the years ended December 31, 2009, 2008 and 2007 is as follows:

	2009	2008	2007
	\$	\$	\$
Balance, beginning of year	7,502,258	6,157,412	6,152,265
Stock options granted	614,999	62,900	34,421
Reallocated on exercise of stock options	-	-	(29,274 )
Reallocated from warrant equity to contributed surplus on expiry of warrants	-	1,281,946	-
Exchange options and warrants (Note 2)	215,928	-	-
Balance, end of year	8,333,185	7,502,258	6,157,412



Table of Contents

[F-21]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

(a) Prior to the completion of the Arrangements, the Company engaged Grosso Group Management Ltd. (the "Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow Resources Corporation and Blue Sky, each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. The Grosso Group services contract also provides that, in the event the services are terminated by a member company, a termination payment would include three months of compensation and any contractual obligations that the Grosso Group undertook for the company, up to a maximum of \$500,000.

During the year ended December 31, 2009, the Company incurred fees of \$521,122 (2008: \$619,807; 2007: \$349,143) to the Grosso Group: \$539,288 (2008: \$595,482; 2007: \$330,305) was paid in twelve monthly payments and \$18,166 is included in accounts receivable as a result of a review of the allocation of the Grosso Group costs to the member companies for the period (2008 – \$24,325 included in accounts payable; 2007 – \$18,838 included in accounts payable). The fees were recorded in office and sundry, rent, parking and storage, salaries an employee benefits and telephone and utilities. Also, included in deposits is a \$Nil (2008 - \$205,000; 2007 - \$205,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

On October 19, 2009 the Company gave notice that it was terminating this agreement effective November 30, 2009. A termination payment of \$500,000, as described above, less the deposit of \$205,000 was made on November 30, 2009.

(c) During the year ended December 31, 2009, the Company paid \$520,486 (2008 - \$310,558; 2007 - \$353,283) to companies controlled by directors and officers of the Company, for accounting, management and consulting services provided. The Company also paid termination benefits totaling \$31,750 (2008 - \$Nil) to such companies, excluding the payments described 8(a) above and 8(c) below.

(c) On September 29, 2009, the Company terminated an agreement with its previous president and paid \$1,211,500 related to bonus and termination benefits of which \$711,500 was accrued for as at December 31, 2008.

All of the related party transactions and balances in these consolidated financial statements arose in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.



9. CAPITAL RISK MANAGEMENT

The Company defines capital as the items included in shareholders' equity. The Company's objectives in managing capital are to safeguard its ability to continue as a going concern and to provide returns for shareholders and benefits for other stakeholders. To meet this objective the Company will ensure it has sufficient cash resources to pursue the acquisition, exploration and development of mineral properties and fund potential acquisitions.

---

Table of Contents

[F-22]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

## 9. CAPITAL RISK MANAGEMENT (continued)

To support these objectives, the Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to maximize the exploration and development efforts, the Company does not pay out dividends.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2009.

## 10. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain risks, including currency, credit and metal price risk.

**Currency Risk:** Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

The Company has not hedged its exposure to currency fluctuations. As at December 31, 2009, the Company is exposed to currency risk through the following assets and liabilities in US dollars and Argentina pesos:

	December 31, 2009		December 31, 2008		December 31, 2007	
	US\$	Arg\$	US\$	Arg\$	US\$	Arg\$
Cash	2,168,732	12,863	86,829	613	79,400	66,256
Other receivables and prepaids	-	-	27,967	-	680	-
Accounts payable and accrued liabilities	(5,510 )	-	(27,834)	-	(1,704 )	(30,725)

Based on the net exposures as at December 31, 2009, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in a \$221,206 loss or gain in the Company's net earnings. Any fluctuation to the Argentine peso would be insignificant in the Company's net earnings.

**Credit Risk:** Credit risk is the risk of an unexpected loss of a third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash and cash equivalents and other receivables. The Company's limits its exposure to credit loss by placing its cash and cash equivalents with major financial

institutions.

Price Risk: The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's property has exposure to predominantly copper. The prices of these metals, especially copper, greatly affect the value of the Company and the potential value of its property and investments.

---

Table of Contents

[F-23]

KOBEX MINERALS INC.  
 (Formerly IMA Exploration Inc.)  
 (An Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

## 10. MANAGEMENT OF FINANCIAL RISK (continued)

**Liquidity Risk:** Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company's cash is primarily invested in bank accounts and Government Investment Certificates (GIC's) which are cashable on demand. The Company expects that its cash on hand at December 31, 2009 provides the sufficient financial resources to carry out its operations through the 2010 financial year and also allow the Company to pursue acquisition opportunities.

**Interest Risk:** The Company's bank accounts earn interest income at variable rates. The fair value of its cash equivalents is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

## Fair Values

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate fair values due to their short terms to maturity or ability to readily convert to cash.

The fair value of investments in equity securities classified as available for sale is determined using bid prices at the balance sheet date with any unrealized gains or losses recognized in other comprehensive income.

The following table outlines the Corporation's financial assets and liabilities measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

As at December 31, 2009 the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	40,911,288	-	-	40,911,288
Marketable securities	5,000,900	-	-	5,000,900

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Corporation's cash instruments are valued using quoted market prices in active markets, and therefore are classified as Level 1.

---

Table of Contents

[F-24]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

11. INCOME TAXES

The recovery of income taxes shown in the consolidated statements of operations, comprehensive income (loss) and deficit differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2009		2008		2007	
Statutory tax rate	30.00	%	31.00	%	34.12	%
	\$		\$		\$	
Income (loss) for the year before taxes	(3,690,610)		(4,301,910)		16,678,832	
Provision for income taxes based on statutory Canadian combined federal and provincial income tax rates	(1,107,183)		(1,333,592)		5,690,817	
Change in tax rates	646,707		-		-	
Differences in foreign tax rates	-		-		(707)	)
Non-deductible differences	171,911		23,134		26,288	
Loss expiry	715,924		260,760		430,571	
Non taxable component of Navidad recovery	-		-		(6,060,913)	)
Acquired tax positions	(1,679,179)		-		-	
Change in valuation allowance	416,068		1,107,675		(926,300)	)
Other	309,055		(57,977)	)	840,244	
	(526,697)	)	-		-	

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

	2009	2008	2007
	\$	\$	\$
Future income tax assets			
Operating loss carryforward	5,713,032	4,681,251	4,307,036
Capital losses	38,664	-	-
Share issue costs	379,826	143,509	288,455
Resource deductions	784,052	778,142	268,425
Other	20,932	390,839	22,150
	6,936,506	5,993,741	4,886,066
Valuation allowance for future tax assets	(6,409,809)	(5,993,741)	(4,886,066)
	526,697	-	-

Future income tax liabilities			
Marketable securities	(526,697 )	-	-
	-	-	-

Table of Contents

[F-25]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

## 11. INCOME TAXES (continued)

The Company has Canadian capital loss carryforwards of \$309,314 and non-capital loss carryforwards of \$22,852,126 that may be available for tax purposes. The Company's capital losses do not expire and may be carried forward indefinitely. The non-capital losses expire as follows:

Expiry Date	\$
2012	244,049
2013	281,738
2014	2,873,451
2015	4,708,790
2024	422,473
2025	753,793
2026	4,236,105
2027	2,517,632
2028	3,658,571
2029	3,155,524
	22,852,126

## 12. SEGMENTED INFORMATION

The Company is involved in mineral exploration and development activities. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of fiscal 2009 and 2008.

## 13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements of the Company have been prepared in accordance with Canadian GAAP, which differ in certain material respects from US GAAP.

	2009	2008	2007
	\$	\$	\$
Consolidated statements of operations			
Net income (loss) for the year under Canadian GAAP	(3,163,913 )	(4,301,910 )	16,678,832
Income tax recovery (i)	(526,697 )	-	-



Net income (loss) for the year under US GAAP	(3,690,610 )	(4,301,910 )	16,678,832
Basic and diluted income (loss) per share under US GAAP	(0.13 )	(0.20 )	0.77
Weighted average number of common shares outstanding	27,958,434	21,721,693	21,708,245

- (i) There is a \$526,697 income tax recovery recorded in the statement of operations for the year ended December 31, 2009 under Canadian GAAP. The income tax recovery isn't recorded for US GAAP therefore the net loss for 2009 under US GAAP would be \$3,690,610. The income tax recovery would also be a reconciling item in arriving at comprehensive income for US GAAP purposes, resulting in comprehensive income for the year ended December 31, 2009 being \$1,389,767 for US GAAP purposes.
-

Table of Contents

[F-26]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

- (ii) For US GAAP purposes a subtotal in the statement of cash flows under operating activities prior to the change in non-cash working balances is not allowed.

ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

For US GAAP purposes the Company recognizes tax uncertainties when it is “more likely than not” that the Company’s tax position would not be upheld on reviews by the tax authority. The Company measures a tax uncertainty for US GAAP purposes at the largest amount that is more likely than not to be upheld. The Company did not have any unrecognized tax benefits at January 1, 2007. In addition, no adjustments were recognized for uncertain tax benefits during the years ended December 31, 2007, 2008 and 2009. There are no unrecognized tax benefits at December 31, 2009. Interest and penalties that arise on tax uncertainties would be recognized in income tax expense.

The Company files income tax returns in Canada, Argentina and the United States. Years ranging from 2006 to 2009, as applicable, are subject to examination by the taxing authorities in the respective jurisdictions where returns are filed.

IMPACT OF RECENT UNITED STATES ACCOUNTING PRONOUNCEMENTS:

- (i) On July 1, 2009, the FASB launched its Accounting Standards Codification (ASC). The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles, the ASC is the sole source of authoritative US GAAP for interim and annual periods ending September 15, 2009, except for rules and interpretive releases of the Securities and Exchange Commission which are also sources of authoritative GAAP for the Company.
- (ii) The FASB has a new accounting standard related to business combinations which provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed and any non-controlling interest in the acquire. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The new standard is effective for the Company on January 1, 2009. The adoption of this statement had no effect on the consolidated financial statements.
- (iii) The FASB has issued a new accounting standard related to non-controlling interests in consolidated financial statements which establishes accounting and reporting standards pertaining to (i) ownership interests in subsidiaries held by parties other than the parent, (ii) the amount of net income attributable to the parent and to

the non-controlling interest, (iii) changes in a parent's ownership interest, and (iv) the valuation of any retained non-controlling equity investment when a subsidiary is deconsolidated. For presentation purposes, the new standard requires non-controlling interests to be classified as a separate component of shareholders' equity. The new standard is effective for the Company on January 1, 2009. The adoption of this standard had no effect on the consolidated financial statements.

- (iv) The FASB has issued new accounting standards related to disclosures about derivative instruments and hedging activities which revises disclosure requirements for derivative instruments and hedging activities. The new standard is effective for the Company on January 1, 2009. The adoption of this standard had no effect on the consolidated financial statements
-

Table of Contents

[F-27]

KOBEX MINERALS INC.  
(Formerly IMA Exploration Inc.)  
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Expressed in Canadian Dollars)

13. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

(v) The FASB has issued a new accounting standard related to recognition and presentation of other-than-temporary investments which amends previous impairment guidance for debt securities to make guidance more operational and to improve the presentation and disclosure of other than temporary impairments on debt and equity securities. The new standard is effective for interim periods ending after June 15, 2009. The adoption of this standard had no effect on the consolidated financial statements.

(vi) The FASB has issued a new accounting standard related to determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not ordinary which provides additional guidance for estimating fair value when the level of activity for the asset or liability has decreased. The adoption of this standard had no effect on the consolidated financial statements.

14. SUPPLEMENTARY CASH FLOW INFORMATION

	2009	2008	2007
	\$	\$	\$
Change in non-cash working capital			
Other receivables and prepaids	88,263	232,393	(222,195)
Recovery of deposit	205,000	-	-
Accounts payable and accrued liabilities	(202,998 )	87,619	(130,888)
Termination benefits	(711,500 )	-	-
	(621,235 )	320,012	353,083
Non-cash transaction			
Acquisition of KBX and IBX for shares, being a non-Cash financing and investing activity	22,788,078	-	-

15. LEASING COMMITMENT

The Company has entered into a lease agreement for office premises, which expires on January 30, 2013, whereby the Company's minimum rental obligations are as follows:

2010	\$221,713
2011	223,297
2012	223,297

2013	18,608
	\$686,915

On November 26, 2009 the Company entered into an agreement to sublease a portion of its office premises for a term commencing on December 1, 2009 and expiring January 30, 2013 for \$5,500 per month. In addition, the subtenant is responsible for its proportionate share of real estate taxes, operating costs and utilities.

Table of Contents

[F-28]

Independent Auditors' Report

To the Shareholders of  
Kobex Minerals Inc. (formerly IMA Exploration Inc.)

We have audited the consolidated balance sheet of Kobex Minerals Inc. (formerly IMA Exploration Inc.) (the "Company") as at December 31, 2008 and the consolidated statements of operations, comprehensive income (loss) and deficit, cash flows, and changes in shareholders' equity for each of the years in the two year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). 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 December 31, 2008 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants  
Vancouver, BC  
March 24, 2009

Table of Contents

[72]

Legal Proceedings

On March 5, 2004, Aquiline Resources Inc. (“Aquiline”), through its subsidiary, Minera Aquiline Argentina SA, filed a claim in the Supreme Court of British Columbia against the Company seeking a constructive trust over the Navidad properties and damages. The trial was held in Vancouver British Columbia commencing in October 2005, and ended on December 12, 2005. Additionally, as a condition of the reorganization, Golden Arrow became a party to the Aquiline action. The Company provided an indemnity to Golden Arrow for any costs or losses that might be incurred by Golden Arrow in connection with this matter.

On July 14, 2006 the court released its judgment on the Aquiline claim. The Company was not successful in its defense and the court found in Aquiline’s favour.

The Order read in part:

- “(a) that Inversiones Mineras Argentinas SA (“IMA SA”) transfer the Navidad Claims and any assets related thereto to Minera Aquiline or its nominee within 60 days of this order;
- (b) that IMA take any and all steps required to cause IMA SA to comply with the terms of this order;
- (c) that the transfer of the Navidad Claims and any assets related thereto is subject to the payment to IMA SA of all reasonable amounts expended by IMA SA for the acquisition and development of the Navidad Claims to date; and
- (d) any accounting necessary to determine the reasonableness of the expenditures referred to in (c) above shall be by reference to the Registrar of this court.”

On October 18, 2006, the Company and Aquiline reached a definitive agreement (the “Interim Agreement”) for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The parties agreed that the transactions outlined in the Interim Agreement were in satisfaction of the Order referenced above. The principal terms and conditions of the Interim Agreement were as follows:

- (i) control of the Navidad Project was transferred to Aquiline in trust for the ultimately successful party in the appeal
- (ii) the Company and Aquiline agreed to the costs spent to date developing the Navidad Project in the amount of \$18,500,000. Upon transfer of control of the Navidad Project, Aquiline paid \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions and
- (iii) in the event that the Company was unsuccessful on appeal, the Company was to be paid such \$18,500,000 amount.

The effective date of the transfer of the Navidad project was November 16, 2006. A copy of the Interim Agreement has been posted on the SEDAR website as one of the Company’s public documents and is titled “Interim Project Development Agreement”, and filed with the U.S. Securities and Exchange Commission on Form 6-K on October 19, 2006.

The Company’s appeal of this judgment was heard by the British Columbia Court of Appeal between April 10 and April 12, 2007. The Court of Appeal dismissed the Company’s appeal and released their reasons for judgment on June 7, 2007.

The Company filed an application for leave to appeal to the Supreme Court of Canada in October 2007. On December 20, 2007 the Supreme Court of Canada denied the Company's appeal. This brought the lawsuit to a close. The Navidad property has been transferred to Aquiline.

The Company was paid \$18,500,000 as consideration for these assets. The Company received the \$7.5 million held in trust on January 8, 2008, plus interest that had accrued in the amount of \$341,380. The \$11 million balance was received on February 11, 2008.

---



## Table of Contents

[73]

There are no legal proceedings as at March – 26, 2010.

### Dividend Policy

The Company has not paid any dividends on its common shares and does not intend to pay dividends on its common shares in the immediate future. Any decision to pay dividends on its common shares in the future will be made by the Board of Directors on the Company on the basis of earnings, financial requirements and other such conditions that may exist at that time.

### B. Significant Changes

Pursuant to an arrangement agreement dated August 17, 2009, among the Company (formerly IMA Exploration Inc.), Kobex Resources Ltd. (“Kobex”) and International Barytex Resources Ltd. (“Barytex”), the Company agreed, among other things, to acquire all the issued and outstanding common shares of Kobex and Barytex in exchange for issuing: (i) to Kobex shareholders, 1.311 common shares of the Company for each common share of Kobex acquired; and (ii) to Barytex shareholders, 0.221 common shares of the Company for each common share of Barytex acquired. This transaction was effected by way of two statutory plans of arrangement (the “Kobex Arrangement” and the “Barytex Arrangement”, respectively, and together, the “Arrangements”), and was subject to approvals from the TSX Venture Exchange and the Barytex and Kobex shareholders, as well as court approval of the Arrangements. The details of the Arrangements are fully disclosed in the joint information circular dated August 25, 2009, prepared by Kobex and Barytex in connection with the Arrangements, and available on SEDAR at [www.sedar.com](http://www.sedar.com) under their respective profiles.

On September 25, 2009, the shareholders of the Company passed a special resolution authorizing the Company’s authorized share structure be altered by consolidating (the “Consolidation”) all of the approximately 110,317,580 fully paid and issued common shares without par value in the capital of the Company on the basis of 2.4 old common shares of the Company for one new common share of the Company into approximately 45,976,077 common shares of the Company; and the name of the Company be changed from “IMA Exploration Inc.” to “Kobex Minerals Inc.”.

On September 30, 2009, the Company completed the business combination with Barytex and Kobex. The Company filed an amendment to its Notice of Articles pursuant to the BCBCA to effect the consolidation and name change on September 30, 2009. See “Item 4. Information on the Company”.

## ITEM 9. THE OFFER AND LISTING

### A. Offering and Listing Details

The Company’s common shares are listed on the TSX-V. From April 15, 1996 to November 28, 1999, the Company’s shares were listed on the Vancouver Stock Exchange (the “VSE”). Effective November 29, 1999, the VSE and the Alberta Stock Exchange (the “ASE”) merged and began operations as the Canadian Venture Exchange or CDNX. On August 1, 2001, the CDNX was acquired by the Toronto Stock Exchange and became known as the TSX Venture Exchange (the “TSX-V”). The Company is classified as a Tier I company on the TSX-V and trades under the symbol “KXM” (formerly “IMR”). Companies which satisfy the minimum initial listing requirements of the TSX-V are designated as Tier II companies. Companies which are subject to listing requirements which are stricter than those for Tier II companies are designated as Tier I companies (see also “Item 10. Additional Information – Description of Share Capital”).

The following table lists the volume of trading and high and low sales prices on the TSX-V, for shares of the Company's common stock for the last five fiscal years, each quarterly period during the last two fiscal years and each month from September 2009 through February 2010.

---

Table of Contents

[74]

## TSX Venture Exchange Stock Trading Activity

Year Ended	Volume	Sales Price	
		High	Low
December 31, 2009	8,127,272	\$1.17	\$0.62
December 31, 2008	11,615,295	\$1.15	\$0.48
December 31, 2007	16,325,925	\$2.88	\$0.85
December 31, 2006	21,765,956	\$9.50	\$1.18
December 31, 2005	7,743,249	\$10.68	\$6.14

Quarter Ended	Volume	Sales Price	
		High	Low
December 31, 2009	4,113,700	\$1.17	\$0.75
September 30, 2009	1,918,106	\$1.01	\$0.66
June 30, 2009	1,012,486	\$0.84	\$0.62
March 31, 2009	1,082,980	\$0.98	\$0.62
December 31, 2008	2,614,772	\$0.82	\$0.48
September 30, 2008	3,824,353	\$0.91	\$0.65
June 30, 2008	2,844,358	\$1.15	\$0.77
March 31, 2008	2,331,812	\$1.08	\$0.88

Month Ended	Volume	Sales Price	
		High	Low
February 28, 2010	1,109,400	\$0.99	\$0.89
January 31, 2010	1,806,400	\$1.07	\$0.94
December 31, 2010	1,495,400	\$1.17	\$0.90
November 30, 2009	1,439,700	\$1.13	\$0.81
October 31, 2009	1,178,600	\$0.90	\$0.75
September 30, 2009	994,368	\$1.01	\$0.83

## NYSE Amex Equities and Over-the-Counter Bulletin Board Stock Trading Activity

As of July 6, 2005, the Company's shares commenced trading on the American Stock Exchange ("AMEX"). Prior to that the Company's shares traded on the OTC Bulletin Board previously operated by the National Association of Securities Dealers in the United States from October 8, 2002. Effective October 1, 2008, AMEX changed its name to "NYSE Alternext US" following the NYSE Euronext acquisition of the AMEX, and effective March 18, 2008, the name was changed to "NYSE Amex Equities" ("NYSE Amex"). The Company currently trades on the NYSE Amex under the symbol "KXM". The following tables set forth the market price ranges and the aggregate volume of trading of the common shares of the Company on the NYSE Amex for the periods indicated:

Year Ended	Volume	Sales Price (US\$)	
		High	Low
December 31, 2009	6,620,044	\$1.12	\$0.48
December 31, 2008	3,553,263	\$1.13	\$0.38
December 31, 2007	7,591,289	\$3.12	\$0.60
December 31, 2006	11,076,626	\$8.35	\$1.03
December 31, 2005	5,518,671	\$8.83	\$4.80



Table of Contents

[75]

Quarter Ended	Volume	Sales Price (US\$)	
		High	Low
December 31, 2009	3,929,400	\$1.12	\$0.65
September 30, 2009	1,628,020	\$0.91	\$0.58
June 30, 2009	598,477	\$0.79	\$0.50
March 31, 2009	464,147	\$0.82	\$0.48
December 31, 2008	866,604	\$0.79	\$0.38
September 30, 2008	667,399	\$0.84	\$0.53
June 30, 2008	894,023	\$1.13	\$0.74
March 31, 2008	1,125,227	\$1.08	\$0.74

Month Ended	Volume	Sales Price (US\$)	
		High	Low
February 28, 2010	469,700	\$0.93	\$0.84
January 31, 2010	652,000	\$1.04	\$0.87
December 31, 2009	2,734,900	\$1.11	\$0.84
November 30, 2009	622,600	\$1.12	\$0.75
October 31, 2009	571,900	\$0.88	\$0.65
September 30, 2009	1,026,242	\$0.91	\$0.77

## B. Plan of Distribution

Not Applicable.

## C. Markets

Our common shares, no par value, are traded on the TSX-V under the symbol “KXM” (formerly “IMR”) and are traded on the NYSE Amex under the symbol “KXM”.

## D. Selling Shareholders

Not Applicable.

## E. Dilution

Not Applicable.

## F. Expenses of the Issue

Not Applicable.

## ITEM 10. ADDITIONAL INFORMATION

## A. Share Capital

Not Applicable.

B. Memorandum and Articles of Association

The Company was incorporated under the Company Act (British Columbia) on September 17, 1979, as Gold Star Resources Ltd. The Company's Incorporation Number is 197061. On May 1, 1990, the Company filed an Altered Memorandum to reflect its name change to EEC Marketing Corp. On January 13, 1992, the Company filed an Altered Memorandum to reflect its name change to Amera Industries Corp. On February 9, 1995, the Company filed an Altered Memorandum to reflect its name change to International Amera Industries Corp. On February 20, 1996, the Company filed an Altered Memorandum to reflect its name change to IMA Resource Corporation. Effective July 7, 1998, the Company underwent a statutory plan of arrangement (the "Arrangement") with Viceroy Resource Corporation ("Viceroy"), changed its name to IMA Exploration Inc., consolidated its share capital on the basis of four old shares for one new share and filed an Altered Memorandum to give effect to the foregoing. See "Item 4. Information on the Company".

---

Table of Contents

[76]

The Company's objects and purposes are not set forth in or prescribed by its Articles or Memorandum. The Company is in the business of the acquisition, exploration and development of mineral properties.

Amendment of Notice of Articles

On March 29, 2004, the new British Columbia Business Corporations Act came into force in British Columbia (the "BCBCA"). The Board of Directors of the Company approved the Transition of the Company and the Company filed a transition application with the Registrar of Companies British Columbia and completed the Transition on May 4, 2004.

In order to bring the Company's Articles in line with the BCBCA, the Company deleted and replaced its Articles in their entirety. Accordingly, the shareholders passed a special resolution removing the application of the Pre-Existing Company Provisions at a meeting held on June 24, 2004.

On September 25, 2009, the shareholders of the Company passed a special resolution authorizing the Company's authorized share structure be altered by consolidating (the "Consolidation") all of the approximately 110,317,580 fully paid and issued common shares without par value in the capital of the Company on the basis of 2.4 old common shares of the Company for one new common share of the Company into approximately 45,976,077 common shares of the Company; and the name of the Company be changed from "IMA Exploration Inc." to "Kobex Minerals Inc.".

On September 30, 2009, the Company completed the business combination with Barytex and Kobex. The Company filed an amendment to its Notice of Articles pursuant to the BCBCA to effect the consolidation and name change on September 30, 2009. See "Item 4. Information on the Company".

Summary of Material Provisions

The following is a summary of certain material provisions of the Company's Articles of Association and Memorandum:

A. Director's power to vote on a proposal, arrangement or contract in which the director is materially interested.

Under the BCBCA, subject to certain exceptions, a director or senior officer of the Company must disclose any material interest that he personally has, or that he as a director or senior officer of another corporation has in a contract or transaction that is material to the Company and which the Company has entered into or proposes to enter into.

A director or senior officer of the Company does not hold a disclosable interest in a contract or transaction if:

1. the situation that would otherwise constitute a disclosable interest arose before the coming into force of the BCBCA, or the interest was disclosed and approved under, or was not required to be disclosed under legislation that applied to the Company before the coming into effect of the BCBCA;
2. both the Company and the other party to the contract or transaction are wholly owned subsidiaries of the same corporation;
  3. the Company is a wholly owned subsidiary of the other party to the contract or transaction;
  4. the other party to the contract or transaction is a wholly owned subsidiary of the Company; or





Table of Contents

[77]

5. the director or senior officer is the sole shareholder of the Company or of a corporation of which the Company is a wholly owned subsidiary.

A director or senior officer of the Company does not hold a disclosable interest in a contract or transaction merely because:

1. the contract or transaction is an arrangement by way of a security granted by the Company for money loaned to, or obligations undertaken by, the director or senior officer, or a person in whom the director or senior officer has a material interest, for the benefit of the Company or an affiliate of the Company;
2. the contract or transaction relates to an indemnity or insurance under the BCBCA;
3. the contract or transaction relates to the remuneration of the director or senior officer, or a person in whom the director or senior officer, employee or agent of the Company or of an affiliate of the Company;
4. the contract or transaction relates to a loan to the Company, and the director or senior officer, or a person in whom the director or senior officer has a material interest, is or is to be a guarantor of some or all of the loan; or
5. the contract or transaction has been or will be made with or for the benefit of a corporation that is affiliated with the Company and the director or senior officer is also a director or senior officer of that corporation or an affiliate of that corporation.

A director or senior officer who holds such a material interest must disclose such interest in writing. The disclosure must be evidenced in writing in a consent resolution, the minutes of a meeting or any other record deposited with the Company's record office. A director who has a disclosable interest in a contract or transaction is not entitled to vote of any directors' resolution to approve that contract or transaction, but may be counted in the quorum at the directors' meeting at which such vote is taken.

B. Director's power, in the absence of an independent quorum, to vote compensation to themselves or any members of their body.

The compensation of the directors is decided by the directors unless the Board of Directors requests approval of the compensation from the shareholders. If the issuance of compensation to the directors is decided by the directors, a quorum is the majority of the directors in office.

C. Borrowing powers exercisable by the directors and how such borrowing powers may be varied.

The Company, if authorized by the directors, may:

1. borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;
2. issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
3. guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
4. mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

The borrowing powers may be varied by amendment to the Articles of the Company which requires approval of the shareholders of the Company by special resolution.

D. Retirement and non-retirement of directors under an age limit requirement.

There are no such provisions applicable to the Company under the Notice of Articles, Articles (as existing or the new proposed Articles) or the BCBCA.

---

## Table of Contents

[78]

E. Number of shares required for a director's qualification.

A director of the Company is not required to hold a share in the capital of the Company as qualification for his office.

### Description of Share Capital

The authorized capital of the Company consists of an unlimited number of common shares without par value and 100,000,000 Preferred shares without par value, of which 18,283,053 have been designated as Preferred Shares, Series I.

#### Common Shares

A total of 45,967,077 common shares were issued and outstanding as of December 31, 2009 and February 28, 2010. All of the common shares are fully paid and not subject to any future call or assessment. All of the common shares of the Company rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and the entitlement to dividends. The holders of the common shares are entitled to receive notice of all shareholder meetings and to attend and vote at such meetings. Each common share carries with it the right to one vote. The common shares do not have preemptive or conversion rights. In addition, there are no sinking fund or redemption provisions applicable to the common shares or any provisions discriminating against any existing or prospective holders of such securities as a result of a shareholder owning a substantial number of shares.

#### Preferred Shares

The Company is authorized to issue up to 100,000,000 preferred shares in one or more series of which 18,283,053 have been designated as Preferred Shares, Series I. The preferred shares are entitled to priority over the common shares with respect to the payment of dividends and distribution in the event of the dissolution, liquidation or winding-up of the Company. The holders of preferred shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Company, other than at a meeting of holders of Preferred Shares. As of February 28, 2010 there were no issued or outstanding preferred shares.

#### Changes to Rights and Restrictions of Shares

If the Company wishes to change the rights and restrictions of the common shares or the preferred shares, the Company must obtain the approval of a special resolution by 2/3 of the holders of the common shares, or 2/3 of the holders of the preferred shares.

#### Dividend Record

The Company has not paid any dividends on its common shares and has no policy with respect to the payment of dividends.

#### Ownership of Securities and Change of Control

There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by foreign law or by the constituent documents of the Company.

Any person who beneficially owns or controls, directly or indirectly, more than 10% of the Company's voting shares is considered an insider, and must file an insider report with the British Columbia, Alberta and Ontario Securities Commissions within ten days of becoming an insider, disclosing any direct or indirect beneficial ownership of, or control over direction over securities of the Company. In addition, if the Company itself holds any of its own securities, the Company must disclose such ownership.

---

## Table of Contents

[79]

There are no provisions in the Company's Memorandum and Articles of Association or Bylaws that would have an effect of delaying, deferring or preventing a change in control of the Company operating only with respect to a merger, acquisition or corporate restructuring involving the Company or its subsidiaries.

### Meetings of the Shareholders

#### Annual and General Meetings

Under BCBCA and the Company's Articles, the Company's annual general meeting is to be held once in each calendar year and not more than 15 months after the previous meeting. No advance notice will be required to be published at a meeting where directors are to be elected. The Company must give shareholders not less than 21 days notice of any general meeting of the shareholders.

The Directors may fix in advance a date, which is no fewer than 35 days or no more than 60 days prior to the date of the meeting. All the holders of common shares as at that date are entitled to attend and vote at a general meeting.

#### Quorum for Shareholder Meeting

The current Articles allow for quorum to be two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least five percent (5%) of the issued shares entitled to be voted at the meeting.

#### Special Majority for Resolutions

The Company's Articles require a majority of two-thirds of the votes cast on a resolution.

#### Indemnity Provision

The Company's Articles allow the Company to indemnify directors, officers, employees and agents, subject to the limits imposed under the BCBCA. Management believes that it is in the best interests of the Company to allow the indemnification of directors, officers, employees and agents, subject to the limits and conditions of the BCBCA.

The directors, officers, employees and agents have entered into Indemnity Agreements, as allowed under the Articles of the Company. However, under the BCBCA, the Company will be prohibited from paying an indemnity if:

- (a) the party did not act honestly and in good faith with a view to the best interests of the Company;
- (b) the proceeding was not a civil proceeding and the party did not have reasonable grounds for believing that his or her conduct was lawful; and
- (c) the proceeding is brought against the party by the Company or an associated corporation.

#### Differences from Requirements in the United States

Except for the Company's quorum requirements, certain requirements related to related party transactions and the requirement for notice of shareholder meetings, discussed above, there are no significant differences in the law applicable to the Company, in the areas outlined above, in Canada versus the United States. In most states in the United States, a quorum must consist of a majority of the shares entitled to vote. Some states allow for a reduction of

the quorum requirements to less than a majority of the shares entitled to vote. Having a lower quorum threshold may allow a minority of the shareholders to make decisions about the Company, its management and operations. In addition, most states in the United States require that a notice of meeting be mailed to shareholders prior to the meeting date. Additionally, in the United States, a director may not be able to vote on the approval of any transaction in which the director has an interest.

C. Material Contracts

The following are material contracts to which the Company is a party:

---

Table of Contents

[80]

1. The Company is party to an agreement with Oxbow, effective as of July 1, 1999, subsequently amended on May 1, 2006, and amended in November 2008, pursuant to which Mr. Grosso provides executive services as President and Chief Executive Officer of the Company. Pursuant to the terms of the agreement, in the event the agreement is terminated by the Company as a result of Mr. Grosso's death or permanent disability while providing services to the Company, or by Mr. Grosso as a result of a material breach or default by the Company, Oxbow is entitled to a bonus payment in the amount of \$461,500 plus one year of annual fees. In the event the agreement is terminated by the Company without cause or as a result of a change of control, Oxbow is entitled to (i) any monthly compensation due to the date of termination, (ii) options as determined by the Company's Board of Directors, (iii) three years of Mr. Grosso's monthly compensation (which may be adjusted annually), and (iv) a bonus payment of \$461,500. During the fiscal year ended December 31, 2009, Oxbow was paid \$187,500 (2008 - \$250,000, 2007 - \$250,000). On September 29, 2009, the Company terminated this agreement and paid \$1,211,500 related to this bonus and termination benefits See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts".

2. Pursuant to the terms of an Administration Services Agreement dated January 1, 2005, the Company engaged the Grosso Group to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow, and Blue Sky, each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. The Grosso Group services contract also provides that, in the event the services are terminated by a member company, a termination payment would include three months of compensation and any contractual obligations that the Grosso Group undertook for the company, up to a maximum of \$500,000.

During the year ended December 31, 2009, the Company incurred fees of \$521,122 (2008: \$619,807; 2007: \$349,143) to the Grosso Group: \$539,288 (2008: \$595,482; 2007: \$330,305) was paid in twelve monthly payments and \$18,166 is included in accounts receivable as a result of a review of the allocation of the Grosso Group costs to the member companies for the period (2008 - \$24,325 included in accounts payable; 2007 - \$18,838 included in accounts payable). Also, included in deposits is a \$Nil (2008 - \$205,000; 2007 - \$205,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

On October 19, 2009 the Company gave notice that it was terminating this agreement effective November 30, 2009. A termination payment of \$500,000, as described above, less the deposit of \$205,000 was made on November 30, 2009.

The Board of Directors of the Company approved the Administration Services Agreement on or about May 6, 2005. The Administrative Services Agreement was amended on December 5, 2008 by adding additional terms to the termination section of the May 2005 agreement, and received approval of the Board of Directors effective December 5, 2008. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts".

3. As of January 2005, Mr. Terry provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2005, Mr. Terry's total compensation from the Grosso Group was \$120,000, of which \$63,600 was allocated to the Company as part of the Grosso Group fees during the year. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to \$12,500 (\$150,000 annually) effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006, Mr. Terry's total compensation from the Grosso Group was \$140,000, of which \$57,400

was allocated to the Company. On July 9, 2007 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to \$16,667 (\$200,000 annually) effective July 1, 2007. During the year ended December 31, 2009, Mr. Terry's total compensation from the Grosso Group was \$105,000 (2008 - \$200,000; 2007 - \$175,000), of which \$71,156 (2008 - \$97,174; 2007 - \$24,579) was allocated to the Company. The Company also paid consulting fees to Mr. Terry totaling \$42,501 for the year ended December 31, 2009. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

---



Table of Contents

[81]

4. As of January 2005, Mr. Cacos provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2009, Mr. Cacos's total compensation from the Grosso Group was \$22,969 (2008 - \$22,500, 2007 - \$22,500 from the Grosso Group), of which \$Nil was allocated to the Company (2008 - \$3,574, 2007 - \$938) as part of the Grosso Group fees for the year. During the year ended December 31, 2009 Mr. Cacos's total compensation was \$79,375 (2008 - \$21,167). The consulting agreement with Mr. Cacos was terminated on September 30, 2009. As a result Mr. Cacos received a termination payment of \$31,750 which is included in the amount above. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."
5. As of January 2005, Mr. Hurd provides executive services to the Company as an employee of the Grosso Group. During the year ended December 31, 2009, Mr. Hurd's total compensation from the Grosso Group was \$120,000 (2008 - \$120,000, 2007 - \$120,000), of which \$32,471 was allocated to the Company (2008 - \$22,964, 2007 - \$25,497) as part of the Grosso Group fees for the year. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."
6. The Company leased a portion of its office space from Beauregard, a private company owned by Mr. Grosso's wife, Mrs. Evelina Grosso and subleased these premises to the Grosso Group in 2005 and 2006, the balance of the existing lease term, and recovered the 2006 and 2005 rent it had paid. Effective January 1, 2007 Beauregard and Grosso Group executed a lease for the office premises. During the fiscal years ended December 31, 2006 and 2005, the Company paid rent to Beauregard in the amount of \$141,203 and \$128,722, respectively. During the year ended December 31, 2008, Beauregard's rent from the Grosso Group was \$208,764 (2007 - \$235,471), of which \$63,185 (2007 - \$32,966) was allocated to the Company. – See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Office".
7. On February 14, 2006 and effective January 1, 2006, the Company entered into an agreement with RSA Holdings Ltd., pursuant to which Mr. Angus, a director of the Company, provides advisory services including participation on various committees of the Company. A monthly fee of US\$5,000 for services was payable under this agreement for a minimum period of six months. In 2009, the Company paid RSA \$Nil (2008 - \$Nil; 2007 - \$66,050). This agreement was terminated by mutual agreement, effective December 31, 2007.
8. On October 18, 2006, the Company and Aquiline entered into the Interim Agreement for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The principal terms and conditions of the Interim Agreement were as follows:
  - (i) control of the Navidad Project was transferred to Aquiline in trust for the ultimately successful party in the appeal;
  - (ii) the Company and Aquiline agreed to the costs spent to date developing the Navidad Project in the amount of \$18,500,000. Upon transfer of control of the Navidad Project, Aquiline paid \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions; and
  - (iii) in the event that the Company was unsuccessful on appeal, the Company was to be paid such \$18,500,000 amount.
- a. The effective date of the transfer of the Navidad project was November 16, 2006. A copy of the Interim Agreement is posted on the SEDAR website as one of the Company's public documents and is titled "Interim Project Development Agreement", and filed with the U.S. Securities and Exchange Commission on October 19, 2006.



Table of Contents

[82]

- b. The Company's appeal of this judgment was heard by the British Columbia Court of Appeal between April 10 and April 12, 2007. The Court of Appeal dismissed the Company's appeal and released their reasons for judgment on June 7, 2007. The Company filed an application for leave to appeal to the Supreme Court of Canada in October 2007. On December 20, 2007, the Supreme Court of Canada denied the Company's appeal. This brought the lawsuit to a close. As a result, the Navidad property has been transferred to Aquiline. The Company was paid \$18,500,000 as consideration for these assets. The Company received the \$7.5 million held in trust on January 8, 2008, plus interest that had accrued in the amount of \$341,380. The \$11 million balance was received on February 11, 2008. "Item 4. Information on the Company – History and Development of the Company."
9. Effective January 1, 2008 the Company entered into a consulting agreement with a company controlled by a director of the Company for a fee of \$10,000 per month plus reimbursement for out-of-pocket expenses. Discretionary bonuses may also be paid if approved by the compensation committee. The Company may terminate this agreement by giving the director thirty day written notice. In the event the Company terminates this agreement the director may be entitled to receive the discretionary bonus. Accordingly, the total compensation paid to the director in the year ended December 31, 2009 was \$50,000 (2008 - \$120,000). This agreement was terminated by mutual agreement, effective April 1, 2009.
10. Pursuant to an arrangement agreement dated August 17, 2009, among the Company, Kobex, and Barytex, the Company agreed, among other things, to acquire all the issued and outstanding common shares of Kobex and Barytex in exchange for issuing: (i) to Kobex shareholders, 1.311 common shares of the Company for each common share of Kobex acquired; and (ii) to Barytex shareholders, 0.221 common shares of the Company for each common share of Barytex acquired. This transaction was effected by way of two statutory plans of arrangement (the "Kobex Arrangement" and the "Barytex Arrangement", respectively, and together, the "Arrangements"), and was subject to approvals from the TSX Venture Exchange and the Barytex and Kobex shareholders, as well as court approval of the Arrangements. The details of the Arrangements are fully disclosed in the joint information circular dated August 25, 2009, prepared by Kobex and Barytex in connection with the Arrangements, and available on SEDAR at [www.sedar.com](http://www.sedar.com) under their respective profiles.
11. Effective October 1, 2009, the Company entered into an employment agreement with Mr. Roman Shklanka to provide services as the Company's chairman. Under this agreement, Mr. Shklanka receives an annual salary of \$150,000, and is also eligible for the Company's benefit plan and stock option plan. During the year ended December 31, 2009, Mr. Shklanka was paid \$160,000, which included an honorarium of \$122,500 for past services with Kobex and Barytex that was not part of this employment agreement. Pursuant to the terms of this employment agreement, in the event the agreement is terminated by the Company within one year of change of control, or if Mr. Shklanka resigns within one year of change of control, Mr. Shklanka's entitlement to severance pay will be an amount equal to two years' base salary plus the cost of two years' benefits other than incentive stock options, but including bonus (averaged up to three years as applicable).
12. Effective November 9, 2009, the Company entered into an employment agreement with Mr. Alfred Hills to provide services in the capacity of the Company's Chief Executive Officer. Under this agreement, Mr. Hills receives an annual salary of \$225,000, and is also eligible for the Company's benefit plan and stock option plan. During the year ended December 31, 2009, Mr. Hills was paid \$56,250. Pursuant to the terms of this agreement, in the event the agreement is terminated by the Company within one year of change of control, or if Mr. Hills resigns within one year of change of control, Mr. Hills' entitlement to severance pay will be an amount equal to two years' base salary plus the cost of two years' benefits other than incentive stock options, but including bonus (averaged up to three years as applicable). Mr. Hills may resign from the Company anytime prior to October 31, 2010, by providing two weeks' notice to the Company and, at the conclusion of such period of notice, the Company shall pay

to Mr. Hills a sum equal to one year of Mr. Hills' then current base annual salary, plus an amount equal to the cost of the benefits excluding incentive stock options but including bonus (average up to three years as applicable) for a period of one year.

---

Table of Contents

[83]

13. Effective November 9, 2009, the Company entered into an employment agreement with Mr. Samuel Yik to provide services in the capacity of the Company's Chief Financial Officer. Under this agreement, Mr. Yik receives an annual salary of \$195,000, and is also eligible for the Company's benefit plan and stock option plan. During the year ended December 31, 2009, Mr. Yik was paid \$48,750. Pursuant to the terms of this agreement, in the event the agreement is terminated by the Company within one year of change of control, or if Mr. Yik resigns within one year of change of control, Mr. Yik's entitlement to severance pay will be an amount equal to two years' base salary plus the cost of two years' benefits other than incentive stock options, but including bonus (averaged up to three years as applicable). Mr. Yik may resign from the Company anytime prior to October 31, 2010, by providing two weeks' notice to the Company and, at the conclusion of such period of notice, the Company shall pay to Mr. Yik a sum equal to one year of Mr. Yik's then current base annual salary, plus an amount equal to the cost of the benefits excluding incentive stock options but including bonus (average up to three years as applicable) for a period of one year.
14. International Barytex Resources Ltd., Kobex Resources Ltd., and Pacific Imperial Mines Inc. entered into a lease agreement with Pacific Centre Leaseholds Limited for leasing of office premises at #1700 – 700 West Pender Street, Vancouver, BC. Upon the completion of the merger, the Company moved its head office to this location. The term of the lease is for six years and expires on January 31, 2013.
15. Effective December 1, 2009, the Company subleased a portion of its office premises at #1700 – 700 West Pender Street to Copper Mountain Mining Corporation. The term of this sublease agreement expires on January 31, 2013.

D. Exchange Controls

There are no governmental laws, decrees, or regulations in Canada relating to restrictions on the export or import of capital, or affecting the remittance of interest, dividends, or other payments to non-resident holders of the Company's Common Stock. Any remittances of dividends to United States residents are, however, subject to a 15% withholding tax (10% if the shareholder is a corporation owning at least 10% of the outstanding Common Stock of the Company) pursuant to Article X of the reciprocal tax treaty between Canada and the United States. See "Item 10. Additional Information - Taxation".

Except as provided in the Investment Canada Act (the "Act"), there are no limitations specific to the rights of non-Canadians to hold or vote the Common Stock of the Company under the laws of Canada or the Province of British Columbia or in the charter documents of the Company.

Management of the Company considers that the following general summary is materially complete and fairly describes those provisions of the Act pertinent to an investment by an American investor in the Company.

The Act requires a non-Canadian making an investment which would result in the acquisition of control of a Canadian business, the gross value of the assets of which exceed certain threshold levels or the business activity of which is related to Canada's cultural heritage or national identity, to either notify, or file an application for review with, Investment Canada, the federal agency created by the Investment Canada Act.

The notification procedure involves a brief statement of information about the investment of a prescribed form which is required to be filed with Investment Canada by the investor at any time up to 30 days following implementation of the investment. It is intended that investments requiring only notification will proceed without government intervention unless the investment is in a specific type of business activity related to Canada's cultural heritage and national identity.

If an investment is reviewable under the Act, an application for review in the form prescribed is normally required to be filed with Investment Canada prior to the investment taking place and the investment may not be implemented until the review has been completed and the Minister responsible for Investment Canada is satisfied that the investment is likely to be of net benefit to Canada. If the Minister is not satisfied that the investment is likely to be of net benefit to Canada, the non-Canadian must not implement the investment or, if the investment has been implemented, may be required to divest himself of control of the business that is the subject of the investment.

---

Table of Contents

[84]

The following investments by non-Canadians are subject to notification under the Act:

- (a) an investment to establish a new Canadian business; and
- (b) an investment to acquire control of a Canadian business that is not reviewable pursuant to the Act.

An investment is reviewable under the Act if there is an acquisition by a non-Canadian of a Canadian business and the asset value of the Canadian business being acquired equals or exceeds the following thresholds:

- (a) for non-WTO Investors, the threshold is \$5,000,000 for a direct acquisition and over \$50,000,000 for an indirect acquisition. The \$5,000,000 threshold will apply however for an indirect acquisition of the asset value of the Canadian business being acquired exceeds 50% of the asset value of the global transaction;
- (b) except as specified in paragraph (c) below, a threshold is calculated for reviewable direct acquisitions by or from WTO Investors. The threshold for 2005 is \$250,000,000. Pursuant to Canada's international commitments, indirect acquisitions by or from WTO Investors are not reviewable; and
- (c) the limits set out in paragraph (a) apply to all investors for acquisitions of a Canadian business that:
  - (i) engages in the production of uranium and owns an interest in a producing uranium property in Canada;
  - (ii) provides any financial services;
  - (iii) provides any transportation service; or
  - (iv) is a cultural business.

WTO Investor as defined in the Act means:

- (a) an individual, other than a Canadian, who is a national of a WTO Member or who has the right of permanent residence in relation to that WTO Member;
- (b) a government of a WTO Member, whether federal, state or local, or an agency thereof;
- (c) an entity that is not a Canadian-controlled entity, and that is a WTO investor-controlled entity, as determined in accordance with the Act;
- (d) a corporation or limited partnership:
  - (i) that is not a Canadian-controlled entity, as determined pursuant to the Act;
  - (ii) that is not a WTO investor within the meaning of the Act;
  - (iii) of which less than a majority of its voting interests are owned by WTO investors;
  - (iv) that is not controlled in fact through the ownership of its voting interests; and
  - (v) of which two thirds of the members of its board of directors, or of which two thirds of its general partners, as the case may be, are any combination of Canadians and WTO investors;
- (e) a trust:
  - (i) that is not a Canadian-controlled entity, as determined pursuant to the Act;
  - (ii) that is not a WTO investor within the meaning of the Act;

- (iii) that is not controlled in fact through the ownership of its voting interests, and
- (iv) of which two thirds of its trustees are any combination of Canadians and WTO investors, or
- (f) any other form of business organization specified by the regulations that is controlled by a WTO investor.

WTO Member as defined in the Act means a member of the World Trade Organization.

---



Table of Contents

[85]

Generally speaking, an acquisition is direct if it involves the acquisition of control of the Canadian business or of its Canadian parent or grandparent and an acquisition is indirect if it involves the acquisition of control of a non-Canadian parent or grandparent of an entity carrying on the Canadian business. Control may be acquired through the acquisition of actual or de jure voting control of a Canadian corporation or through the acquisition of substantially all of the assets of the Canadian business. No change of voting control will be deemed to have occurred if less than one-third of the voting control of a Canadian corporation is acquired by an investor.

The Act specifically exempts certain transactions from either notification or review. Included among the category of transactions is the acquisition of voting shares or other voting interests by any person in the ordinary course of that person's business as a trader or dealer in securities.

E. Taxation

Material Canadian Federal Income Tax Consequences

Management of the Company considers that the following discussion describes the material Canadian federal income tax consequences applicable to a holder of Common Stock of the Company who is a resident of the United States and who is not a resident of Canada and who does not use or hold, and is not deemed to use or hold, his shares of Common Stock of the Company in connection with carrying on a business in Canada (a "non-resident shareholder").

This summary is based upon the current provisions of the Income Tax Act (Canada) (the "ITA"), the regulations thereunder (the "Regulations"), the current publicly announced administrative and assessing policies of Revenue Canada, Taxation and all specific proposals (the "Tax Proposals") to amend the ITA and Regulations announced by the Minister of Finance (Canada) prior to the date hereof. This description is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action.

Dividends

Dividends paid on the common stock of the Company to a non-resident will be subject to withholding tax. The Canada-U.S. Income Tax Convention (1980) provides that the normal 25% withholding tax rate is reduced to 15% on dividends paid on shares of a corporation resident in Canada (such as the Company) to residents of the United States, and also provides for a further reduction of this rate to 5% where the beneficial owner of the dividends is a corporation which is a resident of the United States which owns at least 10% of the voting shares of the corporation paying the dividend. In the event of the Company declaring and paying dividends it would withhold any applicable taxes.

Capital Gains

In general, a non-resident of Canada is not subject to tax under the ITA with respect to a capital gain realized upon the disposition of a share of a corporation resident in Canada that is listed on a prescribed stock exchange. For purposes of the ITA, the Company is listed on a prescribed stock exchange. Non-residents of Canada who dispose of shares of the Company will be subject to income tax in Canada with respect to capital gains if:

- (a) the non-resident holder;
- (b) persons with whom the non-resident holder did not deal at arm's length; or
- (c) the non-resident holder and persons with whom the non-resident holder did not deal with at arm's length,

owned not less than 25% of the issued shares of any class or series of the Company at any time during the five-year period preceding the disposition. In the case of a non-resident holder to whom shares of the Company represent taxable Canadian property and who is resident in the United States, no Canadian taxes will be payable on a capital gain realized on such shares by reason of the Canada-U.S. Income Tax Convention (1980) (the "Treaty") unless the value of such shares is derived principally from real property situated in Canada. However, in such a case, certain transitional relief under the Treaty may be available.

---

Table of Contents

[86]

Certain United States Federal Income Tax Consideration

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of common shares.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local tax, and foreign tax consequences relating to the acquisition, ownership and disposition of common shares.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the “IRS”) has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, U.S. court decisions, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the “Canada-U.S. Tax Convention”), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

U.S. Holders

For purposes of this summary, the term “U.S. Holder” means a beneficial owner of common shares that is for U.S. federal income tax purposes:

an individual who is a citizen or resident of the U.S.;

a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;

an estate whose income is subject to U.S. federal income taxation regardless of its source; or

a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

---

## Table of Contents

[87]

### Non-U.S. Holders

For purposes of this summary, a “non-U.S. Holder” is a beneficial owner of common shares that is not a U.S. Holder. This summary does not address the U.S. federal income tax consequences to non-U.S. Holders arising from and relating to the acquisition, ownership, and disposition of common shares. Accordingly, a non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local tax, and foreign tax consequences (including the potential application of and operation of any income tax treaties) relating to the acquisition, ownership, and disposition of common shares.

### U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including the following U.S. Holders: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are dealers in securities or currencies or U.S. Holders that are traders in securities that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a “functional currency” other than the U.S. dollar; (e) U.S. Holders that own common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders that acquired common shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders that hold common shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); (h) partnerships and other pass-through entities (and investors in such partnerships and entities); or (j) U.S. Holders that own or have owned (directly, indirectly, or by attribution) 10% or more of the total combined voting power of the outstanding shares of the Company. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are (a) U.S. expatriates or former long-term residents of the U.S. subject to Section 877 of the Code, (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Tax Act; (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold common shares in connection with carrying on a business in Canada; (d) persons whose common shares constitute “taxable Canadian property” under the Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local tax, and foreign tax consequences relating to the acquisition, ownership and disposition of common shares.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds common shares, the U.S. federal income tax consequences to such partnership and the partners of such partnership generally will depend on the activities of the partnership and the status of such partners. Partners of entities that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisor regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of common shares.

### Tax Consequences Not Addressed

This summary does not address the U.S. state and local, U.S. federal estate and gift, U.S. federal alternative minimum tax or foreign tax consequences to U.S. Holders of the acquisition, ownership, and disposition of common shares. Each U.S. Holder should consult its own tax advisor regarding the U.S. state and local, U.S. federal estate and gift, U.S. federal alternative minimum tax and foreign tax consequences of the acquisition, ownership, and disposition

of common shares.

#### Passive Foreign Investment Company Rules

If the Company is considered a “passive foreign investment company” under the meaning of Section 1297 of the Code (a “PFIC”) at any time during a U.S. Holder’s holding period, the following sections will generally describe the U.S. federal income tax consequences to the U.S. Holder of the acquisition, ownership, and disposition of common shares. Under the recently enacted Hiring Incentives to Restore Employment Act, each United States person who is a shareholder of a PFIC is required to file an annual report with the IRS, which filing would be in addition to any other information reporting requirements described in the section entitled “Information Reporting; Backup Withholding Tax.”

---

Table of Contents

[88]

PFIC Status of the Company

The Company generally will be a PFIC if, for a tax year, (a) 75% or more of the gross income of the Company for such tax year is passive income or (b) 50% or more of the value of the Company's assets either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets. "Gross income" generally means all revenues less the cost of goods sold, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions.

Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all of a foreign corporation's commodities are (a) stock in trade of such foreign corporation or other property of a kind which would properly be included in inventory of such foreign corporation, or property held by such foreign corporation primarily for sale to customers in the ordinary course of business, (b) property used in the trade or business of such foreign corporation that would be subject to the allowance for depreciation under Section 167 of the Code, or (c) supplies of a type regularly used or consumed by such foreign corporation in the ordinary course of its trade or business.

For purposes of the PFIC income test and asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above, "passive income" does not include any interest, dividends, rents, or royalties that are received or accrued by the Company from a "related person" (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.

In addition, under certain attribution rules, if the Company is a PFIC, U.S. Holders will be deemed to own their proportionate share of any subsidiary of the Company which is also a PFIC (a "Subsidiary PFIC"), and will be subject to U.S. federal income tax on their proportionate share of (i) a distribution on the shares of a Subsidiary PFIC and (ii) a disposition or deemed disposition of shares of a Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC.

The Company believes that it qualified as a PFIC for the taxable year ended December 31, 2009, and based on current business plans and financial projections, the Company anticipates that it may qualify as a PFIC for the current taxable year and subsequent taxable years. The determination of whether a corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether a corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge any determination made by the Company (or a Subsidiary PFIC) concerning its PFIC status or that the Company (and each Subsidiary PFIC) was not, or will not be, a PFIC for any tax year. Each U.S. Holder should consult its own tax advisor regarding the PFIC status of the Company and each Subsidiary PFIC.

## Table of Contents

[89]

### Default PFIC Rules Under Section 1291 of the Code

If the Company is a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the acquisition, ownership, and disposition of common shares will depend on whether such U.S. Holder makes an election to treat the Company as a “qualified electing fund” or “QEF” under Section 1295 of the Code (a “QEF Election”) or a mark-to-market election under Section 1296 of the Code (a “Mark-to-Market Election”). A U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this summary as a “Non-Electing U.S. Holder.”

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code with respect to (a) any gain recognized on the sale or other taxable disposition of common shares and (b) any excess distribution received on the common shares. A distribution generally will be an “excess distribution” to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder’s holding period for the common shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of common shares, and any “excess distribution” received on common shares, must be ratably allocated to each day in a Non-Electing U.S. Holder’s holding period for the respective common shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such year, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as “personal interest,” which is not deductible.

If the Company is a PFIC for any tax year during which a Non-Electing U.S. Holder holds common shares, the Company will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether the Company ceases to be a PFIC in one or more subsequent tax years. A Non-Electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such common shares were sold on the last day of the last tax year for which the Company was a PFIC.

### QEF Election

A U.S. Holder that makes a QEF Election for the first tax year in which its holding period of its common shares begins, generally, will not be subject to the rules of Section 1291 of the Code discussed above with respect to its common shares. However, a U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such U.S. Holder’s pro rata share of (a) the net capital gain of the Company, which will be taxed as long-term capital gain to such U.S. Holder, and (b) and the ordinary earnings of the Company, which will be taxed as ordinary income to such U.S. Holder. Generally, “net capital gain” is the excess of (a) net long-term capital gain over (b) net short-term capital loss, and “ordinary earnings” are the excess of (a) “earnings and profits” over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which the Company is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by the Company. However, for any tax year in which the Company is a PFIC and has no net income or gain, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as “personal interest,” which is not deductible.



A U.S. Holder that makes a QEF Election generally (a) may receive a tax-free distribution from the Company to the extent that such distribution represents “earnings and profits” of the Company that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder’s tax basis in the common shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of common shares.

---

## Table of Contents

[90]

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as “timely” if such QEF Election is made for the first year in the U.S. Holder’s holding period for the common shares in which the Company was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year.

A QEF Election will apply to the tax year for which such QEF Election is made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, the Company ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which the Company is not a PFIC. Accordingly, if the Company becomes a PFIC in another subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any subsequent tax year in which the Company qualifies as a PFIC.

For each tax year that the Company qualifies as a PFIC, the Company intends to make available to U.S. Holders, upon written request, a “PFIC Annual Information Statement” as described in Treasury Regulation Section 1.1295-1(g) (or any successor Treasury Regulation), and for each year in which the Company is a PFIC, use commercially reasonable efforts to provide all additional information that such U.S. Holder is required to obtain in connection with maintaining such QEF Election with regard to the Company. The Company may elect to provide such information on its website (<http://kobexminerals.com>). [Company to confirm through tax certificate to Dorsey].

### Mark-to-Market Election

A U.S. Holder may make a Mark-to-Market Election only if the common shares are marketable stock. The common shares generally will be “marketable stock” if the common shares are regularly traded on (a) a national securities exchange that is registered with the Securities and Exchange Commission, (b) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934, or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, and other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange ensure active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be “regularly traded” for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter.

A U.S. Holder that makes a Mark-to-Market Election with respect to its common shares generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to such common shares. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder’s holding period for the common shares or such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, the common shares.

A U.S. Holder that makes a Mark-to-Market Election will include in ordinary income, for each tax year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the common shares, as of the close of such tax year over (b) such U.S. Holder’s tax basis in such common shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (i) such U.S. Holder’s adjusted tax basis in the common shares, over (ii) the fair market value of such common shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

A U.S. Holder that makes a Mark-to-Market Election generally also will adjust such U.S. Holder's tax basis in the common shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of common shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years).

---

## Table of Contents

[91]

A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the common shares cease to be “marketable stock” or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the common shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning, because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the interest charge described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC.

### Other PFIC Rules

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of common shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which common shares are transferred.

Certain additional adverse rules will apply with respect to a U.S. Holder if the Company is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example under Section 1298(b)(6) of the Code, a U.S. Holder that uses common shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such common shares.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with their own tax advisor regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

In addition, a U.S. Holder who acquires common shares from a decedent will not receive a “step up” in tax basis of such common shares to fair market value.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisor regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares.

### U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Common Shares

If either (a) the Company is not treated as a PFIC with respect to a U.S. Holder; (b) the Company is no longer a PFIC in the current taxable year and a U.S. Holder has recognized unrealized gain as of the last day of the taxable year in which the Company was a PFIC; or (c) a U.S. Holder has made a timely QEF Election and the Company is no longer a PFIC in the current taxable year, then a U.S. Holder generally will not be subject to the rules described above under the heading “Passive Foreign Investment Company Rules.” Instead, the U.S. Holder will have the tax consequences described below.

### General Taxation of Distributions

Subject to the PFIC rules discussed above, a U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Common Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated “earnings and profits” of the Company, as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder’s tax basis in the common shares and thereafter as gain from the sale or exchange of such common shares. (See “Sale or Other Taxable Disposition of common shares” below). However, the Company may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution by the Company with respect to the common shares will constitute ordinary dividend income. Dividends received on common shares generally will not be eligible for the “dividends received deduction”. In addition, the Company does not anticipate that its distributions will be eligible for the preferential tax rates applicable to long-term capital gains. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

---

Table of Contents

[92]

Sale or Other Taxable Disposition of Common Shares

Subject to the PFIC rules discussed above, upon the sale or other taxable disposition of common shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount of cash plus the fair market value of any property received and such U.S. Holder's tax basis in such common shares sold or otherwise disposed of. Subject to the PFIC rules discussed above, gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the common shares have been held for more than one year.

Gain or loss recognized by a U.S. Holder on the sale or other taxable disposition of common shares generally will be treated as "U.S. source" for purposes of applying the U.S. foreign tax credit rules unless the gain is subject to tax in Canada and is resourced as "foreign source" under the Canada-U.S. Tax Convention and such U.S. Holder elects to treat such gain or loss as "foreign source."

Preferential tax rates apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or on the sale, exchange or other taxable disposition of common shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). If the foreign currency received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in foreign currency and engages in a subsequent conversion or other disposition of the foreign currency may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder who pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the common shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." In addition, this limitation is calculated separately with respect to specific categories of income. Dividends paid by the Company generally will constitute "foreign source" income and generally will be categorized as "passive category income." The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisor regarding

the foreign tax credit rules.

---

Table of Contents

[93]

Backup Withholding and Information Reporting

Under U.S. federal income tax law and Treasury regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns, and, if applicable mark-to-market and QEF elections.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of, common shares generally may be subject to information reporting and backup withholding tax, at the rate of 28%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons, such as corporations, generally are excluded from these information reporting and backup withholding rules. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

F. Dividends and Paying Agents

Not Applicable.

G. Statements by Experts

Not Applicable.

H. Documents on Display

We are subject to the informational requirements of the Exchange Act and file reports and other information with the SEC. You may read and copy any of our reports and other information at, and obtain copies upon payment of prescribed fees from, the Public Reference Room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. In addition, the SEC maintains a Website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC at <http://www.sec.gov>. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

We are required to file reports and other information with the securities commissions in Canada. You are invited to read and copy any reports, statements or other information, other than confidential filings, that we file with the provincial securities commissions. These filings are also electronically available from the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") (<http://www.sedar.com>), the Canadian equivalent of the SEC's electronic document gathering and retrieval system.

We "incorporate by reference" information that we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this Form 20-F and more recent information automatically updates and supersedes more dated information contained or incorporated by reference in this Form 20-F.



As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders.

We will provide without charge to each person, including any beneficial owner, to whom a copy of this annual report has been delivered, on the written or oral request of such person, a copy of any or all documents referred to above which have been or may be incorporated by reference in this annual report (not including exhibits to such incorporated information that are not specifically incorporated by reference into such information). Requests for such copies should be directed to us at the following address: 1700 - 700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8, Tel: (604) 688-9368, E-mail: [syik@kobexminerals.com](mailto:syik@kobexminerals.com).

---

Table of Contents

[94]

## I. Subsidiary Information

Not applicable.

## ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks. The Company's cash and cash equivalents are subject to foreign exchange risk, and the Company's marketable securities are subject to equity price risk. The Company uses the Canadian dollar as its reporting currency and has certain cash and cash equivalents denominated in the United States dollar. The Company has investments in two companies publicly listed on the TSX Venture Exchange. The following table sets forth the principal components of the balance sheet at December 31, 2009 showing the sensitivity to foreign exchange and equity price risks:

	Denominated in		Total Value in	Effect of 10% change in exchange rate	Effect of 10% change in equity price
	Cdn\$	US\$	Cdn\$		
Held for trading					
Cash and cash equivalents	38,641,553	2,168,732	40,911,288	226,974	-
Other receivables and prepaids	319,485	-		-	-
Accounts payable and accrued liabilities	161,160	55,110	213,818	5,768	-
Available for sale					
Marketable securities	5,000,900	-	5,000,900	-	500,090

The Company also has 12,863 Argentine pesos included in cash and cash equivalents as at December 31, 2009. Any fluctuation to the Argentine Peso would be insignificant to the Company's operations.

## ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

Table of Contents

[95]

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A. - D.

None.

E. Use of Proceeds

Not Applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including Mr. Hills, the Company's Chief Executive Officer, and Mr. Yik, the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15(b) and 15d-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act") as of December 31, 2009. Based on their evaluation, the Company's CEO and CFO have concluded that the disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

The Company's management, including Mr. Hills, the Company's Chief Executive Officer, and Mr. Yik, the Company's Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over the Company's internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, (with the participation of Mr. Hills, the Company's Chief Executive Officer, and Mr. Yik, the Company's Chief Financial Officer), conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. This evaluation was based on the criteria set forth in

Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management has concluded that, as of December 31, 2009, the Company's internal control over financial reporting was effective and management's assessment did not identify any material weaknesses.

This Annual Report does not include an attestation report of the Company's independent auditors regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent auditors pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report.

---

Table of Contents

[96]

Changes in Internal Control over Financial Reporting

During the fiscal year ended December 31, 2009, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that the Company has at least one audit committee financial expert, Mr. Angus is an independent director under Rule 803 of the NYSE Amex and Rule 10A-3 of the United States Exchange Act of 1934, as amended, and serves on the Company's audit committee.

ITEM 16B. CODE OF ETHICS.

The Board of Directors of the Company has adopted a Code of Business Conduct and Ethics that outlines the Company's values and its commitment to ethical business practices in every business transaction. This code applies to all directors, officers, and employees of the Company and its subsidiaries and affiliates. A copy of the Company's Code of Business Conduct and Ethics is available on the Company's website at [www.kobexminerals.com](http://www.kobexminerals.com),

Honest and Ethical Conduct

The Company expects a high level of personal integrity for each employee, officer and director when interacting with investors, business partners, shareholders, suppliers, consultants and other employees.

Conflict of Interest

When possible, conflicts of interest between personal and professional relationships should be avoided, however, unavoidable conflict of interest will be handled in accordance with the Company's ethical standards.

A director, officer or employee may not represent the Company in any transaction with a person or an entity in which the director, officer or employee has a direct or indirect interest or from which the director, officer or employee may derive personal benefit.

Accurate and Timely Disclosure

The Company presents full, fair, accurate, timely and understandable disclosure in reports or documents submitted to the Securities and Exchange Commission and other securities commissions across Canada as well as all public communications. Employees and officers who prepare financial and other reports will exercise diligence in ensuring that there are no false or misleading statements.

Compliance with Applicable Governmental Laws, Rules and Regulations

The Company is committed to compliance with all laws, rules and regulations, including laws and regulations applicable to the Company's securities, as well as any rules promulgated by any exchange on which the Company's shares are listed.

Prompt Internal Reporting of Violations

Employees and officers are responsible for the prompt internal reporting of any violations of the Code to the Company's Compliance Officer.

---

## Table of Contents

[97]

### Protection and Proper Use of Company Assets and Opportunities

All employees have an obligation to protect the Company's assets and to ensure that all opportunities available to the Company are brought to the attention of the relevant officer or employee.

### Confidentiality of Company Information

It is the Company's policy that business affairs of the Company are confidential and should not be discussed outside the Company except for information that has already been made available to the public.

### Insider Trading

Management, employees, members of the Board of Directors and others who are in a "special relationship" with the Company from time to time become aware of corporate developments or plans which may affect the value of the Company's shares (inside information) before these developments or plans are made public. Company directors, officers and employees are prohibited from using inside information themselves or disclosing this inside information to others who may use the information to trade Company stock.

### Fair Dealing

Each employee should endeavour to respect the rights of, and deal fairly with, our shareholders, investors, business partners, suppliers, competitors and employees. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair business practice.

### Reporting Unethical and Illegal Conduct/Ethics Questions

The Company is committed to taking prompt action against violations of the Code of Business Conduct and Ethics and it is the responsibility of all directors, officers and employees to comply with the Code and to report violations or suspected violations to the Company's Compliance Officer. Employees may also discuss their concerns with their supervisor who will then report suspected violations to the Compliance Officer.

The Compliance Officer is appointed by the Board of Directors and is responsible for investigating and resolving all reported complaints and allegations and shall advise the President and CEO, the CFO and/or the Audit Committee.

The Compliance Officer can be reached via telephone at 1-866-921-6714 or via the internet site located at <http://www.whistleblowersecurity.com>.

### Violations and Waivers

The Compliance Officer will report suspected fraud or securities law violations for review by the Audit Committee. The Audit Committee will report all violations reviewed by the Audit Committee to the Board of Directors.

The Compliance Officer will report regularly to the Board of Directors on the results and resolution of complaints and allegations concerning violations of the Code.

No waivers of any provision of this Code of Business Conduct and Ethics may be made except by the Board of Directors. Any waiver or amendment shall be reported as required by law or regulation.

Only the Audit Committee may amend the Company's Code of Business Conduct and Ethics.

---



Table of Contents

[98]

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees

For the fiscal year ended December 31, 2009, the Company's auditor billed approximately \$47,500, and for the fiscal year ended December 31, 2008, the Company's previous auditor billed approximately \$45,000 for the audit of the Company's annual financial statements or services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements for those fiscal years.

Audit Related Fees

For the fiscal years ended December 31, 2009, the Company's current auditor billed \$nil while the Company's previous auditor billed \$46,463 (2008 - \$Nil), for assurance and related services that were reasonably related to the performance of the audit or review of the Company's financial statements outside of those fees disclosed above under "Audit Fees".

Tax Fees

For the fiscal years ended December 31, 2009 the Company's auditor billed \$Nil for tax compliance, tax advice and tax planning services. The Company's previous auditor billed \$Nil and \$1,140 in for 2009 and 2008 respectively for similar services.

All Other Fees

For the fiscal years ended December 31, 2009 and 2008, the Company's auditor billed \$Nil and billed \$Nil, respectively, for products and services other than the services set out above.

Pre-Approval Policies and Procedures

Generally, in the past, prior to engaging the Company's auditors to perform a particular service, the Company's audit committee has, when possible, obtained an estimate for the services to be performed. The audit committee in accordance with procedures for the Company approved all of the services described above.

Additionally, the auditors have been engaged to perform services by non-independent directors of the Company pursuant to pre-approval policies and procedures established by the audit committee (which are detailed as to the particular service) and the audit committee has been informed of any such engagement and service.

Beginning July 1, 2004, the Company's audit committee obtained estimates for services to be performed, prior to engaging the Company's auditor to perform any audit or non-audit related services, including those set forth above. The audit committee also allowed the engagement of the auditor, by a non-independent member of the Board of Directors, to render services pursuant to pre-approval policies and procedures established by the audit committee (which are detailed as to the particular service), provided the audit committee is informed of any such engagement and service. The audit committee may delegate to one of its members, who is also an independent director of the Company, the ability to approve such services on behalf of the audit committee. Any approval by such director shall be ratified by the audit committee at its next scheduled meeting.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PERSONS

The Company did not repurchase any common shares in the fiscal year ended December 31, 2009.

---

Table of Contents

[99]

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

In 2009, upon the completion of the Arrangements, PricewaterhouseCoopers LLP resigned as auditor of the Company. KPMG LLP was appointed by the Board to be the successor auditor of the Company for the fiscal year ended December 31, 2009. The Company has not engaged KPMG LLP in any consultation services in the last two fiscal years prior to the appointment.

There were no disagreements or reportable events that occurred within the Company's latest two fiscal years and any subsequent interim period preceding the change of auditor;

The Company did not have any material transactions which led to the disagreements with the former auditor, or any transactions which were accounted for or disclosed in a manner different from that which the former auditor would have concluded was required.

ITEM 16G. CORPORATE GOVERNANCE

The Company's common shares are listed on the NYSE Amex. Section 110 of the NYSE Amex Company Guide permits the NYSE Amex to consider the laws, customs and practices of foreign issuers in relaxing certain NYSE Amex listing criteria, and to grant exemptions from NYSE Amex listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to NYSE Amex standards is as follows:

**Shareholder Meeting Quorum Requirement:** The NYSE Amex minimum quorum requirement for a shareholder meeting is one-third of the outstanding shares of common stock. In addition, a company listed on NYSE Amex is required to state its quorum requirement in its bylaws. The Company's quorum requirement is set forth in its Articles and bylaws. A quorum for a meeting of members of the Company is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the shares entitled to be voted at the meeting.

**Proxy Delivery Requirement:** NYSE Amex requires the solicitation of proxies and delivery of proxy statements for all shareholder meetings, and requires that these proxies shall be solicited pursuant to a proxy statement that conforms to SEC proxy rules. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act, and the equity securities of the Company are accordingly exempt from the proxy rules set forth in Sections 14(a), 14(b), 14(c) and 14(f) of the Exchange Act. The Company solicits proxies in accordance with applicable rules and regulations in Canada.

**Shareholder Approval Requirement:** The Company will follow Toronto Stock Exchange rules for shareholder approval of new issuances of its common shares. Following Toronto Stock Exchange rules, shareholder approval is required for certain issuances of shares that: (i) materially affect control of the Company; or (ii) provide consideration to insiders in aggregate of 10% or greater of the market capitalization of the listed issuer and have not been negotiated at arm's length. Shareholder approval is also required, pursuant to TSV-V rules, in the case of private placements: (x) for an aggregate number of listed securities issuable greater than 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction if the price per security is less than the market price; or (y) that during any six month period are to insiders for listed securities or options, rights or other entitlements to listed securities greater than 10% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of the closing of the first private placement to an insider during

the six month period.

The foregoing is consistent with the laws, customs and practices in Canada.

In addition, the Company may from time-to-time seek relief from NYSE Amex corporate governance requirements on specific transactions under Section 110 of the NYSE Amex Company Guide by providing written certification from independent local counsel that the non-complying practice is not prohibited by our home country law, in which case, the Company shall make the disclosure of such transactions available on the Company's website at [www.kobexminerals.com](http://www.kobexminerals.com). Information contained on its website is not part of this annual report.

---

Table of Contents

[100]

PART III

ITEM 17. FINANCIAL STATEMENTS.

The Company's financial statements are stated in Canadian Dollars and are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), the application of which, in our case, conforms in all material respects for the periods presented with United States GAAP, except as discussed in Note 13 of the consolidated financial statements for the year ended December 31, 2009:

Independent Auditors' Report dated March 16, 2010

Consolidated Balance Sheets at December 31, 2009 and 2008

Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit for the years ended December 31, 2009; 2008 and 2007

Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2008 and 2007

Consolidated Statements of Changes in Comprehensive Income (Loss) for the years ended December 31, 2009, 2008 and 2007

Notes to the Consolidated Financial Statements for the years ended December 31, 2009 and 2008

ITEM 18. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 17.

ITEM 19. EXHIBITS

EXHIBIT

NUMBER DESCRIPTION

1.1 Notice of Articles (8)

1.2 Articles (12)

1.3 Notice of Articles - NEW

4.1 Share Purchase Agreement Between Shareholders and 389863 B.C. Ltd. (1)

4.2 Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation (1)

4.3 Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation (2)

4.4

Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation (5)

- 4.5 Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation dated April 17, 2003 (6)
  - 4.6 Arrangement Agreement between IMA Exploration Inc., IMA Holdings Corp. and Golden Arrow Resources Corporation dated May 14, 2004 (7)
  - 4.7 Letter Agreement with Beauregard Holdings Corp. dated February 5, 2004 regarding office lease (8)
  - 4.8 Arrangement Agreement by and among the Company, Golden Arrow Resources Corporation and IMA Holdings Corp. dated May 14, 2004 (9)
  - 4.9 Indemnity Agreement provided to Golden Arrow Resources Corporation dated July 7, 2004 (9)
-

Table of Contents

[101]

EXHIBIT  
NUMBER

DESCRIPTION

4.10	Administration Services Agreement with the Grosso Group Management Ltd. dated January 1, 2005 (9)
4.11	Audit Committee Charter (9)
4.12	Interim Project Development Agreement between IMA Exploration Inc. and Aquiline Resources Inc. dated October 18, 2006.(11)
4.13	Amended and restated Management Agreement between IMA and Oxbow dated May 1, 2006 (13)
4.14	Consulting Agreement between IMA Exploration and JVM Management Ltd. Effective January 1, 2008 (14)
4.15	Amendment to Administration Services Agreement with the Grosso Group Management Ltd. dated December 5, 2008 (14)
4.16	First Amending Agreement to the Amended and Restated Management Agreement Between Oxbow International Marketing Corp. and IMA Exploration Inc. dated November, 2008, with effect from May 1, 2006 (14)
4.17	Option agreement between IMA Exploration and Western Copper Corporation dated August 15, 2008 (14)
<u>4.18</u>	Arrangement Agreements with International Barytex Resources Ltd. and Kobex Resources Ltd.
<u>4.19</u>	Employment Agreement between the Company and Roman Shklanka
<u>4.20</u>	Employment Agreement between the Company and Alfred Hills
<u>4.21</u>	Employment Agreement between the Company and Samuel Yik
<u>4.22</u>	Office lease agreement with Cadillac Fairview
<u>4.23</u>	Office sublease agreement between the Company and Copper Mountain Mining Corporation
<u>4.24</u>	Consulting Agreement with H. Leo King
<u>4.25</u>	Consulting Agreement with Ian E, Marshall
<u>8.1</u>	List of Subsidiaries
<u>12.1</u>	Certification of Alfred Hills Pursuant to Rule 13a-14(a)
<u>12.2</u>	Certification of Samuel Yik Pursuant to Rule 13a-14(a)

13.1 Certification of Alfred Hills Pursuant to 18 U.S.C. Section 1350

13.2 Certification of Samuel Yik Pursuant to 18 U.S.C. Section 1350

- (1) Previously filed as an exhibit to the company's registration statement on form 20-f, filed with the commission on January 6, 2000. File number 00-30464.
  - (2) Previously filed as an exhibit to the company's registration statement on form 20-f/a amendment no. 1 filed July 14, 2000. File number 00-30464.
  - (3) Previously filed as an exhibit to the company's registration statement on form 20-f/a amendment no. 2 filed September 15, 2000. File number 00-30464.
  - (4) Previously filed as an exhibit to the company's annual report on form 20-f filed May 8, 2001. File number 00-30464.
  - (5) Previously filed as an exhibit to the company's annual report on form 20-f filed May 8, 2002. File number 00-30464.
  - (6) Previously filed as an exhibit to the company's annual report on form 20-f filed May 16, 2003. File number 00-30464.
  - (7) Previously filed as with the company's report on form 6-k filed June 18, 2004. File number 00-30464.
  - (8) Previously filed as an exhibit to the company's annual report on form 20-f filed June 23, 2004. File number 00-30464.
  - (9) Previously filed as an exhibit to the company's annual report on form 20-f filed June 7, 2005. File number 00-30464.
  - (10) Previously filed as an exhibit to the company's annual report on form 20-f filed May 8, 2006. File number 01-32558.
  - (11) Previously filed as with the company's report on form 6-k filed October 19, 2006. File number 01-32558.
  - (12) Previously filed as an exhibit to the company's annual report on form 20-f filed April 2, 2007. File number 01-32558.
  - (13) Previously filed as an exhibit to the company's annual report on form 20-f filed March 31, 2008. File number 01-32558.
  - (14) Previously filed as an exhibit to the company's annual report on form 20-f filed April 9, 2009. File number 01-32558.
-



Table of Contents

[102]

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

KOBEX MINERALS INC.

Dated: March 26, 2010

/s/ Alfred Hills  
Alfred Hills  
President, Chief Executive Officer, and Director

---

