

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

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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 other 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;

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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;

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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.

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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.

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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.

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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

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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

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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".

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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.

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	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
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	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.

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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.

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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.

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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 placement 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.

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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.

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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.

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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.

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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".

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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).

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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 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.

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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.

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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.

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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.

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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

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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

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Tenure Number	Claim Name	Owner	Tenure Type	Tenure Type	Sub 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

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		(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

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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

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		(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	

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Tenure Number	Claim Name	Owner	Tenure Type	Tenure Type	Sub 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

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		(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

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Tenure Number	Claim Name	Owner	Tenure Type	Tenure Type	Sub 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

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	(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	

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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

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	(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	

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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.

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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	- Geological mapping, soil sampling, geophysics and drilling leading to the discovery of the Hushamu deposit; initial resource estimate - Drilling of the Hep target area - Drilling in the Hushamu and Hep Creek valleys - Drilling of the McIntosh Mountain and Pemberton Hills - Drilling of the Rupert Stock
1987 to 1994	Moraga Resources Ltd.	- Geological mapping and soil sampling - Drilling of the Hushamu deposit and nearby McIntosh Mountain - New resource estimate for the Hushamu deposit - Metallurgical study, ore transport alternatives study and preliminary mining study for the Hushamu deposit
1993 to 1997	Jordex Resources Inc.	- Drilling of the NW Expo zone with BHP Minerals - Geophysical survey of NW Expo area
1993	BHP Minerals	- Drilling of the Rupert Stock and two other anomalies on the East Block.
2002-2003	CRS Copper Resources Corp.	- Resource estimate for the Hushamu deposit
2003 to 2006	Lumina Copper Corp.	- Digital compilation - Helicopter-borne geophysics - Drilling at Hushamu, Cougar, NW Expo and Rupert targets - Drilling of NW Expo and Cougar zones

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.

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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.

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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	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	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	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	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.

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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."

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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.

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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.

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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.

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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

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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	-

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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

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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

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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.

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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 Chairman	2000 to present
Robert Stuart (Tookie) Angus	Wildcat Silver Corporation	Director	May/06 to present
	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 Chairman	Oct/99 to present 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 Resource Corp.	Director President	Feb/09 to present Jan/09 to present
	Sierra Geothermal Corp	Director	Feb/10 to present
James C. O'Rourke	Copper Mountain Mining Corp	Director President	Apr/06 to present Apr/06 to present
	Compliance Energy Corp.	Director President	2000 to present 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.

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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:

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Summary Compensation Table

Name and Principal Position	Year Ended December 31	Salary (\$)	Share- based Awards (\$)	Option- Based Awards (\$)	Non-equity incentive plan compensation (\$)			All other Compensation (\$)	Total Compensation (\$)
					Annual incentive plans (\$)	Long-term incentive plans value (\$)	Pension value (\$)		
Alfred Hills									
President and CEO	2009	56,250	Nil	\$91,757	Nil	Nil	Nil	Nil	148,007
(1)(2)(3)	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Samuel Yik	2009	48,750	Nil	\$91,757	Nil	Nil	Nil	Nil	140,507
CFO (4)(5)	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Roman Shklanka									