

KOBEX MINERALS INC.  
Form 20-F/A  
January 08, 2013

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

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FORM 20-F/A  
(Amendment No. 1)

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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, 2011

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:

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Commission file number: 001-32558

KOBEX MINERALS INC.

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(Exact name of Registrant as specified in its charter)

Province of British Columbia, Canada

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(Jurisdiction of incorporation or organization)

1700- 700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8

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(Address of principal executive offices)

Geoffrey Bach  
1700- 700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8

Tel: (604) 688-9368

E-mail: investor@kobexminerals.com

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

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Securities registered pursuant to Section 12(b) of the Act:

| Title of each class         | Name of each exchange on which registered |
|-----------------------------|---|
| Common Shares, no par value | NYSE AMEX equities                        |

Securities registered pursuant to Section 12(g) of the Act:

None  
(Title of Class)

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

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Indicate the number of outstanding shares of each of the Registrant's classes of capital or common share as of the close of the period covered by the annual report: 46,057,832 common shares as at December 31, 2011

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

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 o No x

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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 x No o

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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 o No o

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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 o

Accelerated filer o  
filer x

Non-accelerated

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

U.S. GAAP o

International Reporting Standards as issued  
by the International Accounting Standards Board

x

Other

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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 o Item 18 o

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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 o No x



## TABLE OF CONTENTS

|  |  |    |
|--|--|----|
| EXPLANATORY NOTE   |  | 1  |
| CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS                       |  | 1  |
| CAUTIONARY NOTE TO U.S. INVESTORS REGARDING RESERVE AND RESOURCE ESTIMATES |  | 3  |
| GLOSSARY   |  | 4  |
| CURRENCY AND EXCHANGE RATES  |  | 5  |
| PART I   |  | 6  |
| ITEM 1.  | IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS.                       | 6  |
| ITEM 2.  | OFFER STATISTICS AND EXPECTED TIMETABLE.                                     | 6  |
| ITEM 3.  | KEY INFORMATION.   | 6  |
| ITEM 4.  | INFORMATION ON THE COMPANY.  | 24 |
| ITEM 4A.   | UNRESOLVED STAFF COMMENTS  | 48 |
| ITEM 5.  | OPERATING AND FINANCIAL REVIEW AND PROSPECTS                                 | 48 |
| ITEM 6.  | DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.                                  | 53 |
| ITEM 7.  | MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.                           | 71 |
| ITEM 8.  | FINANCIAL INFORMATION.   | 72 |
| ITEM 9.  | THE OFFER AND LISTING  | 73 |
| ITEM 10.   | ADDITIONAL INFORMATION   | 75 |
| ITEM 11.   | QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK                   | 91 |
| ITEM 12.   | DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES                       | 92 |
| PART II  |  | 93 |
| ITEM 13.   | DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES                              | 93 |
| ITEM 14.   | MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS | 93 |
| ITEM 15.   | CONTROLS AND PROCEDURES  | 93 |
| ITEM 16.   | [RESERVED]   | 94 |
| ITEM 16A.  | AUDIT COMMITTEE FINANCIAL EXPERT   | 94 |
| ITEM 16B.  | CODE OF ETHICS.  | 94 |
| ITEM 16C.  | PRINCIPAL ACCOUNTANT FEES AND SERVICES.                                      | 96 |
| ITEM 16D.  | EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES                   | 96 |
| ITEM 16E.  | PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PERSONS          | 96 |
| ITEM 16F.  | CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT                                 | 97 |
| ITEM 16G.  | CORPORATE GOVERNANCE   | 97 |
| ITEM 16H.  | MINE SAFETY DISCLOSURE   | 97 |
| PART III   |  | 98 |
| ITEM 17.   | FINANCIAL STATEMENTS   | 98 |
| ITEM 18.   | FINANCIAL STATEMENTS   | 98 |
| ITEM 19.   | EXHIBITS   | 98 |

## EXPLANATORY NOTE

Kobex Minerals Inc. (“we”, “our”, “us”, “the Company” and “Kobex”) is filing this Amendment No. 1 on Form 20-F/A (the “Amendment”) to our Annual Report on Form 20-F for the fiscal year ended December 31, 2011 (the “Original Filing”), filed with the Securities and Exchange Commission (the “SEC”) on March 30, 2012, in response to comments received from the SEC. We are filing this Amendment to revise Item 3 Key Information, Item 4 Information on the Company, Item 17 Financial Statements, Item 18 Financial Statements and the Certifications. Except for the matters described above, this Amendment does not modify or update our disclosures in the Original Filing.

## 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 estimates;
- risks related to differences in United States and Canadian reporting of reserves and resources;
- risks related to permits and licences 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;
  - 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 shares;
  - 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.

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.





## 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 the 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.

## 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                      | kilometre   |
| 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. |
| Sedimentary Rocks       | Descriptive term for a rock formed of sediment, namely solid material both mineral and organic, deposited from suspension in a liquid.  |
| Tonne                   | Metric ton  |
| Veins                   | An occurrence of minerals, having been intruded into another rock, forming tabular shaped bodies.   |

|    |            |
|----|------------|
| Au | Gold       |
| Cu | Copper     |
| Mo | Molybdenum |
| Pb | Lead       |
| Re | Rhenium    |
| Zn | Zinc       |

## CURRENCY AND EXCHANGE RATES

## Canadian Dollars Per U.S. Dollar

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

The following tables set out the exchange rates for one United States dollar (“US\$”) expressed in terms of Canadian dollars (“Cdn\$”) for (i) the average exchange rates (based on the average of the exchange rates on the last day of each month) in each of the years 2007 to 2011 and the low rate in each of those years, and (ii) the range of high and low exchange rates in each of the months September 2011 to February 2012.

|                      | Canadian Dollars Per U.S. Dollar |        |        |        |        |
|----------------------|----------------------------------|--------|--------|--------|--------|
|                      | 2011                             | 2010   | 2009   | 2008   | 2007   |
| Average for the year | 0.9813                           | 1.0305 | 1.1415 | 1.0671 | 1.0742 |
| Low for the year     | 1.0219                           | 1.0010 | 1.0498 | 0.9952 | 0.9617 |

|                     | Canadian Dollars Per U.S. Dollar for the Month of |                 |                  |                  |                 |                   |
|---------------------|---|-----------------|------------------|------------------|-----------------|-------------------|
|                     | February<br>2012                                  | January<br>2012 | December<br>2011 | November<br>2011 | October<br>2011 | September<br>2011 |
| High for the period | 0.9997  | 1.0161          | 1.0274           | 1.0297           | 1.0253          | 1.0071            |
| Low for the period  | 0.9950  | 1.0099          | 1.0197           | 1.0219           | 1.0149          | 0.9986            |

Exchange rates are based on the Bank of Canada nominal noon exchange rates. The nominal noon exchange rate on March 26, 2012 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was US\$1.00 = Cdn\$0.9922

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, 2011 and as at December 31, 2010, and January 1, 2010 was derived from the audited consolidated financial statements of the Company audited by KPMG LLP, independent Registered Public Accountant, as indicated in their report which is included elsewhere in this annual report.

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 International Financial Reporting Standards ("IFRS").

To date, the Company has not generated sufficient cash flow 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".

International Financial Reporting Standards (Cdn\$ in 000, except per share data)

|   | 2011     | 2010     |
|---|----------|----------|
| Revenue   | -        | -        |
| General corporate expenditures                    | (1,909 ) | (3,342 ) |
| Exploration expenditures                          | (278 )   | (401 )   |
| Foreign exchange gain (loss)                      | 53       | (87 )    |
| Interest and miscellaneous income                 | 499      | 338      |
| Write off of mineral property interest            | -        | (28 )    |
| Impairment of marketable securities               | (667 )   | -        |
| Income tax expense                                | (54 )    | (365 )   |
| Loss for the year                                 | (2,356 ) | (3,885 ) |
| Loss per share from continuing operations (a)     | (0.05 )  | (0.08 )  |
| Loss per share -basic and diluted (a)             | (0.05 )  | (0.08 )  |
| Weighted average number of shares outstanding (a) | 46,043   | 45,967   |
| Working capital                                   | 38,119   | 40,865   |
| Marketable securities                             | 708      | 2,084    |
| Capital assets                                    | 4        | 7        |
| Total assets                                      | 38,327   | 41,095   |
| Net assets – shareholders' equity                 | 38,123   | 40,872   |

(a) 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.

|                                       | 2011       | 2010       |
|---------------------------------------|------------|------------|
| Consolidated statements of cash flows |            |            |
| Operating Activities                  |            |            |
| Cash used per IFRS                    | \$(1,451 ) | \$(2,078 ) |
| Investing Activities                  |            |            |
| Cash used per IFRS                    | \$-        | \$(11 )    |
| Financing activities                  |            |            |
| Cash provided per IFRS                | \$61       | -          |

The selected financial data set forth in the table below for the year ended December 31, 2009 was audited by KPMG LLP, independent Registered Public Accountant. The selected financial data set forth in the table below for the year ended December 31, 2008 and December 31, 2007 have been audited by PricewaterhouseCoopers LLP, independent Chartered Accountants.

These consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which differ in certain respects from the principles the Company would have followed had its consolidated financial statements been prepared in accordance with U.S. GAAP.

If the Company had followed U.S. GAAP in respect for the three years ended December 31, 2009, 2008 and 2007, certain items in the consolidated financial statement would have been reported as set forth in the second table below. Historical results from any prior period are not necessarily indicative of results to be expected for any future period. The selected consolidated financial information in the IFRS chart above should not be compared to the information in the Canadian GAAP or U.S. GAAP charts below as the information was prepared using difference financial reporting standards.



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

|  | 2009     | 2008     | Restated<br>2007 |
|--|----------|----------|------------------|
| Revenue  | -        | -        | -                |
| General corporate expenditures                         | (2,973 ) | (1,848 ) | (2,202 )         |
| Exploration expenditures                               | (165 )   | (1,930 ) | (100 )(a)        |
| Foreign exchange loss                                  | (86 )    | (15 )    | (8 )             |
| Interest and miscellaneous income                      | 394      | 863      | 675              |
| Provision for marketable securities                    | -        | (475 )   | -                |
| Gain on sale of marketable securities                  | 12       | -        | -                |
| Loss from equity investment                            | (273 )   | (68 )    | -                |
| Gain (loss) 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           |
| Income (Loss) per share from continuing operations (b) | (0.11 )  | (0.20 )  | 0.77             |
| Income (Loss) per share -basic and diluted (b)         | (0.11 )  | (0.20 )  | 0.77             |
| Weighted average number of shares outstanding (b)      | 27,958   | 21,722   | 21,708           |
| Working capital  | 46,018   | 21,568   | 7,314            |
| Marketable securities                                  | 5,001    | -        | -                |
| Capital assets   | -        | -        | -                |
| Navidad interest                                       | -        | -        | 18,500           |
| Termination benefit                                    | -        | (711 )   | -                |
| Total assets   | 46,260   | 22,685   | 26,124           |
| Net assets – shareholders' equity                      | 46,046   | 21,780   | 26,019           |

(a) The 2007 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.



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

|  | 2009       | 2008       | Restated<br>2007 |
|--|------------|------------|------------------|
| Consolidated statements of cash flows          |            |            |                  |
| Operating Activities                           |            |            |                  |
| Cash generated (used) per Canadian and US GAAP | \$(3,868 ) | \$15,953   | \$(1,954 )       |
| Investing Activities                           |            |            |                  |
| Cash generated (used) per Canadian and US GAAP | \$23,329   | \$(1,500 ) | \$1,687          |
| Financing activities                           |            |            |                  |
| Cash provided per Canadian and US GAAP         | -          | -          | \$60             |

## Adjusted to United States Generally Accepted Accounting Principles

Under U.S. GAAP the following financial information would be adjusted from Canadian GAAP:

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

|  | 2009       | 2008       | Restated<br>2007 |
|--|------------|------------|------------------|
| Consolidated Statement of Operations                     |            |            |                  |
| Income (loss) for the year under CDN GAAP                | \$(3,164 ) | \$(4,302 ) | \$16,679         |
| Income tax recovery                                      | (527 )     | -          | -                |
| Income (loss) for the year under US GAAP                 | (3,691 )   | (4,302 )   | 16,679           |
| Unrealized (loss) gains on available-for-sale securities | -          | -          | -                |
| Reversal of income tax recovery                          | 527        | -          | -                |
| Comprehensive income (loss) for the year under US GAAP   | \$(3,164 ) | \$(4,302 ) | \$16,679         |
| Income (loss) per share under US GAAP                    | \$(0.13 )  | \$(0.20 )  | \$0.77           |
| Diluted Income (loss) per share under US GAAP            | \$(0.13 )  | \$(0.20 )  | \$0.77           |

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

|   | 2009     | 2008     | 2007     |
|---|----------|----------|----------|
| Shareholders' Equity                                    |          |          |          |
| Balance per Canadian GAAP                               | \$46,046 | \$21,780 | \$26,019 |
| Adjustment to retained earnings related to income taxes | (527 )   | -        | -        |
| Adjustment to accumulated other comprehensive income    | 527      | -        | -        |
| Balance per US GAAP                                     | \$46,046 | \$21,780 | \$26,019 |

|                                     | 2009 | 2008 | 2007   |
|-------------------------------------|------|------|--------|
| Mineral Properties/Navidad Interest |      |      |        |
| Balance per Canadian GAAP           | -    | -    | 18,500 |
| Fair value                          | -    | -    | -      |
| Balance per US GAAP                 | -    | -    | 18,500 |

#### Exchange Rate History

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

#### Accounting Standards

##### International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises are required to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the Company changed from Canadian GAAP reporting and commenced reporting under IFRS effective January 1, 2010 with restatement of comparative information presented. The conversion to IFRS from Canadian GAAP affects the Company's reported financial position and results of operations and comprehensive income (loss) and affects the Company's accounting policies, internal control over financial reporting and disclosure controls and procedures.

##### New Pronouncements – not yet in effect

The following new reporting standards issued by the International Accounting Standards Board ("IASB") are not yet effective and have not been applied in preparing these financial statements:

- (i) IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied.

The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 9 (2010) to have a material impact on the financial statements. The classification and measurement of the Company's financial assets is not expected to change under IFRS 9 (2010) because of the nature of the Company's operations and the types of financial assets that it holds.

- 11 -

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- (ii) In May 2011 the IASB issued IFRS 12 Disclosure of Interests in Other Entities, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 12 contains the disclosure requirements for entities, including interests in subsidiaries, widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The standard requires disclosures that enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.

The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the amendments to have a material impact on the financial statements, because of the nature of the Company's interests in other entities.

- (iii) In May 2011, the IASB published IFRS 13 Fair Value Measurement that replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 13 to have a material impact on its financial statements.

- (iv) In June 2011, the IASB published amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income, which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively.

The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories.

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Company does not expect the amendments to IAS 1 to have a material impact on the financial statements.

- (v) In October 2011, the IFRS Interpretations Committee issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, which is effective for annual periods beginning on or after January 1, 2013,

The interpretation requires recognition of production stripping costs that improve access to ore to be mined in the future as a non-current asset if, and only if, all the following criteria are met:

- It is probable that future economic benefits will flow to the entity;
- The entity can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

Subsequent to initial recognition, the life of the component will determine the period of depreciation; it will differ from the life of the mine unless the stripping activity improves access to the whole of the remaining ore body.



The Company intends to adopt the interpretation in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the interpretation to have a material impact on its financial statements.

The Company's conversion plan consisted of several stages including planning, assessment, design and implementation. The Company retained the services of PricewaterhouseCoopers at the beginning of the process to provide technical and process management assistance for this project. The Company believes the plan employed adequate resources to ensure an efficient and effective transition to IFRS and the Company will continue to invest in training and resources to ensure management is kept informed of IFRS developments.

#### TRANSITION TO IFRS

The Company's first audited consolidated financial statements prepared in accordance with IFRS were prepared for the year ended December 31, 2011 with comparative information for the year ended December 31, 2010 and at January 1, 2010 (the Company's "Transition Date").

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in the Note 16 to the audited consolidated financial statements for the year ended December 31, 2011.

The accounting policies set out in Note 2 to the audited consolidated financial statements for the year ended December 31, 2011 have been applied in preparing those statements and in the comparative information presented in those financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at the Transition Date.

#### FIRST TIME ADOPTION OF IFRS

The Company adopted IFRS effective on the Transition Date. Under IFRS 1 - First Time Adoption of International Financial Reporting Standards (IFRS 1), the IFRS standards are applied retrospectively at the Transition Date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to deficit, with IFRS 1 providing for certain optional and mandatory exemptions to this principle.

The Company has elected to apply the following optional exemptions.

##### Share-based payment transactions

IFRS 1 allows that full retrospective application may be avoided for certain share-based instruments depending on the grant date, vesting terms and settlement of any real liabilities. A first-time adopter can elect to not apply IFRS 2 to share-based payments granted after November 7, 2002 that vested before the Transition Date. The Company has elected this exemption and will apply IFRS 2 to only unvested share options as at the Transition Date.

##### Business Combinations

IFRS 1 allows that a first-time adopter may elect not to apply IFRS 3 Business Combinations (IFRS 3) retrospectively to business combinations prior to the Transition Date avoiding the requirement to restate prior business combinations. The Company has elected to apply IFRS 3 only to business combinations that occur on or after January 1, 2010.

#### B. Capitalization and Indebtedness



Not Applicable.

- 13 -

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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 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, 2011, 2010, 2009 and 2008 (outside of net income in the fiscal year ended December 31, 2007 due primarily to the Navidad Properties [see definition below] recovery). The Company has financed its operations principally through the sale of its equity securities and cash on hand. The Company does not anticipate that it will earn any revenue from its operations until its properties are placed into production, if ever. If the Company is unable to place its properties into production, the Company may never realize revenues from operations, will continue to incur losses and you may lose the value of your investment.

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 may not contain any reserves and any funds spent on exploration of the Company's property interests may 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 for the foreseeable future; however, 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.

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;

- 15 -

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- 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 non-productive. 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 metals, precious metals, or other bulk materials, 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 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.

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 favourably, it may have a material adverse impact on the Company's financial performance, cash flow and results of operations.

- 16 -

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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 non-governmental 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 engineers and geologists, 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 Form 20-F, 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 or pre-feasibility studies as defined in NI43-101. NI43-101 allows inferred resources to be considered in preliminary economic assessments which are commonly called scoping studies.

Accordingly, information contained in this annual report 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 licences.

No guarantee can be given that the necessary exploration and mining permits and licences 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.



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. From 2007 to 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 and problems have continued to 2011, 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 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, labour 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 does not engage in hedging activities. See "Item 5. Operating and Financial Review and Prospects".

The Company's operations are subject to environmental risks.

All phases of the Company's operations are subject to federal, provincial, 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 \$1.19 to a low of \$0.55, and experienced a fluctuation from a high of US\$1.23 to a low of US\$0.54 on the NYSE Amex Equities (formerly the American Stock Exchange), during the 12-month period ending December 31, 2011. 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.

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, as well as Dr. Roman Shklanka, the Chairman of the Company. The loss of Mr. Hills or Dr. Shklanka could have an adverse effect on the Company. The Chairman and CEO of the Company are employed by the Company and the CFO (Geoffrey Bach) is engaged as a consultant to 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 Crown Land in Yukon. 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 has been notified by the Mines Inspection Branch, Yukon Energy Mines and Resources, that a number of items require clean-up at the Mel Property camp site at the time of the next exploration activity. Subject to that notification, at the present time, the Company's mineral exploration activities in Yukon are in compliance with all known environmental requirements.

The Company's exploration programs in Canada 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 the Provinces including 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.

- 20 -

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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 favourable 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.





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. All, or a substantial portion, of the 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.

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 share 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 passive foreign investment company ("PFIC") for the taxable year ended December 31, 2011, and based on current business plans and financial projections, the Company anticipates that it may qualify as a PFIC for the current taxable year and subsequent taxable years. 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. However, U.S. shareholders should be aware that there can be no assurance that the Company will satisfy record keeping requirements that apply to a qualified electing fund, or that the Company will supply U.S. shareholders with information that such U.S. shareholders require to report under the QEF Election rules, in the event that the Company is a PFIC and a U.S. shareholder wishes to make a QEF Election. Thus, U.S. shareholders may not be able to make a QEF Election with respect to their common shares. 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 United States Federal Income Tax Considerations." Each U.S. shareholder should consult its 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.

The Company's officers and directors have had limited personal visits to the Company's properties.

Mr. Hills, the Company's Chief Executive Officer and a Director visited the Company's Mel property claims in May 2012. No current director or officer of the Company has visited the Company's Barb property claims which are in an earlier stage of exploration than the Mel property. The Barb property was acquired and explored by a predecessor company prior to the amalgamation with the Company and was visited by officers of the predecessor entity.

#### 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.

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 favourable 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.

- 24 -

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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.

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, 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 option holders 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.

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 would 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 would earn the Company a 49% interest in the project (Option 1). The Company could earn an additional 16% by funding a subsequent feasibility study by the fourth year (Option 2) and an additional 5% could 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 agreement was encumbered by a prior agreement with Electra Gold Ltd. who holds the rights to explore and exploit industrial minerals on the Electra Block.

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

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

On September 30, 2009, the Company completed the 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

Exploration expenditures are 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 \$Nil, \$Nil and \$28,048 for the years ended December 31, 2011, 2010 and 2009, respectively. The Company has made exploration expenditures of \$277,965, \$400,751 and \$165,100 for the years ended December 31, 2011, 2010 and 2009, respectively. The Company wrote off a mineral property interest of \$28,048 following its announcement on July 2, 2010, that it had terminated its Option Agreement with Western Copper Corporation dated May 12, 2008 to develop the Hushamu Property.

As part of the Arrangements with Kobex and Barytex, the Company acquired the Mel property and the Barb property, which were held in Barytex. These properties do not have a carrying value in the books of the Company. The Company is currently re-evaluating the strategy on these two properties which are situated near Watson Lake in southeast Yukon; an area that has recently been the focus of considerable exploration interest in light of improved metal prices since 2003.

## Planned Exploration Expenditures and Property Payments

The Company has been actively reviewing many projects and opportunities for future acquisitions. The Company has approximately \$37 million of cash available and is well funded to acquire projects and properties and to then further develop their potential for 2012 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. Both the Mel and Barb properties have geophysical targets that warrant drill testing and the Company is reviewing its alternatives for these properties in light of the Yukon's current favourable exploration climate.

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.

- 28 -

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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 this time for the Company.

#### C. Organizational Structure

The Company has two direct wholly-owned subsidiaries at December 31, 2011, namely: IMA Latin America Inc. ("IMA Latin America"), a British Virgin Islands company and Kobex Resources Ltd. ("Kobex Resources"), a Vancouver-based company. On December 23, 2011, International Barytex Resources Inc. ("Barytex") and its wholly-owned subsidiary, Romanex Resources Limited (both Vancouver-based companies) were dissolved and their remaining rights and obligations transferred to the Company on their wind-up.

IMA Latin America no longer had a subsidiary on December 31, 2011 following the disposal of its former wholly-owned Argentinean subsidiary, Punto Dorado SA on April 14, 2011 for no proceeds.

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 has a group of claims for the Mel property and the Barb property, both situated in Yukon, Canada. The Company also previously had a group of claims under option agreement ("the Island Copper Property"), but the agreement was terminated in July 2010. The Company's operations remain exploratory in nature. See "Item 4. Information on the Company - History and Development of the Company."

During the fiscal years ending December 31, 2011 and 2010 the Company had capitalized and expensed costs on all of its properties as follows:

| Fiscal Year Ending | Acquisition Costs<br>Written-off<br>in Fiscal<br>Year | Acquisition Costs<br>Expensed in Fiscal Year | Exploration<br>Expensed<br>in Fiscal<br>Year |
|--------------------|---|--|--|
| December 31, 2010  | \$28,048  | \$ Nil                                       | \$400,751                                    |
| December 31, 2011  | \$ Nil  | \$ Nil                                       | \$277,965                                    |

## Mineral Properties - Canada

## Mel Property

## Property Description and Location

The Mel property consists of 257 mineral claims covering 5,380 hectares situated in the Watson Lake Mining District of the Yukon Territory. The property is located approximately 80 kilometres east-northeast of the town of Watson Lake (Figure 4.0). A list of the claims and information regarding the claims is shown in Table 4.1.

Table 4.1 Claim Status Mel Property

| Claim Name | Grant Number    | Expiring Date | NTS Location |
|------------|-----------------|---------------|--------------|
| Andy 1-8   | YA72509-YA72516 | 2012-04-03    | 095D06       |
| Boz 1-4    | YA66985-YA66988 | 2012-04-03    | 095D06       |
| Chungo 1-8 | YA66946-YA66953 | 2012-04-03    | 095D06       |
| Dave 1-8   | YA72501-YA72508 | 2012-04-03    | 095D06       |
| Edy 1-7    | YA66962-YA66968 | 2012-04-03    | 095D06       |
| Hose 1-4   | YA66919-YA66922 | 2012-04-03    | 095D06       |
| Hose 6     | YA66924         | 2012-04-03    | 095D06       |
| Hose 8     | YA66926         | 2012-04-03    | 095D06       |
| Jean 12-15 | Y 74419-Y 74422 | 2012-04-03    | 095D06       |
| Joni 1-8   | YA66846-YA66853 | 2012-04-03    | 095D06       |
| Keli 1-4   | YA66842-YA66845 | 2012-04-03    | 095D06       |
| Keli 5-8   | YA66927-YA66930 | 2012-04-03    | 095D06       |
| Mumbo 1-8  | YA66977-YA66984 | 2012-04-03    | 095D06       |
| Ott 1-8    | YA66954-YA66961 | 2012-04-03    | 095D06       |
| Ralfo 1-5  | YA66939-YA66943 | 2012-04-03    | 095D06       |
| Ralfo 7    | YA66945         | 2012-04-03    | 095D06       |
| Sam 1      | YB46141         | 2012-04-03    | 095D06       |
| Sam2-35    | YB46142-YB46175 | 2012-04-03    | 095D06       |
| Sam 36-38  | YB46176-YB46178 | 2012-04-03    | 095D06       |
| Sam 39-86  | YB46179-YB46226 | 2012-04-03    | 095D06       |
| Sin 1-8    | YA66989-YA66996 | 2012-04-03    | 095D06       |
| Tomi 1-8   | YA66969-YA66976 | 2012-04-03    | 095D06       |
| Wet 1      | Y 83309         | 2012-04-03    | 095D06       |
| Wet 3      | Y 83311         | 2012-04-03    | 095D06       |
| Wet 5-11   | Y 83313-Y 83319 | 2012-04-03    | 095D06       |
| Wet 25-32  | Y 83325-Y 83332 | 2012-04-03    | 095D06       |

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|            |                 |            |        |
|------------|-----------------|------------|--------|
| Jean 8-10  | Y 72964-Y 72966 | 2012-04-05 | 095D06 |
| Jean 16    | Y 74423         | 2013-04-03 | 095D06 |
| Jean 18    | Y 74425         | 2013-04-03 | 095D06 |
| Jean 20-21 | Y 74427-Y 74428 | 2013-04-03 | 095D06 |
| Joe 1-2    | YA45269-YA45270 | 2013-04-03 | 095D06 |
| Mel 11-16  | Y 22230-Y 22235 | 2013-04-03 | 095D06 |
| Sov 1-6    | YA28600-YA28605 | 2013-04-03 | 095D06 |
| Wet 2      | Y 83310         | 2013-04-03 | 095D06 |
| Wet 4      | Y 83312         | 2013-04-03 | 095D06 |

- 30 -

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|           |                 |            |        |
|-----------|-----------------|------------|--------|
| Wet 12-16 | Y 83320-Y 83324 | 2013-04-03 | 095D06 |
| Jean 5    | Y 72961         | 2013-04-05 | 095D06 |
| Jean 7    | Y 72963         | 2013-04-05 | 095D06 |
| Jean 11   | Y 4418          | 2014-04-03 | 095D06 |
| Jean 17   | Y 74424         | 2014-04-03 | 095D06 |
| Jean 19   | Y 74426         | 2014-04-03 | 095D06 |
| Hose 5    | YA66923         | 2015-04-03 | 095D06 |
| Hose 7    | YA66925         | 2015-04-03 | 095D06 |
| Jeri 1-8  | YA66931-YA66938 | 2015-04-03 | 095D06 |
| Ralfo 6   | YA66944         | 2015-04-03 | 095D06 |
| Jean 6    | Y 72962         | 2015-04-05 | 095D06 |
| Jean 1-4  | Y 72731-Y 72734 | 2016-04-03 | 095D06 |

Assessment work required to keep the property in good standing is \$105 per claim per year. Sufficient work has been filed or payment made in lieu of work to keep all the claims in good standing at least to April 3, 2012. The Company intends to renew claims listed above that have an expiry date of April 3 and April 5, 2012.

The location of the four mineralized zones, including the mineral resource at the "Main Mel Zone", is shown on Figure 4.1. There are no known environmental liabilities on the property. Permits to conduct exploration work on the property are required. A mining Land Use Permit and Approved Operating Plan (LQ00221) was issued in June 2007 allowing exploration to June 2017.



In August, 2000, pursuant to an agreement dated June 9, 2000 with Breakwater Resources Ltd (“Breakwater”, now a subsidiary of Nyrstar NV), Breakwater conveyed to Barytex a 100% undivided interest in the Mel property in consideration of 600,000 shares in the capital of Barytex and a payment of a royalty of 1% net smelter returns from the property.

Previously, pursuant to an agreement dated August, 1992 with Breakwater, Barytex Resources Corp. had the option to acquire an 85% undivided interest in the property. Under the terms of this agreement, Barytex Resources Corp. paid \$1 million to Breakwater in a series of payments from 1992 to 1997 and was required to spend a total of \$1.65 million on exploration of the property by September, 2000 to vest its interest. As of June, 2000 a total of \$1.33 million had been spent on exploration. Barytex Resources Corp. also had the right to acquire an additional 5% interest in the property under the terms of a February, 1985 agreement with Sulpetro Minerals Limited (now Breakwater).

Under the terms of a September, 1996 agreement with Cominco Ltd. (“Cominco”), Barytex granted Cominco the option to earn a 60% interest in the Mel property. Cominco agreed to pay \$350,000 by September, 1998, (of which \$50,000 was paid) and incur cumulative expenditures of \$1.2 million. To date, Barytex and Cominco have spent a total of \$1.33 million, of which \$472,706 was spent by Cominco, on exploration of the property. In September, 1997, Cominco abandoned its interest in the property due to the lack of encouraging drill results from a two-hole drill program conducted to test geophysical anomalies believed to represent a faulted extension of the Main Mel mineralized horizon.

#### Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Mel property is located approximately 400 kilometres east of the city of Whitehorse. Access to the property is by means of the paved Alaska Highway that runs 50 kilometres to the south of the property, providing a link to the port of Skagway 600 kilometres to the west. Rail access is available 500 kilometres to the southeast at the town of Fort Nelson. A 46 kilometre winter road north from the Alaska Highway provides seasonal access to the property. An airstrip that has not been used for several years is located on the property. The airstrip will require repairs before its next use but, following those repairs, it will allow for year round access to the property. Watson Lake, located on the Alaska Highway, is the nearest population centre.

The climate is characterized by cold winters and moderate summers. Precipitation is moderate and winter snow accumulation is in the order of 80 centimetres. Drilling can be carried out in winter as well as in the summer months but is not recommended during the spring break-up.

The surface rights are held by the Yukon government and any mining operation requires regulatory approval. There is no electrical power available. However, a large thermal coal resource is located 10 kilometres from the property. Water is available from small lakes and streams on the property. There are ample areas suitable for plant sites, tailings storage, and waste disposal areas.

The property is situated on the southern fringe of the Logan Mountains of southeastern Yukon. The terrain is characterized by subdued topography with local elevations ranging from 900 metres at valley bottoms to 1,200 metres at local hill tops.

Vegetation on the property consists of spruce, pine, and balsam with willow and alder comprising most of the understory. Most of the area is in varying stages of regeneration following forest fires.

#### History

The property was first staked by prospectors in 1967 and subsequently optioned to Newmont Mining Corporation (“Newmont”). Newmont conducted a program of trenching and geochemical surveys. Five trenches exposed low-grade, Main Mel Zone zinc-lead-barite mineralization over a strike length of 488 metres. The zone averaged 5.3% combined lead-zinc over widths from 2.3 to 9 metres. Newmont subsequently dropped their option and the Mel property was acquired by Barytex Resources Corp. Barytex Resources Corp. subsequently optioned the property to Granby Mining Corp. (“Granby”). Between 1974 and 1975, Granby conducted an 18-hole diamond drill program (1,952 metres). The drilling intersected two parallel, north-striking, barite-sphalerite-galena zones. The Main Mel Zone averaged 6.1 metres true width. Based on the drilling, a mineral resource to a depth of 152 metres was determined.

In 1976, St. Joseph Explorations Ltd. (“St. Joseph”) optioned the Mel property and conducted geological mapping, geochemical and geophysical surveys on the property. During 1978 and 1979, St. Joseph completed a 19-hole drill program totalling 4,054 metres. Based on the drill program a mineral resource was calculated for the Main Mel Zone.



In 1981, St. Joseph sold its 51% interest in the Mel property to Sulpetro Ltd. Following the sale, Sulpetro Minerals Ltd. ("Sulpetro") was established to hold the property. Regional exploration conducted by Sulpetro in 1981 led to the discovery of the "Mel East Zone", a zinc showing, located 7.3 kilometres northeast of the Mel deposit. Limited geochemical surveys conducted by Sulpetro over the next two years defined a large zinc soil anomaly in the area of the Mel East Zone.

Geological mapping and geochemical sampling conducted in 1984 between the Main Mel Zone and the Mel East Zone led to the discovery of the Jeri zinc showing, located 4 kilometres north-northeast of the Main Mel Zone. During 1985, Sulpetro drilled 10 holes totalling 1,009 metres to test the Jeri Zone. Nine (9) of the 10 holes intersected zinc mineralization over a strike length of 550 metres. Zinc values ranged up to 13.11% zinc over 3.37 metres within a large zone of silicified and dolomitized limestone. Later that year, Sulpetro sold its interest to Novamin Resources Ltd. ("Novamin"), who drilled-tested the Main Mel Zone at depth with a 7-hole drill program totalling 2,012 metres. Drill results indicated that the zinc-lead-barite mineralization continued to a depth of at least 450 metres below surface. As a result of the Novamin drilling an updated mineral resource was estimated.

In 1989, Barytex Resources Corp. conducted a soil geochemical survey near the Jeri Zone and completed four diamond drill holes (663 metres) on the Main Mel Zone. The drill program consisted of in-fill drilling at the north end of the Main Mel Zone and confirmed the continuity of the Main Mel Zone. Based on a 29-hole drill program, Barytex Resources Corp. estimated a Mineral Resource for the Main Mel Zone .

A 1989 pre-feasibility study by Sandwell Swan Wooster Inc. concluded that the property was potentially viable and provided recommendations for further exploration and development.

Barytex Resources Corp. conducted an in-fill drill program consisting of 11 diamond drill holes totalling 1,552 metres and surface trenching in 1990. Drilling between previously drilled, widely spaced holes aided in the design of an open-pit.

A resource estimate, based on 48 intersections from 42 diamond drill holes, was calculated by consultants Nevin Sadlier-Brown Goodbrand Ltd. in a report dated October 9, 1990.

Since August 1993, Barytex and Cominco spent a total of \$1.33 million on exploration of the Mel property that included the drilling of 25 diamond drill holes totalling 6,173 metres. To date, a total of 90 diamond drill holes (16,759 metres) have been drilled on the Mel property. Of the four sediment-hosted, zinc-rich zones discovered to date, three have been drilled; the Main Mel Zone, Jeri Zone and Jeri North Zone. The majority of the drilling has been conducted on the Main Mel Zone. No drilling has been conducted on the "Mel East Zone".

During 1993, eighty-six (86) claims were staked to cover the northerly strike extension of the Jeri Zone and 66 line-kilometres of grid was established. Geological mapping traced the favourable contact hosting the Jeri Zone zinc mineralization for a strike length of over 9 kilometres. Eleven (11) trenches exposed mineralization along a 2.5 kilometres section of the Jeri Zone. The most encouraging assay results from trench sampling were obtained from trench 5, where a 5 metre-wide zone averaged 16.5% zinc and in trench 4, where a 5 metre-wide zone averaged 10.7% zinc.

In 1994, six (6) additional drill holes totalling 3,122 metres were drilled on the Main Mel Zone. This led to an updated Mineral Resource, estimated by Barytex. Higher grade intersections have been defined within the Main Mel Zone in excess of 12% combined lead-zinc. The highest grade intersection assayed 19.72% zinc over a true thickness of 5.16 metres. The Main Mel Zone is open down dip with the potential to increase the resource tonnage.

Geochemical and geophysical surveys conducted in 1995 along strike and to the north of the Jeri Zone revealed significant zinc anomalies and geophysical induced polarization ("IP") and resistivity anomalies. During 1995, this new area, identified as Jeri North Zone, was tested with 8 widely-spaced drill holes totalling 847.6 metres over a strike length of two kilometres. Two of these holes intersected significant zinc mineralization; 15.6% zinc over a core length of 5.1 metres in hole J-95-5 and 9.9% zinc over a core length of 5 metres in hole J-95-4.

In the area 1.5 kilometres south of the Main Mel Zone, two drill holes tested a geophysical conductor on strike with the Mel Main Zone. The targeted mineralized horizon was not reached.

- 35 -

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In 1996, Cominco, under an option agreement with Barytex and Breakwater, began exploration work on the Mel Property. Exploration work included the drilling of 6 diamond drill holes totalling 1,189 metres on the Jeri North Zone. This program was aimed at further testing the zinc mineralization discovered in 1995. Drill hole J-96-10 drilled 200 metres to the south and along strike of holes J-95-4 and J-95-5, encountered 12.38% zinc over a 3 metre core length. The other 5 holes drilled within this area intersected lower grade mineralization. A seventh drill hole was drilled 1.5 kilometres south of the Main Mel Zone to test an IP anomaly believed to represent the southern extension of the favourable mineralized horizon hosting the Main Mel Zone. This drill hole did not intersect the favourable contact zone.

Cominco conducted a soil sampling program on the Mel East Zone to confirm the presence of the large zinc anomaly originally outlined by Sulpetro during their 1983 exploration program. Results indicated a strongly anomalous zinc zone over a 1,400 metre long by 150 metre wide area, open to the north, south, and east. This anomaly is coincident with the favourable contact hosting a zinc showing. Cominco conducted additional soil sampling in 1996 in the Jeri North Zone area. Several anomalous samples corresponded with the projected trace of the mineralized horizon.

During 1997, Cominco conducted IP and resistivity surveys in three areas: south of the Main Mel Zone; the Mel East Zone area; and an area on the southern part of the Jeri Zone. In addition, a magnetic survey and a limited gravity survey were conducted south of the Main Mel Zone. The geophysical program resulted in the identification of anomalies in all three areas surveyed. Two drill holes tested the geophysical conductors located 1.5 kilometres south of the Main Mel Zone. The holes intersected carbonaceous mudstones, interpreted to be a source for the geophysical anomalies. Neither of the two drill holes intersected the target contact zone that is host to the Main Mel Zone.

#### Geological Setting

The claims are situated near the southern margin of the Selwyn Basin, a tectonic element present during Paleozoic time. Sedimentary rocks are dominant and range in age from late Precambrian to Devonian-Mississippian. Mafic to intermediate volcanic rocks ranging in age from upper Proterozoic to lower Cambrian are present northeast of the property.

Sedimentary strata are folded along north-south trending axes and are offset by strike slip, normal and thrust faults. Major north-south trending thrusts have easterly directed displacements ranging up to 3,000 metres.

The Mel property is underlain by sedimentary strata which are lower Cambrian to Silurian in age. Lithologies include carbonates and clastic sediments broadly folded into a north-south trending, overturned syncline (Figure 4.1). The synclinal structure has been modified by a number of north-south trending faults which may exhibit both vertical and lateral displacements.

The stratigraphic unit which hosts the mineralization in the Mel deposit area is a well-defined barite-quartz horizon which disconformably overlies a 150 metre-thick grey cryptocrystalline limestone unit. A distinctive 30 metre-thick argillite unit overlying the mineralized horizon grades upward into wavy banded limestone, a rock unit which is well represented in the region.

#### Deposit Type

The mineralization at the Mel deposit and at the Jeri and Mel-East sites is considered to be sedimentary-exhalative in origin.



The sphalerite-galena mineralization at the Mel deposit is hosted in a barite-quartz horizon overlain by a disconformable grey, cryptograined limestone unit. As presently defined, the central part of the mineralized body is characterized by near massive barite with moderate zinc and lead content. A peripheral zone exhibits the highest metal grades encountered with an attendant decrease in barite content and progressively higher silica content at the margin of the deposit. At depth, the barite content and thickness increase.

Mineralization at the Jeri zone is hosted by a limestone unit considered to be the equivalent of the cryptograined limestone which occurs at the Mel deposit. In the Jeri zone area these rocks are locally silicified, dolomitized and brecciated at, and immediately beneath, the contact with the overlying argillite. Mineralization consists of zinc minerals smithsonite and sphalerite and barite is present as a gangue mineral in quartz veins.

The geological model derived from interpretation of surface mapping and drill hole data suggests that the Mel deposit and the Jeri zones of mineralization may be different but more-or-less contemporaneous manifestations of a single depositional event. A low-angle unconformity exists at the base of the main mineralized barite-quartz unit at the contact with the underlying cryptograined limestone. The contact is abrupt and depositional styles below and above it are radically different. The limestone is also cut by silica and carbonate veins which do not appear to persist into the overlying rocks.

The footwall limestone is interpreted to represent an episode of prolonged quiescent carbonate deposition. The veining implies some degree of induration prior to the deposition of the overlying strata and the unconformity is consistent with an erosional interval and/or some form of tectonic activity. This was followed by local deposition of very fine clastic material which formed thin, discontinuous mudstone layers and lenses. Subsequent and, in places, coeval exhalative activity resulted in deposition of chemically precipitated barite, silica, sphalerite and galena to form the mineralized barite-quartz unit. This unit is now described as a sediment hosted exhalite.

#### Mineralization

The zinc-lead-barite mineralization at the Main Mel Zone and the zinc showings at the south end of the Jeri Zone and Mel East Zone occur within a stratigraphic zone resting on a cryptograined limestone unit that is overlain by a distinctive argillite unit grading upward into a wavy banded, argillaceous limestone. At the Jeri North zone, the same stratigraphic interval contains zinc (coarse-grained sphalerite) mineralization in a massive chert overlain by a volcanic flow and volcanoclastic sequence followed by wavy banded, argillaceous limestone. Of the four sediment-hosted, zinc-rich zones discovered to-date, the Main Mel Zone, Jeri Zone, and Jeri North Zone have been tested by drilling.

At the Main Mel Zone, mineralization consists of coarse-grained sphalerite and galena disseminated throughout a mixture of mudstone, silica, carbonate, and coarse crystalline barite. Minor amounts of fine grained, sparsely disseminated pyrite occur locally but overall accounts for less than 2% of the sulphides.

The deposit is open down-dip with potential for a significant increase in tonnage. There are higher grade sections within the deposit and some 1 million tonnes grading 6.4% zinc, 1.88% lead, and 56.3% barite that would be amenable for open pit mining.

At the Jeri Zone, unusually strong alteration of the footwall carbonate to zinc-bearing, hydrothermal dolomite and silicified dolomite has been exposed along the middle fold limb for several kilometres. Similar style zinc mineralization is found on the eastern-most fold limb. Sampling of trenches on the Jeri Zone yielded grades of up to 16.5% zinc over 5 metres. Geological mapping has extended this favourable horizon for 8 kilometres northward where diamond drilling in August, 1995 at the Jeri North Zone resulted in the discovery of zinc mineralization within an extensive chert unit underlying volcanic flows and tuffs that form part of the stratigraphy. Hole No. 95-4 intersected 9.9% zinc over 5.0 metres (4.7 metres true width) within a massive chert unit. Hole No. 95-5, drilled on the same section, intersected 15.6% zinc over 5.1 metres (3.1 metres true width) 70 metres down dip.

In 1996, Cominco drilled 6 holes totalling 1,139 metres on the Jeri North Zone to expand the zone of zinc mineralization intersected in hole Nos. 4 and 5. One of the holes (J96-10) drilled on strike and 200 metres to the south of J-95-4 and J-95-5, intersected two zones of significant sphalerite mineralization. One zone assayed 3.39% Zn over

2.1 metres of core length, the second zone returned 12.38% Zn over a core length of 3.0 metres. Holes drilled to test the down-dip and on strike extent of the above mentioned intersections failed to encounter significant zinc mineralization thus limiting the size of the mineralization zone to probably less than 400 metres in length and a down-dip length in the order of 100 metres.

At least five kilometres of the favourable horizon hosting the Jeri Zone and Jeri North Zone of zinc mineralization remains to be tested. Mineralization at the Jeri Zone is hosted by a limestone unit considered to be the equivalent of the cryptocrystalline limestone which occurs at the Main Mel Zone. In the Jeri Zone area, these rocks are locally silicified, dolomitized, and brecciated at, and immediately beneath, the contact with the overlying argillite. The altered and brecciated limestone is mineralized by the zinc minerals smithsonite and sphalerite. Elevated lead values are present but no economically significant lead mineralization has been identified. Barite is present as a gangue mineral in quartz veins but does not appear to be sufficiently abundant to be economically important. The presence of the zinc carbonate mineral smithsonite suggests that zinc mineralization may, in part, be secondary.

During 1985, Sulpetro drilled 10 holes totalling 1,009 metres to test the Jeri Zone. Nine (9) of the 10 holes drilled over a strike length of 550 metres intersected zinc mineralization. Zinc values ranged up to 13.11% zinc over 3.37 metres of core length within a thick zone of silicified and dolomitized limestone. In 1994, eleven trenches were excavated across the Jeri Zone along a 2.5 kilometre segment of the favourable horizon. Zinc values of up to 16.5% zinc over a 5 metre-wide zone were obtained from trench No. 5. The mineralization consisted of disseminated smithsonite and minor sphalerite hosted in silicified and dolomitized limestone. The work conducted to date on the Jeri Zone is not sufficient to allow resource estimates to be made.

At the Mel East Zone, smithsonite mineralization occurs at the contact of cryptograined limestone and wavy banded limestone. Three grab samples taken in 1981 from 3 separate small outcrops averaged 9.6% zinc. Subsequent soil sampling in 1982 revealed a 1,400 metre-long soil geochemical zinc anomaly coincident with the mineralized contact. Soil sampling in 1996 by Cominco confirmed the earlier geochemical results and outlined a north-south trending zinc anomalous zone 1,300 metres long and 150 metres wide that is open to the north, east, and south. The mineralization at the Main Mel Zone, the Jeri Zone and the Mel East Zone is considered to be sedimentary-exhalative in origin. All the mineralization discovered to date occurs at the contact with underlying cryptograined limestone.

In addition to the exhalative type mineralization, there is potential for the discovery of unconformity and karst related zinc mineralization.

## Exploration

### 1993 Exploration Work

#### Jeri Zone

During 1993, 86 claims were staked to cover the northerly strike extension of the Jeri Zone and a 66 line-kilometre grid was established. Geological mapping traced the favourable contact hosting the Jeri Zone zinc mineralization for a strike-length of over 9 kilometres. Eleven trenches were excavated and exposed zinc mineralization along a 2.5 kilometres section of the Jeri Zone. A link-belt 3400 excavator was used for the trenching. The trenches were mapped in detail and chip samples were taken along the bottom of the trenches. Sample intervals varied in length from 1.5 metres to 5 metres.

Significant zinc values were obtained from sampling in 3 out of the 10 trenches. One of the trenches failed to reach bedrock. The following is a tabulation of results from the best trenches.

| Trench No. | Sample Width (m) | Percent Zinc |
|------------|------------------|--------------|
| 3          | 7                | 5.3          |
| 4          | 5                | 10.5         |
| 5          | 5                | 16.5         |

The trenching program allowed a detailed examination of the massive, locally silicified and dolomitized limestone unit hosting the zinc mineralization and the overlying wavy banded limestone unit. The mineralized zone occurs in strata equivalent to the cryptograined limestone hosting the Main Mel Zone. Lead and barite are locally anomalous but are not present in economically significant amounts. Most of the zinc mineralization is in the form of smithsonite with only minor sphalerite observed in the mineralized zones exposed by trenching. However, locally significant amounts of sphalerite were intersected in several holes drilled in 1985, suggesting that there is potential for discovery of larger unoxidized zinc deposits at depth.



## 1994 Exploration Work

### Main Mel Zone

In 1994, 6 drill holes totalling 3,122 metres were drilled on the Main Mel Zone. Higher grade intersections have been defined within the Main Mel Zone in excess of 12% combined lead-zinc. The highest grade intersection assayed 19.72% zinc over a true thickness of 5.2 metres. The drilling established that the Main Mel Zone is open down-dip with potential to significantly increase the resource tonnage. The drilling was carried out by D.J. Drilling Ltd. based in Watson Lake.

Geophysical surveys including magnetic, very-low-frequency (“VLF”) and IP surveys were carried out in 1994 over the south extension to the Main Mel Zone. VLF and magnetic coverage extended from lines 82N to 96N and IP surveys were conducted on lines 82N to 84N, 88+50N, and 89N to 91N. The IP survey outlined a chargeability and resistivity anomaly on line 84N that is on strike with the Main Mel Zone. The geophysical work was carried out by S.J.V. Consultants Ltd., a geophysical contractor.

### Jeri Zone

Soil sampling across the favourable contact between cryptograined limestone and wavy banded limestone along a 2-kilometre segment of the northern extension to the Jeri Zone (Jeri North Zone) was carried out in 1994. Samples were taken at 25 metre intervals along lines spaced at 200 metres. Anomalous soil geochemical zinc and lead values were returned on most lines sampled. Two zinc and lead geochemical soil anomalies were outlined; one extending from line 132N to 142N and the other from line 150N to 152N. IP geophysical surveys were carried out over lines 135N and 136N centered on one of the zinc-lead soil anomalies. A strong chargeability anomaly was outlined on both lines 135N and 136N, coincident with the zinc-lead anomaly that marks the favourable contact between wavy banded limestone and the underlying cryptograined limestone. The 1994 exploration program was supervised by H. L. King, P. Geo, a Qualified Person, as that term is defined in NI 43-101, employed by Barytex.

## 1995 Exploration Work

### Main Mel Zone

Approximately one kilometre south of the Main Mel Zone, IP surveys were conducted on lines 85N and 86N. The survey resulted in defining a chargeability and resistivity anomaly extending to the north to the anomaly first identified on line 84N in the 1994 survey.

Two diamond drill holes were completed on Section 85N in an attempt to explain the IP anomaly outlined on sections 84N to 86N. Minor graphite was noted in the core along several shear zones which may explain the IP anomaly. However, the targeted contact zone between the wavy banded limestone and the cryptograined limestone was not intersected.

### Jeri North Zone

The Jeri North Zone is located 8 kilometres northeast of the Main Mel Zone, on the east limb of a syncline and on the same stratigraphic horizon as the Main Mel Zone. IP surveys were carried out in July 1995 on grid lines 131N to 142N, spaced 100 metres apart. A strong chargeability anomaly and corresponding resistivity low, partially coincident with anomalous zinc geochemical soil values, was outlined over a strike length of 1,100 metres.

A program of diamond drilling was carried out in 1995 to test the coincident IP and geochemical anomaly on the Jeri North Zone. A total of 8 widely-spaced diamond drill holes, totalling 847.6 metres, tested the anomalous zone over a strike length of 2 kilometres.

The drilling intersected a sequence of intermediate volcanic flows and sediments overlain by a relatively thin unit of calcareous shale that forms the base of the extensive wavy banded limestone found throughout the property. A massive chert unit, up to 5 metres thick, was intersected at the base of the volcanic -volcaniclastic sequence. In places the chert rests directly on the basal cryptocrystalline limestone unit but in some sections is separated from the cryptocrystalline limestone by a dolomitic unit. Sphalerite mineralization was encountered mainly within the chert unit with lesser amounts occurring in an overlying ash unit and in an underlying dolomitic unit.

## 1996 Exploration Work

### General

In 1996, Cominco, under an option agreement with Barytex and Breakwater, began exploration work on the Mel property. Work was carried out on the Jeri North Zone, Mel East Zone and in the area immediately south of the Main Mel Zone.

### Jeri North Zone

Exploration work included the drilling of 6 diamond drill holes totalling 1,189 metres on the Jeri North Zone. This program was aimed at further testing the zinc mineralization discovered in 1995. Drill hole J-96-10, drilled 200 metres to the south and along strike of holes J-95-4 and J-95-5 encountered 12.38% zinc over a 3-metre core length. The other 5 holes drilled within this area intersected lower grade mineralization.

### Main Mel Zone

One diamond drill hole was drilled 1.5 kilometres south of the Main Mel Zone to test an IP anomaly believed to represent the southern extension of the favourable mineralized horizon hosting the Main Mel Zone. The drill hole did not reach the favourable contact zone.

### Mel East Zone

Cominco conducted a soil sampling program on the Mel East Zone to confirm the presence of the large zinc anomaly originally outlined by Sulpetro during a 1983 exploration program. Results indicated a strongly anomalous zinc zone over an area 1,400 metres long by 150 metres wide and open to the north, south, and east. This anomaly is coincident with the favourable contact hosting the zinc showing referred to as the Mel East Zone and represents a significant drill target.

### Drilling

Since 1993, Barytex and Cominco have completed 25 BQ diamond drill holes totalling 6,173 metres on the property. The majority of the drilling was conducted on the Main Mel Zone.

In 1994, six holes totalling 3,122 metres were completed on the Main Mel Zone. The core was logged, photographed, and mineralized sections split with one-half of the mineralized section submitted for assay to Acme Analytical Labs ("AAL"). All six (6) drill holes intersected the mineralized zone. The results of the deeper drill holes suggest that the zinc-lead-barite zone is increasing in thickness and in strike length.

In August, 1995, eight diamond drill holes were completed on the Jeri North Zone totalling 847.6 metres. The 8 widely-spaced drill holes tested a 2.1 kilometre strike length of the Jeri North Zone. Five (5) of the 8 holes intersected zinc mineralization with 2 of these holes encountering significant zinc values. The best intersection was 5.1 metres of core length that averaged 15.6% zinc.

The drilling on the Jeri North Zone intersected a sequence of intermediate volcanic flows and sediments overlain by a relatively thin unit of calcareous shale that forms the base of the extensive wavy banded limestone unit found throughout the property. A massive chert unit, up to 5 metres thick, is found at the base of the volcanic -volcaniclastic sequence. The chert is locally mineralized with disseminated pyrite and coarse-grained sphalerite. In places the chert



rests directly on the basal cryptograined limestone unit but in some sections is separated from the cryptograined limestone by a dolomitic unit.

At the Jeri North Zone, sphalerite mineralization is found mainly within the chert unit with lesser amounts occurring in an overlying ash unit and in an underlying dolomitic unit. Significant zinc mineralization was intersected in Hole No. J-95-4 and J-95-5 drilled on Section 142N. The coarse-grained sphalerite found in Hole J-95-4 occurs within a massive chert unit directly overlying massive, light grey, cryptograined limestone. Assays over a core length of 5.0 metres averaged 9.9% zinc. Hole J-95-5 was drilled to intersect the mineralized zone 70 metres down-dip and encountered sphalerite in coarse-grained masses and in disseminated form within the chert unit and also within volcanic ash and dolomite. Assays from a 5.1 metre interval of mineralized chert assayed 15.6% zinc. If the mineralized ash unit and dolomite is included, a 7.6 metre section has an average grade of 10.9% zinc.

In August, 1995, two diamond drill holes totalling 317 metres were completed to test for the southern extension of the Main Mel Zone. The holes failed to reach the favourable contact between the wavy banded limestone and the cryptograined limestone that marks the mineralized horizon at the Main Mel Zone.

In 1996, exploration work by Cominco included the drilling of six diamond drill holes totalling 1,189 metres on the Jeri North Zone. This program was aimed at further testing the zinc mineralization discovered in 1995. Drill hole J-96-10 drilled 200 metres to the south and along strike of holes J-95-4 and J-95-5, encountered 12.38% zinc over a 3 metre core length. The other 5 holes drilled within this area intersected lower grade zinc mineralization. The drilling to date has defined a zone of significant zinc mineralization over a strike length of about 400 metres and extending to approximately 100 metres down-dip.

During 1996, Cominco completed one diamond drill hole 1.5 kilometres south of the Main Mel Zone to test an induced polarization anomaly interpreted to represent the southern extension of the favourable mineralized horizon hosting the Main Mel Zone. The drill hole failed to intersect the favourable contact zone.

During 1997, Cominco drilled two diamond drill holes to test geophysical targets identified to the south of the Main Mel Zone. Both holes intersected carbonaceous mudstones interpreted to be a source for the geophysical anomalies.

## Sampling and Analysis

### Soil Sampling

On the Jeri North Zone reconnaissance soil sampling was carried out by Barytex during 1993 on lines spaced 1,000 metres apart from section 166N to 206N. Soil samples were taken at 25 metre intervals along sections of lines that crossed the favourable contact zone. In 1994, grid lines were established at a 100-metre spacing from line 130N to 152N. Soil samples were collected at 25 metre intervals along lines that crossed the favourable contact zone. A total of 59 soil samples were taken.

Reconnaissance soil sampling was also carried out by Barytex in 1994 on strike and to the north of the Main Mel Zone from 114N to 134N. Samples were taken along grid lines spaced 200 metres apart. Sample density varied from 10 metre to 20 metre spacing along the lines. A total of 54 soil samples were collected.

All samples were taken from the "B" soil horizon, placed in kraft paper bags and marked with grid coordinates. A description of the sample medium, sample depth and location was recorded. The samples were shipped by commercial transport to AAL for analysis. A 0.5 gram sample was then analysed by Inductively Coupled Plasma ("ICP") methods for zinc, lead, copper and barite.

In 1996, Cominco carried out a soil sampling program in the Jeri North Zone area along grid lines from 149N to 224N. The sampling was generally carried out on grid lines spaced 200 metres apart with samples taken at 25 metre intervals where lines crossed the projected trace of the mineralized horizon. At distances greater than 100 metres on either side of the mineralized horizon, samples were spaced at 100 metres. A total of 587 soil samples were collected.

In 1997, Cominco completed soil sampling in three areas on the Mel property. Four grid-based lines of soil sampling were completed south of the Main Mel Zone on lines 87N to 90N. Three (3) lines of soil sampling were completed at the Jeri Zone at 50 metres intervals along lines spaced at 200 metres. A total of 39 samples were collected. In the Mel East Zone area, a single contour line of soil sampling totalling 39 samples was completed to test the southern strike extension of the mineralized horizon.



## Core Sampling

Core samples from drilling programs carried out by Barytex were sent to AAL and analyzed for zinc, lead, silver, and barium and subjected to specific gravity determinations. At least every 30th sample was re-assayed and at least 1 standard was inserted and assayed in each data set. Quality control measures followed at the Cominco laboratory were not described in exploration reports provided to Barytex.

## Security of Samples

All core samples for analysis were placed in plastic bags along with a sample number tag and securely fastened with a zip-lock tie. Sample bags were then placed in sealed cardboard boxes for shipment by commercial transport to AAL for those samples taken by Barytex. Samples taken by Cominco personnel were shipped by commercial transport to the Cominco Exploration Research laboratory in Vancouver.

Soil samples taken by both Barytex and Cominco were packed in boxes securely sealed and shipped via commercial transport to either AAL for samples collected by Barytex or to the Cominco Exploration Research Laboratory in Vancouver for samples collected by Cominco.

## Mineral Resource and Mineral Reserve Estimates

The Mel property is without known reserves and the proposed programs at this time are exploratory in nature.

In October, 1990, an independent mineral resource estimate was made by Nevin Sadler-Brown Goodbrand Ltd. for the Main Mel Zone. The resource estimate, based on 48 intersections in 42 diamond drill holes, was defined by the consultants as a drill-indicated mineral inventory. For the purposes of grade and tonnage calculations, a weighted average grade of individual samples from within the intersection was calculated for each drill hole. The true width of the intersection was obtained from measurements of contact angles and comparison with geological cross sections. Drill hole locations were surveyed and down hole information was obtained by gyroscopic compass surveys. Resource estimates were calculated by using an "Inverse Distance Squared" technique. In this method, the influence exerted by any drill hole intersection on an arbitrary block is inversely proportional to the square of its distance from a node at the center point of the block.

Subsequent to the independent estimate, six (6) diamond drill holes were drilled by Barytex in 1994 totalling 3,122 metres. A revised resource estimated that included the 6 additional drill holes was made by Barytex in 1994 for the Main Mel Zone. using the "Inverse Distance Squared" technique described above except that individual specific gravities for sphalerite, galena, and barite were used to calculate the specific gravity of each sample interval. The resource estimate by Barytex under the direction of H. Leo King, P. Geo, a Qualified Person, as defined in NI 43-101, has not been independently verified.

A table of the historical and current Mineral Resource estimates is provided below

| Date | Status   | Company Estimator     | Category | TONNES<br>(million<br>metric<br>tonnes) | Zinc<br>(%) | Lead<br>(%) | Barite<br>(%) |
|------|----------|-----------------------|----------|---|-------------|-------------|---------------|
| 1975 | Historic | Granby                |          | 2.6                                     | 5.35        | 1.93        | 54.6          |
| 1979 | Historic | St. Joe Minerals      |          | 4.782                                   | 5.61        | 2.05        | 52.1          |
| 1984 | Historic | Novamin Resource Ltd. |          | 5.581                                   | 6.63        | 1.92        | 49.64         |

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|      |          |                         |           |       |      |      |       |
|------|----------|-------------------------|-----------|-------|------|------|-------|
| 1989 | Historic | Barytex Resources Corp. |           | 5.687 | 6.77 | 1.92 | 51.1  |
| 1990 | Historic | Barytex Resources Corp. |           | 5.238 | 7.86 | 2.09 | 49.98 |
| 1994 | Current  | Barytex                 | Indicated | 6.778 | 7.1  | 2.03 | 54.69 |
| 2009 | Current  | Kobex Minerals          | Indicated | 6.778 | 7.1  | 2.03 | 54.69 |

The historic estimates are presented to summarize the exploration history on the Mel and as such should not be relied on.

The qualified person has not classified historical estimates as current mineral resources and the issuer is not treating the historical estimate as current mineral resources as these have been superseded by the current Indicated Resource.

The 1994 Resource of 6.778 million metric tonnes grading 7.1% Zn, 2.03% Pb, and 54.69% Barite was reported by Barytex in its public filings and was considered a current Mineral Resource as defined by Canadian National Instrument NI 43-101. The current resource estimate was prepared by Mr. Leo King PGeo., a Qualified Person as defined in NI 43-101. In 2009 Barytex merged with IMA Exploration Ltd. and Kobex Resources Ltd. and has continued to report the Indicated Mineral Resource with Mr. Leo King as the Qualified Person as defined in NI 43-101.

Preliminary metallurgical testing on Main Mel Zone core by Lakefield Research indicates that after grinding to 100 mesh, the mineralization responded well to flotation and yielded concentrates ranging from 60.9 to 64.7% zinc, 78.0 to 79.6% lead, and 90.3 to 94.4% barite with recoveries of 90.3% to 96.2% for zinc, 97.7 to 98.0% for lead, and 88 to 90.9% for barite. A later, large scale test was done for barite concentrate market evaluation. Concentrate grading 95.1% barite with a recovery of 92.6% was produced from 12 kg of feed grading 53.5% barite.

There are no known environmental, permitting, or title issues regarding the Mel property that may affect the mineral resource. The Yukon government is supportive of mining which historically has had an important economic impact on the territory.

#### Exploration and Development

The Company is reviewing its strategy on the Mel property and as part of this review is considering what activities would be included in the next phase of property exploration and evaluation.

A future drilling program would test the southern portion of the Jeri Zone where zinc-bearing, silicified dolomite has been exposed by surface trenching and tested by previous limited drilling. Similar style mineralization is present at the Mel East Zone where anomalous lead-zinc soil geochemistry and IP anomalies have defined a drill target.

Drilling to test the deeper potential of the Main Mel Zone is also under consideration.

#### Mineral Projects - Barb Property

##### Property Description and Location

The property consists of twenty-one (21) mineral claims (440 hectares) situated in the Watson Lake Mining District of the Yukon Territory (Figure 4.3). A list of the claims and claim information is shown in Table 4.2.

Table 4.2 Claims Status – Barb Property

| Claim Name | Grant Number    | Expiring Date | NTS Location |
|------------|-----------------|---------------|--------------|
| Beth 2     | YB00654         | 2012-07-24    | 105-H-06     |
| Beth 4-14  | YB00655-YB00665 | 2012-07-24    | 105-H-06     |
| Beth 16-20 | YB00667-YB00671 | 2012-07-24    | 105-H-06     |
| Pat 29-32  | YB51854-YB51857 | 2012-08-29    | 105-H-06     |

The Barb property is located on the eastern arm of Frances Lake, 160 kilometres north of the town of Watson Lake and 310 kilometres northeast of the city of Whitehorse. The Robert Campbell Highway runs 15 kilometres west of the property and provides access to Frances Lake.

Assessment work required to keep the property in good standing is \$105 per claim per year in work or cash. Sufficient work has been filed or payments made to keep all claims in good standing to at least July 24, 2012.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Barb property is located on the eastern arm of Frances Lake. The Robert Campbell Highway runs 15 kilometres west of the property and provides access to Frances Lake. Alternative access is via float plane from Watson Lake.

The climate is characterized by cold winters and moderate summers. Precipitation is moderate and winter snow accumulation is in the order of 80 centimetres. Drilling can be carried out in winter as well as in the summer months but is not recommended during the spring break-up.

The surface rights are held by the government and any mining operation would require regulatory approval. There is no electrical power available in the area. Water is available from Francis Lake and streams on the property. There are ample areas suitable for plant sites, tailings storage, and waste disposal areas.

- 44 -

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The property is situated within the Campbell Mountains in southeastern Yukon. The terrain is characterized by subdued topography with local elevations ranging from 775 metres at lake level to 1,550 metres on the western slope of Mount Hunt. Vegetation on the property consists of spruce, pine, and balsam with some willow alder, poplar, and tamarak.

## History

Lead-zinc-silver mineralization was first discovered in the area and subsequent claims staked in the late 1930s. In 1943, Cominco prospected the area. Datalaska Mines, between 1960 to 1963, conducted a program consisting of hand trenching and sampling on a mineral occurrence known as the Matt Berry Zone, located one kilometre north of the property.

Matt Berry Mines Ltd. ("Matt Berry") was formed in 1965 in order to develop the Matt Berry Zone located adjacent to the property. Between 1966 and 1970, considerable work was carried out on the Matt Berry Zone including hand trenching, VLF electromagnetic ("EM") surveying, geochemical surveying, Turam EM surveying and diamond drilling. A total of 31 drill holes (2,728 metres) were drilled on the Matt Berry lead-zinc-silver zone (the "Matt Berry Zone"). In 1970, an additional 2 drill holes totalling 391 metres were completed under an agreement with Metallgesellschaft Canada Ltd. and Canadian Nickel Company Ltd.

In 1972 Nordev Resources optioned the claims and sold a 40% interest to New Joburke Exploration Ltd. In 1974, Cyprus Anvil Mining Corporation held an option on the property and conducted a gravity survey over a portion of the property.

All claims were allowed to lapse and in 1977, Sovereign Metal Corporation, the predecessor of Kobex Minerals Inc. re-staked the ground and carried out a data review and estimated a resource of 588,000 tons grading 6.1% lead, 4.6% zinc and 3 ounces of silver per ton for the Matt Berry Zone. In 1978, the property was optioned to New Frontier (NPL), who conducted a pulse EM survey. The property subsequently reverted to Sovereign Metals Corporation who conducted a trenching program in 1979. Cominco optioned the property in 1980 and conducted a drill program of 5 widely spaced, diamond drill holes totalling 1,229 metres. The drill program failed to intersect any encouraging mineralization.

During 1981, Cominco conducted a program of geological mapping and soil geochemistry on the present property. Several coincident lead and zinc anomalies underlain by a quartz-augen schist unit were identified. Several copper anomalies, including one that is 400 by 600 metres in size, were also outlined. The copper anomalies were found to be located up-slope from the quartz-augen schist unit and to be underlain by sparsely exposed, metamorphosed mudstone and siltstone strata.

In 1987, Pulse Resources Ltd. carried out 43 line-kilometres of ground magnetic surveys that covered newly discovered mineralization named the Money Zone. Geochemical soil sampling was completed on the same grid and in 1988 a program of induced polarization and detailed geochemistry was carried out over the Money Zone.

In 1991, Pulse Resources Ltd. ("Pulse") conducted a 4-hole diamond drill program totalling 303 metres to test a 450 metre strike-length of the "Money Zone". The Money Zone area is outlined by a 600 metre-long coincident lead-zinc soil geochemical anomaly with favourable stratigraphy, similar to that found at the Matt Berry Zone located one kilometre to the north. Moderate to strong IP chargeability features were also defined in the Money Zone area. Results from the Pulse drill program included 1 to 3 metre-long intercepts of semi-massive to massive sulphides in 3 of the 4 holes with minor base metal values. One of the drill holes, PUL91-1, returned a 0.5 metre intercept of base metal mineralization that assayed 5.87% zinc and 1.82% lead. Pulse dropped their option in 1992.

Barytex carried out line cutting, geological mapping and prospecting between 1992 and 1995 on the property. In 1998, Barytex carried out an airborne geophysical survey which outlined conductive responses along strike from the Matt Berry Zone and downslope from the Money Zone.

- 45 -

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## Geological Setting

The property area is underlain by Devonian-Mississippian metasedimentary rocks in contact with Cretaceous quartz monzonite of the Mount Billings batholith. Extensive glacial till masks much of the underlying stratigraphy in the Francis Lake area. Regional faulting in the area is characterized by major east-west striking faults and less pronounced northeast trending faults.

The Barb property is underlain by Devonian/Mississippian phyllitic rocks that form the western limb of a north-northwest trending syncline. The phyllitic rocks form two conformable units: a dark green to black phyllitic unit overlying a lighter grey, fine-grained unit. Cherty tuffaceous beds occur within the dark phyllites and host thin-bedded, massive sulphides on the adjacent Matt Berry Zone. Phyllitic rocks on the property host an extensive quartz-sericite unit that is locally sulphide bearing and possibly volcanic in origin.

## Deposit Type

Historically, the area including the adjacent Matt Berry Zone has been explored for shale-hosted Sedex massive sulphide deposits. Although felsic volcanic rocks had been noted previously in the area, their significance has only recently been recognized. During the 2000 field season, Fonseca, a geologist working for the YTG Mineral Resource Branch carried out fieldwork in order to refine the mineral deposit models applicable to the western part of the Selwyn Basin in the Frances Lake map area. This work led to a redefinition of the Matt Berry deposit model. Fonseca writes that “the copper-rich nature of the ore, volcanic textures in the ore contacts, and the presence of alkaline felsic metavolcanic rocks beneath the deposit suggests that the mineralization fits a mineral deposit model intermediate between Sedex and VMS end members.”

## Mineralization

The mineralization comprising the Money Zone consists of zinc and lead sulphides in pyritic layers hosted in an extensive quartz-sericite unit of possible volcanic origin. Semi-massive to massive sulphides have been intersected in 3 of 4 diamond drill holes and range in thickness from 1 to 3 metres. Sulphides include semi-massive pyrite, disseminated to banded sphalerite, galena, pyrrhotite and minor chalcopyrite and arsenopyrite. A 0.5 metre interval in one hole assayed 5.87% zinc and 1.82% lead.

## Exploration

### Geological Mapping

In June, 1995, Barytex carried out geological mapping and prospecting on the property. The mapping was carried out along cut lines spaced 400 metres apart.

The areas covered by the mapping are underlain mainly by dark grey phyllitic rocks that are generally thin bedded and in places are hornfelsed with a well-developed slaty cleavage. Quartz veins, both concordant and discordant, are common. A quartz augen schist unit about 150 metres thick, probably of volcanic origin, was mapped within phyllitic strata on the property.

In general, bedding strikes southeast and dips northeast from 20 degrees to 50 degrees.

### Airborne Geophysical Survey

In September, 1998, a "Dighem" airborne geophysical survey was carried out over the Barb property. Dighem is a proprietary airborne geophysical system owned by Geotrex Dighem, a division of CGG Canada Ltd. The survey was carried out by Geotrex-Dighem of Mississauga, Ontario. The survey consisted of approximately 172 line-kilometres with flight lines flown in a direction of 60° at a line separation of 200 metres.

The purpose of the survey was to detect zones of conductive mineralization and to provide information that could be used to map the geology and structure of the survey area. This was accomplished by using a Dighem multi-coil, multi-frequency EM system, supplemented by a high sensitivity cesium magnetometer. The information from these sensors was processed to produce maps which display the magnetic and conductive properties of the survey area. A global positioning electronic navigation system ensured accurate positioning of the geophysical data with respect to the base maps. Visual flight path recovery techniques were used to confirm the location of the helicopter where visible topographic features could be identified on the ground.

Several anomalies in the surveyed area which are typical of bedrock conductors were defined as a result of the geophysical survey. A high priority EM anomaly located immediately to the west and parallel to the Money Zone, is coincident with an IP anomaly that has not been tested by drilling. The conductor is at least 600 metres in length.

The airborne geophysical survey results are considered to be reliable and follow-up with detailed surface geophysical surveys to define drill targets is warranted.

#### Geochemical Surveys

Three geochemical surveys have been conducted on the property and on surrounding areas. The survey results are summarized below:

- In 1981, Cominco collected 1,179 soil samples, 16 silt samples and 34 rock samples which were analyzed for copper, lead, zinc and silver. Results indicated several co-incident lead and zinc anomalies and widespread higher copper values upslope from the lead and zinc values. Anomalous levels were considered to be 70 ppm copper, 23 ppb lead and 100 ppm zinc. Geophysical surveys were recommended.
- In 1987, Strato Geological Engineering Ltd. (Strato) on behalf of Pulse Resources established a new grid on the property and surrounding area (100 metre line spacing and 25 metre sample spacing) to cover known mineralized areas. A total of 720 soil samples were analyzed for copper, lead, zinc, silver and arsenic. Anomalous values were defined as mean value plus 1 standard deviation and highly anomalous values as mean value plus 2 standard deviations.
- In 1988, Strato conducted a detailed survey in the area of the Money Zone by infill sampling between the 1987 lines. Two hundred and seventy seven (277) samples were collected and results supported the 1987 work. A number of anomalies for each element were defined. A general northwest trend to the anomalies is evident, conforming to the trend of the Matt Berry mineralization and the geophysical anomalies.

Deep overburden in the area as indicated by the 10-20 metres encountered in the Money Zone drilling along with reported muskeg, swamps and heavy vegetation hinders the exact definition of possible mineralization by geochemical means. The anomalous levels used by Cominco and Strato are different and likely reflect the larger sampled area covered by Cominco.

#### Drilling

No drilling has been carried out on the property by Barytex. Historical records include drill logs, assay results and sections developed from the diamond drill holes completed by Pulse.

In July, 1991, a 303 metre (4 holes) BQ diamond drill program by Pulse tested 450 metres of strike-length on the Money Zone. This area is underlain by a 600 metre-long, coincident lead-zinc soil geochemical anomaly, favourable stratigraphy and moderate to strong IP chargeability features. Results of the drill program included 1.0 to 3.0 metre intercepts of semi-massive to massive sulphides in 3 of the 4 holes drilled. A 0.5 metre intercept of base metal mineralization intersected in hole PUL 91-1, assayed 5.87% zinc and 1.82% lead. The mineralization is hosted within a quartz sericite schist unit that may have significant base metal potential.

#### Sampling and Analysis

The diamond drill program in 1991 was carried out by Pulse. The drill core was logged and mineralized sections split and sampled. Sample intervals ranged from 0.5 metres to 1.5 metres. Overall core recoveries ranged from 65% to 75%. However, recoveries from the mineralized section in hole No. PUL 91-3 ranged from 8% to 80% and averaged 39%. The low recoveries may have affected the accuracy of the results. The assaying was carried out by TSL Laboratories in Saskatoon, Saskatchewan. It is not known what quality control measures were carried out by the laboratory.

- 47 -

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#### Security of Samples

Reports available to Barytex regarding historical work and more recent work do not describe measures taken to ensure the validity and integrity of samples.

#### Mineral Resource and Mineral Reserve Estimates

No mineral resource estimates have been carried out on the Money Zone. The Barb property is without known reserves and the proposed programs at this time are exploratory in nature.

#### Exploration and Development

Although the Company has not proposed a current exploration program on the Barb property, a future exploration program should include a ground geophysical survey program to detail selected airborne geophysical targets. These geophysical anomalies would then be tested by diamond drilling. One high priority target is located immediately to the west and parallel to the Money Zone. The Company is currently re-evaluating its strategy on this property.

#### 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.

The following discussion of the results of operations of the Company for the fiscal years ended December 31, 2011 and 2010, 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 2 of the December 31, 2011 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

Not applicable.

#### Use of Estimates

The preparation of financial statements in conformity with IFRS 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 share 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.

- 48 -

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## Mineral Properties

Consistent with the Company's accounting policy disclosed in Note 2 of the December 31, 2011 consolidated financial statements attached hereto, direct costs related to the acquisition of mineral properties held 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."

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 IFRS. 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 two 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 value of 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 IFRS 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 as 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, 2011 and 2010, the Company had \$Nil acquisition costs deferred. At January 1, 2010 the Company had \$28,048 acquisition costs deferred.

During the year ended December 31, 2011, 90,755 (nil in 2010) share options were exercised for proceeds to the Company of \$60,587 (\$Nil in 2010). No warrants or agents warrants were exercised in the two years ended December 31, 2011. As at December 31, 2011, the Company had reserved zero common shares (2010-Nil) for issuance upon the exercise of outstanding warrants and 3,924,558 common shares for outstanding options (2010 – 4,016,829).

- 49 -

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Cash and cash equivalents at December 31, 2011 were approximately \$37,200,000.

## Results of Operations

The following discussion of the results of operations of the Company for the fiscal years ended December 31, 2011 and 2010 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, 2011 Compared to Year Ended December 31, 2010

For the year ended December 31, 2011, the Company reported a loss for the year of \$2,356,348 (\$0.05 per share), a decrease of \$1,528,520 from the loss of \$3,884,868 (\$0.08 per share) for the year ended December 31, 2010. The decrease in the loss in 2011, compared to 2010, can be attributed mainly to a \$1,063,029 decrease in share-based compensation offset in part by the impairment of marketable securities of \$666,667 in 2011 (2010 - \$Nil). Additional factors are a reduction in exploration costs of \$122,786; a drop of \$108,199 in consulting expense; a decrease in income tax expense of \$309,987, higher interest income of \$161,027 and an improved foreign exchange result of \$140,363.

The Company's operating expenses for the year ended December 31, 2011 were \$2,187,442, a decrease of \$1,555,762 from \$3,743,204 in 2010 as a result of the following:

- (i) Share-based compensation was \$200,463 (included in salaries and employee benefits) in 2011 as a result of the vesting of 432,500 share options granted in 2011 and the vesting in 2011 of 677,000 share options granted in 2009. This compared with 749,600 options vesting in 2010 that were granted in 2009 and a further 745,000 granted in 2010 that vested immediately. Despite a higher number of options vesting in 2011, the expense was lower in 2011 owing to the use of the graded method of determining the share-based compensation under IFRS that attributes a higher portion of the expense to the earlier vesting options.
- (ii) Exploration expenditures decreased by \$122,786 in 2011 versus 2010 reflecting a lower level of exploration activity.
- (iii) General and administrative expenses of \$1,709,014 for 2011, excluding exploration and share-based compensation, were approximately 18% less than those incurred in the prior year of \$2,078,961: a reduction of \$369,947. Decreases in the categories of consulting (\$108,199), professional fees (\$64,741), salaries and employee benefits (\$49,242, excluding share-based compensation expense) and travel and accommodation (\$9,099) account for the most of the reduction.

In 2011, the Company recorded interest income of \$498,899 compared to \$337,872 in 2010 as a result of better interest rates earned on the Company's cash balances in 2011.

The Company currently classifies its investment in common shares of Blue Sky Uranium Corp. as available-for-sale with gains and other than temporary losses arising from changes in fair value included in other comprehensive income until the ultimate sale. However, in 2011 due to the continuous decline in the stock market value of its investment in Blue Sky Uranium Corp. shares, the Company reallocated \$666,667 from accumulated other comprehensive income and recorded an impairment of the value of its marketable securities of \$666,667 (\$Nil in the fourth quarter of 2010). As at December 31, 2011, the quoted market value of the shares was \$708,333. To reflect deferred income taxes on the change in fair value of its marketable securities, the Company recorded a deferred income tax expense of \$54,596 (2010 - \$364,583) with a corresponding increase to accumulated other comprehensive income.

Selected Quarterly Financial Information and Fourth Quarter Discussion

The following selected financial information is derived from the unaudited interim consolidated financial statements of the Company. The information has been prepared in accordance with IFRS.

- 50 -

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|  | 2011      |         |         |         | 2010      |         |         |         |
|--|-----------|---------|---------|---------|-----------|---------|---------|---------|
|  | Dec. 31   | Sep. 30 | Jun. 30 | Mar. 31 | Dec. 31   | Sep. 30 | Jun. 30 | Mar. 31 |
|  | \$        | \$      | \$      | \$      | \$        | \$      | \$      | \$      |
| Revenues   | Nil       | Nil     | Nil     | Nil     | Nil       | Nil     | Nil     | Nil     |
| Loss for the period                                    | 1,072,352 | 241,540 | 496,386 | 546,070 | 1,541,841 | 738,441 | 680,443 | 924,143 |
| Loss for the year per Common Share – Basic and Diluted | 0.02      | 0.01    | 0.01    | 0.01    | 0.03      | 0.02    | 0.01    | 0.02    |

For the three months ended December 31, 2011, the Company reported a loss of \$1,072,352 (\$0.02 per share), a decrease of \$469,489 from the loss of \$1,541,841 (\$0.03 per share) for the three months ended December 31, 2010. The decrease is a result of the following items:

- (i) In the fourth quarter of 2011, the Company recorded an impairment of the value of its marketable securities of \$666,667 (\$Nil in the fourth quarter of 2010) due to the continuous decline in the stock market value of its investment in Blue Sky Uranium Corp. shares.
  - (ii) Share-based compensation was \$200,463 (included in salaries and employee benefits) in 2011 compared to \$1,263,492 in 2010, a reduction of \$1,063,029. The use of the graded method of determining the expense required under IFRS means that earlier vested tranches are allocated a relatively higher portion of the expense. In the fourth quarter of 2009, the Company granted options that vested in three tranches over two years that resulted in share-based compensation expense arising in the fourth quarters of 2011 and 2010. The assumptions described in Note 7(b) to the audited financial statements for the year ended December 31, 2011 used to calculate the share-based compensation expense, together with the use of the graded method of computation, have a significant impact on the amount of the expense.
- In the fourth quarter of 2011, the Company granted 432,500 (2010 – 745,000) options to employees and consultants that vested immediately. In addition, 677,000 (2010 – 749,600) of the 2,270,000 share options granted in 2009 vested in the fourth quarter of 2011 all of which are accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's shares, the expected lives of awards of and the risk-free interest rate.
- (iii) Exploration expense of \$30,632 in the current period is \$19,098 lower than the comparable quarter in 2010 reflecting a lower level of exploration activity.
  - (iv) General and administrative expenses other than exploration and share-based compensation for the fourth quarter of 2011 were \$501,485 or \$97,574 lower as compared to the fourth quarter in the prior year. The decrease can be attributed mostly to lower consulting fees and salary expense.
  - (v) Interest income for the three month period ended December 31, 2011 was \$130,157 compared to \$100,334 for the 2010 period. The increase is a result of slightly improved interest rates earned on the Company's cash balances.
  - (vi) The Company currently classifies its investment in common shares of Blue Sky Uranium Corp. as available-for-sale with gains and losses arising from changes in fair value included in other comprehensive

income until the ultimate sale. Due to the continuous decline of Blue Sky shares during the year ended December 31, 2011 and subsequent thereto, the Company has recorded an impairment of \$666,667 during year ended December 31, 2011 (December 31, 2010 - \$Nil).

- (vii) As at December 31, 2011, the quoted market value of the Blue Sky shares was \$708,333 (2010 - \$2,083,333). Accordingly, accumulated other comprehensive income includes a charge of \$709,113 (2010 - \$2,916,667) representing the reduction in fair value of the Company's investment. As a consequence, the Company has recorded the deferred income tax effect of \$54,596 (2010 - \$364,583) arising on the change in fair value of its marketable securities, with a corresponding increase to accumulated other comprehensive income due to tax benefits recognized on previously unrecorded tax loss carry-forwards.

B. Liquidity and Capital Resources

The Company's cash position at December 31, 2011 was \$37,196,933, a decrease of \$1,390,313 from December 31, 2010. Total assets at December 31, 2011 were \$38,327,185, a decrease of \$2,767,391 from \$41,094,576 at December 31, 2010. The decrease in the Company's assets is the direct result of the decrease in fair value of its marketable securities and the lower cash and cash equivalents on hand.

The Company received \$60,587 from the exercise of options in 2011 versus \$Nil in 2010. Subsequent to December 31, 2011, 24,581 options were exercised for proceeds of \$13,028 to the Company. As at March 26, 2012, the Company had working capital of approximately \$37 million.

The Company considers that it has adequate resources to maintain its operations for the next fiscal year. The funds on hand should also allow the Company to acquire advanced-stage exploration assets. The Company will continue to rely on successfully completing additional equity financing to further the acquisition, exploration and development of mineral exploration projects as needed.

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 Licences, 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 and bulk material prices are extremely volatile. Base metal and bulk material prices are 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, demands, 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.

- 52 -

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## F. Tabular Disclosure of Contractual Obligations

Except as otherwise disclosed, the Company knows of no other contractual obligations during the period from January 1, 2011 through December 31, 2011.

|  | Total   | Payments Due by Period (\$) |           |           | More than<br>5 Years |
|--|---------|-----------------------------|-----------|-----------|----------------------|
|  |         | Less than<br>1 Year         | 1-3 Years | 3-5 Years |                      |
| Contractual Obligations                  |         |                             |           |           |                      |
| Accounts Payable and Accrued Liabilities | 204,557 | 204,557                     | -         | -         | -                    |
| Operating Lease Obligations              | 428,656 | 395,682                     | 32,974    | -         | -                    |
| Total                                    | 633,213 | 600,239                     | 32,974    | -         | -                    |

## G. Safe Harbour

The Company seeks safe harbour 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)<br>British Columbia, Canada<br>Chief Executive Officer,<br>President and Director<br>Age (57) | Former Director and Chief Executive Officer of International Barytex Resources Ltd., Mining Engineer.  | Director, President and CEO since September 30, 2009 to present. |
| ROMAN SHKLANKA<br>British Columbia, Canada<br>Chairman and Director<br>Age (79)                                  | Chairman and Director of Pacific Imperial Mines Inc. Director of Delta Minerals Corporation. Former Chairman and Director of Kobex Resources Ltd. and International Barytex Resources Ltd. | Chairman and Director since September 30, 2009 to present.       |
| MICHAEL ATKINSON (2)<br>British Columbia, Canada<br>Director<br>Age (39)   | 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)<br>British Columbia, Canada<br>Director<br>Age (72)   | Director and Chief Executive Officer of Copper Mountain Mining Corporation, a mining company. Corporate Director and   | Director since September, 2009 to present                        |

|   |  |  |
|---|--|--|
| ALEXANDER DAVIDSON<br>(2)(3)<br>Ontario, Canada<br>Director<br>Age (60)             | Self-employed Mining<br>Consultant. Former Director of<br>Kobex Resources Ltd.<br>(Retired) Executive Vice-President<br>Exploration and Corporate<br>Development of Barrick Gold<br>Corporation. | Director since September, 2009 to<br>present |
| GEOFFREY D. BACH<br>British Columbia, Canada<br>Chief Financial Officer<br>Age (73) | Consultant   | CFO since November 8, 2011 to<br>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

#### 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.

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:

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| Name of Director   | Name of Company   | Position   | Term of Service                        |
|--------------------|---|--|--|
| Alfred L. Hills    | -   | -  | -                                      |
| Roman Shklanka     | Pacific Imperial Mines Inc.                               | Director& Chairman                               | Sep/04 to present                      |
| Michael Atkinson   | Petra Petroleum Corp                                      | Director   | Dec/09 to present                      |
|                    | Canadian Phoenix Resource Corp.                           | Director<br>President                            | Feb/09 to present<br>Jan/09 to present |
|                    | Sypher Resources Ltd.                                     | Director   | Jan/10 to present                      |
|                    | Denovo Capital Corp.                                      | Director   | Apr/10 to present                      |
|                    | Kircaldy Capital Corp.                                    | Director, President & CFO                        | Oct/10 to present                      |
|                    | Legend Power Systems Inc.                                 | Director   | Nov/10 to present                      |
|                    | Chieftain Metals Inc.                                     | Director   | Nov/10 to present                      |
| James C. O'Rourke  | Copper Mountain Mining Corp                               | Director& President                              | Apr/06 to present                      |
|                    | Compliance Energy Corp.                                   | Director &Chairman                               | 2000 to present                        |
|                    | Madison Pacific Properties Inc.<br>Beanstalk Capital Inc. | Director& President<br>Director, President & CEO | May/98 to present<br>Jul/10 to present |
| Alexander Davidson | MBAC Fertilizer Corp                                      | Director   | Jan/10 to present                      |
|                    | Noront Resources Ltd.                                     | Director   | Oct/09 to present                      |
|                    | Yamana Gold Inc.  | Director   | Oct/09 to present                      |
|                    | Capital Drilling Ltd.                                     | Director   | May/10 to present                      |
|                    | Chantrell Ventures Corp.                                  | Director   | Dec/10 to present                      |
|                    | Hana Mining Ltd.  | Director   | Dec/10 to present                      |
|                    | Volta Resources Inc.                                      | Director   | Mar/11 to present                      |

B. Compensation

During the fiscal year ended December 31, 2011, the directors and officers of the Company, as a group, had received or charged the Company a total of \$752,945, (2010-\$770,000) for services rendered by the directors and officers or companies owned by the individuals.

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 share option grants.

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. Share 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, 2011, the Company had two Named Executive Officers: Alfred Hills, Chief Executive Officer and President, and Samuel Yik, the former 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, 2011 and 2010.

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, 2011 and 2010, and 2009 (to the extent required by the Regulations) in respect of the Named Executive Officers:

## Summary Compensation Table

| Name and Principal Position                                      | Year Ended December 31 | Salary (\$) | Share-based Awards (\$) | Option-Based Awards (\$)(13) | Non-equity incentive plan compensation (\$) |                           |                    | All other Compensation (\$) | Total Compensation (\$) |
|--|------------------------|-------------|-------------------------|------------------------------|---|---------------------------|--------------------|-----------------------------|-------------------------|
|  |                        |             |                         |                              | Annual incentive plans (\$)                 | Long-term incentive plans | Pension Value (\$) |                             |                         |
| Alfred Hills<br>President<br>and CEO<br>(1)(2)(3)                | 2011                   | 225,000     | Nil                     | 44,048                       | Nil   | Nil                       | Nil                | Nil                         | 269,048                 |
|  | 2010                   | 225,000     | Nil                     | 240,274                      | Nil   | Nil                       | Nil                | Nil                         | 465,274                 |
|  | 2009                   | 56,250      | Nil                     | 93,828                       | Nil   | Nil                       | Nil                | Nil                         | 150,078                 |
| Samuel Yik<br>CFO (4)(5)   | 2011                   | 194,170     | Nil                     | 13,229                       | Nil   | Nil                       | Nil                | Nil                         | 207,399                 |
|  | 2010                   | 195,000     | Nil                     | 195,856                      | Nil   | Nil                       | Nil                | Nil                         | 390,856                 |
|  | 2009                   | 48,750      | Nil                     | 97,799                       | Nil   | Nil                       | Nil                | Nil                         | 146,549                 |
| Roman<br>Shklanka<br>Chairman<br>(6)(7)                          | 2011                   | 150,000     | Nil                     | 44,048                       | Nil   | Nil                       | Nil                | Nil                         | 194,048                 |
|  | 2010                   | 150,000     | Nil                     | 195,856                      | Nil   | Nil                       | Nil                | Nil                         | 345,856                 |
|  | 2009                   | 160,000     | Nil                     | 107,392                      | Nil   | Nil                       | Nil                | Nil                         | 267,392                 |
| Joseph<br>Grosso<br>President<br>and CEO<br>(8)(9)(10)           | 2011                   | Nil         | Nil                     | Nil                          | Nil   | Nil                       | Nil                | Nil                         | Nil                     |
|  | 2010                   | Nil         | Nil                     | Nil                          | Nil   | Nil                       | Nil                | Nil                         | Nil                     |
|  | 2009                   | \$187,500   | Nil                     | Nil                          | Nil   | Nil                       | Nil                | \$1,211,500                 | 1,399,000               |
| Geoffrey<br>Bach<br>CFO (11)                                     | 2011                   | Nil         | Nil                     | 18,492                       | Nil   | Nil                       | Nil                | \$8,775                     | 27,267                  |
|  | 2010                   |             |                         | Nil                          |   |                           |                    |                             | Nil                     |
|  | 2009                   |             |                         | Nil                          |   |                           |                    |                             | Nil                     |
| Michael<br>Clark<br>Acting<br>Chief<br>Financial<br>Officer (12) | 2011                   | Nil         | Nil                     | Nil                          | Nil   | Nil                       | Nil                | Nil                         | Nil                     |
|  | 2010                   | Nil         | Nil                     | Nil                          | Nil   | Nil                       | Nil                | Nil                         | Nil                     |
|  | 2009                   | 42,068      | Nil                     | Nil                          | Nil   | Nil                       | Nil                | Nil                         | 42,068                  |

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

(1) Mr. Hills is also a director but does not receive any compensation in that capacity.

(2) Mr. Hills was appointed President and CEO as of September 30, 2009.

(3) Mr. Hills' option-based awards during 2009 consisted of 400,000 share options granted October 26, 2009 at an exercise price of Cdn\$0.82 that vested in three tranches over two years. The fair values per share option of the

three tranches are \$0.10, \$0.80 and \$0.65 in 2011, 2010 and 2009 respectively. Mr. Hills' option-based awards during 2010 consisted of 150,000 share options granted November 1, 2010 at an exercise price of Cdn\$0.96 that vested immediately with a fair value of \$0.89 per share option. In 2011, Mr. Hills' option-based awards consisted of 100,000 share options granted November 8, 2011 at an exercise price of Cdn\$0.80 that vested immediately with a fair value of \$0.31 per share option.

- (4) Mr. Yik was appointed CFO as of September 30, 2009 and resigned his position on November 8, 2011.
- (5) Mr. Yik's option-based awards during 2009 consisted of 400,000 share options granted October 26, 2009 at an exercise price of Cdn\$0.82 that vested in three tranches over two years. The fair values per share option of the three tranches are \$0.10, \$0.80 and \$0.65 in 2011, 2010 and 2009 respectively. Mr. Yik's option-based awards during 2010 consisted of 100,000 share options granted November 1, 2010 at an exercise price of Cdn\$0.96 that vested immediately with a fair value of \$0.89 per share option.
- (6) Dr. Shklanka is the chairman of the Company. Dr. Shklanka's compensation was \$160,000 in 2009, which included an honorarium of \$122,500 for past services with Kobex and Barytex. Dr. Shklanka is also a director of the Company, but did not receive any compensation in that capacity.
- (7) Dr. Shklanka's option-based awards during 2009 consisted of 400,000 share options granted October 26, 2009 at an exercise price of Cdn\$0.82 that vested in three tranches over two years. The fair values per share option of the three tranches are \$0.10, \$0.80 and \$0.65 in 2011, 2010 and 2009 respectively. Dr. Shklanka's option-based awards during 2010 consisted of 100,000 share options granted November 1, 2010 at an exercise price of Cdn\$0.96 that vested immediately with a fair value of \$0.89 per share option. In 2011, Dr. Shklanka's option-based awards consisted of 100,000 share options granted November 8, 2011 at an exercise price of Cdn\$0.80 that vested immediately with a fair value of \$0.31 per share option.
- (8) Mr. Grosso was a director until September 30, 2009, but did not receive any compensation in that capacity.
- (9) During the year 2009, Mr. Grosso's compensation from the Company was \$187,500 for the year. Mr. Grosso resigned as President and CEO as of September 30, 2009.
- (10) Mr. Grosso provided his services on a full-time basis under a contract with private company controlled by Mr. Grosso for an annual fee of \$250,000. As a result of the Business Combination, the contract was terminated and \$1,211,500 in termination payments was received.
- (11) In 2011, Mr. Bach's option-based awards consisted of 60,000 share options granted November 8, 2011 at an exercise price of Cdn\$0.80 that vested immediately with a fair value of \$0.31 per share option.
- (12) Mr. Clark's total compensation from the Grosso Group during 2009 was \$110,000 of which \$42,068 was allocated to the Company as part of the Grosso Group fee. Mr. Clark resigned as acting Chief Financial Officer as of September 30, 2009.
- (13) The valuation of the fair value of the options at the time of the grant is based on the Black Scholes model and includes the following assumptions; weighted average risk free rate, weighted average expected life, expected volatility and dividend yield. For options that vest, only the vested options are valued.



## Narrative discussion

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

## Incentive Plan Awards

## Option-Based Awards

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

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

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

The following table sets forth share options granted by the Company and outstanding during the financial year ended December 31, 2011 to the Named Executive Officers of the Company:

| Name              | Number of securities underlying unexercised options (#) | Option-based Awards        |                        |   | Share-based Awards   |  |
|-------------------|---|----------------------------|------------------------|---|--|--|
|                   |   | Option exercise price (\$) | Option expiration date | Value of unexercised in-the-money options (\$)(1) | Number of shares or units of shares that have not vested (#) | Market or payout value of share-based awards that have not vested (\$) |
| Alfred Hills      | 100,000   | 0.80                       | Nov 8, 2016            | -   | Nil  | Nil  |
|                   | 150,000   | 0.96                       | Nov 1, 2015            | -   |  |  |
|                   | 400,000   | 0.82                       | Oct 26, 2014           | -   |  |  |
|                   | 18,416  | 1.09                       | Feb 25, 2014           | -   |  |  |
|                   | 4,604   | 6.73                       | 2014                   | -   |  |  |
|                   | 4,604   | 20.31                      | Feb 5, 2013            | -   |  |  |
|                   | 46,041  | 25.09                      | Mar 16, 2012           | -   |  |  |
|                   |   |                            | Jul 6, 2011            |   |  |  |
| Samuel Yik<br>(2) | 100,000   | 0.96                       | Feb 6, 2012            | -   | Nil  | Nil  |
|                   | 400,000   | 0.82                       | Feb 6, 2012            | -   |  |  |
|                   | 24,581  | 0.53                       | Feb 6, 2012            | 1,966   |  |  |
|                   | 3,683   | 1.09                       | Feb 6, 2012            | -   |  |  |

|                  |        |       |             |   |     |     |
|------------------|--------|-------|-------------|---|-----|-----|
|                  | 920    | 6.73  | Feb 6, 2012 | - |     |     |
|                  | 68,281 | 2.03  | Feb 6, 2012 | - |     |     |
|                  | 11,510 | 13.36 | Feb 6, 2012 | - |     |     |
|                  |        |       |             | - |     |     |
| Geoffrey<br>Bach | 60,000 | 0.80  | Nov 8, 2016 | - | Nil | Nil |

(1) The values of unexercised in-the-money options are calculated based on the December 31, 2011 closing price (\$0.61) of the Company's common share on the TSX Venture Exchange.

(2) Samuel Yik was appointed as Chief Financial Officer on September 30, 2009 and resigned on November 8, 2011.

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

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

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

| Name              | Option-based awards – Value<br>vested during the year<br>(\$) | Share-based awards –<br>Value vested during the<br>year<br>(\$) | Non-equity incentive plan<br>compensation – Value<br>earned during the year<br>(\$) |
|-------------------|---|---|---|
| Alfred Hills (1)  | 206,081   | Nil   | Nil   |
| Samuel Yik (2)    | 167,973   | Nil   | Nil   |
| Geoffrey Bach (3) | 18,492  | Nil   | Nil   |

(1) Alfred Hills was appointed as President and CEO on September 30, 2009. Mr. Hills was granted 400,000 share options on October 25, 2009 of which 133,333 vested during the year with a value of \$13,229. Mr. Hills was granted 100,000 share options on November 8, 2011 all of which vested with a value of \$30,809.

(2) Samuel Yik was appointed as Chief Financial Officer on September 30, 2009 and resigned on November 8, 2011. Mr. Yik was granted 400,000 share options on October 25, 2009 of which 133,333 vested during the year with a value of \$13,229.

(3) Geoffrey Bach was appointed as Chief Financial Officer on November 8, 2011. Mr. Bach was granted 60,000 share options on November 8, 2011 all of which vested during the year with a value of \$18,492.

## Pension Plan Benefits

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

## Narrative Discussion

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

1. The Stock Option Plan provides that options may be granted to any employee, officer, director or consultant of the Company or a subsidiary of the Company.
2. The options issued pursuant to the Stock Option Plan will be exercisable at a price not less than the Market Value (as such term is defined in the Stock Option Plan) of the Company's common shares at the time the option is granted.
3. Options granted under the Stock Option Plan will be granted for a term not to exceed 10 years from the date of their grant, provided that if the Company is then a "Tier 2" company listed on the TSX Venture Exchange, the term of the option will be not more than five years.
4. Options under the Stock Option Plan will be subject to such vesting schedule as the Compensation Committee may determine. In the event that an option is to be terminated prior to expiry of its term due to certain corporate triggering events and following due notice to the option holders not less than ten days prior to consummation of the event, all options then outstanding shall become immediately exercisable notwithstanding the original vesting

schedule.

5. Options will also be non-assignable and non-transferable, provided that they will be exercisable by an optionee's legal heirs, personal representatives or guardians for up to 12 months following the death or termination of an optionee due to disability, or up to 12 months following the death of an employee if the employee dies within 12 months of termination due to disability. All such options will continue to vest in accordance with their original vesting schedule.
6. The maximum number of common shares to be reserved for issuance under the Stock Option Plan, including options currently outstanding, will not exceed 10% of the number of common shares of the Company issued and outstanding on the applicable date of grant.

- 59 -

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#### Termination of Employment or Change of Control

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

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

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

There are no provisions in the consulting engagement agreement with Mr. Geoffrey Bach with respect to entitlements to severance pay in the event the agreement is terminated by the Company.

#### Compensation of Directors

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

Other than as described in the Narrative Description, no directors, who were not NEO's of the Company were compensated during the financial year ended December 31, 2011 for services in their capacity as directors.

#### Narrative Description

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

During the year ended December 31, 2011, the Company paid to the directors who were not NEO's of the Company \$175,000 (2010 - \$200,000).

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

Other than as described above, no directors of the Company were compensated by the Company during the financial year ended December 31, 2011 for services as consultants or experts.

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

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

- 60 -

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

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

Outstanding Share-Based Awards and  
Option-Based Awards

| Name             | Number of securities underlying unexercised options (#) | Option-based Awards        |                        |  | Share-based Awards   |  |
|------------------|---|----------------------------|------------------------|--|--|--|
|                  |   | Option exercise price (\$) | Option expiration date | Value of unexercised in-the-money options (\$ (1)) | Number of shares or units of shares that have not vested (#) | Market or payout value of share-based awards that have not vested (\$) |
| Roman Shklanka   | 13,656  | 3.42                       | Mar 16, 2012           | -  | Nil  | Nil  |
|                  | 4,604   | 20.31                      | Mar 16, 2012           | -  |  |  |
|                  | 27,312  | 1.67                       | Mar 16, 2012           | -  |  |  |
|                  | 4,604   | 6.73                       | Mar 16, 2012           | -  |  |  |
|                  | 13,812  | 1.09                       | Dec 12, 2012           | -  |  |  |
|                  | 38,237  | 0.53                       | Dec 12, 2012           | 3,059  |  |  |
|                  | 400,000   | 0.82                       | Feb 5, 2013            | -  |  |  |
|                  | 100,000   | 0.96                       | Feb 25, 2014           | -  |  |  |
|                  | 100,000   | 0.80                       | Feb 26, 2014           | -  |  |  |
|                  |   |                            | Oct 26, 2014           |  |  |  |
|                  |   |                            | Nov 1, 2015            |  |  |  |
|                  |   |                            | Nov 8, 2016            |  |  |  |
| Michael Atkinson | 200,000   | 0.82                       | Oct 26, 2014           | -  | Nil  | Nil  |
|                  | 50,000  | 0.96                       | Nov 1, 2015            | -  |  |  |
|                  | 35,000  | 0.80                       | Nov 8, 2016            | -  |  |  |
| James O'Rourke   | 13,656  | 3.42                       | Mar 16, 2012           | -  | Nil  | Nil  |
|                  | 27,312  | 1.67                       | Mar 16, 2012           | -  |  |  |
|                  | 38,237  | 0.53                       | Dec 12, 2012           | 3,059  |  |  |
|                  | 200,000   | 0.82                       | Feb 26, 2014           | --   |  |  |
|                  | 50,000  | 0.96                       | Feb 26, 2014           | -  |  |  |
|                  | 35,000  | 0.80                       | Oct 26, 2014           | -  |  |  |
|                  |   |                            | Nov 1, 2015            |  |  |  |
|                  |   |                            | Nov 8, 2016            |  |  |  |
| Alex Davidson    | 200,000   | 0.82                       | Oct 26, 2014           | -  | Nil  | Nil  |
|                  | 50,000  | 0.96                       | Nov 1, 2015            | -  |  |  |
|                  | 35,000  | 0.80                       | Nov 8, 2016            | -  |  |  |

(1)The values of unexercised in-the-money options are calculated based on the December 31, 2011 closing price (\$0.61) of the Company's common shares on the TSX Venture Exchange.

Each of the directors above except for Dr. Roman Shklanka was also paid a fee of \$50,000 as a director's fee during 2011.

There were 105,000 and 200,000 share options granted by the Company during the financial year ended December 31, 2011 and 2010 respectively to the directors who are not a Named Executive Officer of the Company.

There were no exercises of share options during the financial years ended December 31, 2011 and 2010 by the directors who are not the Named Executive Officer, and the financial year end value of unexercised options. There were no unexercised options at the financial year end held by a director who is not a Named Executive Officer, and consequently none were in-the-money.

#### Incentive Plan Awards Tables

Of the incentive share options held by the non-executive directors, 305,000 and 466,667 options vested during the 2011 and 2010 years respectively.

- 61 -

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## Employment Agreements

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

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

## Option Grants

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

| Name  | Securities Under Options Granted(1)<br>(#) | % of Total Options Granted in Financial Year(2)<br>(%) | Exercise or Base Price(3)<br>(\$/Security) | Market Value of Securities Underlying Options on Date of Grant<br>(\$/Security) | Expiration Date |
|---|--|--|--|---|-----------------|
| Directors as a group who are not Named Executive Officers | 105,000                                    | 24 %   | \$ 0.80                                    | \$ 0.62   | Nov 8, 2016     |

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

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

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

## Management Contracts

### Alfred Hills

The Company is party to an agreement with Mr. Alfred Hills, effective as of November 9, 2009, pursuant to which Mr. Hills provides executive services as President and Chief Executive Officer of the Company. During the fiscal year ended December 31, 2011, Mr. Hills was paid \$225,000 (2010 - \$225,000).

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

### Roman Shklanka

The Company is party to an agreement with Dr. Roman Shklanka, effective as of October 1, 2009, pursuant to which Dr. Shklanka provides executive services as Chairman of the Company. During the fiscal year ended December 31, 2011, Dr. Shklanka was paid \$150,000 (2010 - \$150,000).

Pursuant to the terms of this agreement, in the event the agreement is terminated by the Company within one year of change of control, or if Dr. Shklanka resigns within one year of change of control, Dr. Shklanka's entitlement to

severance pay will be an amount equal to two years' base salary plus the cost of two years' benefits other than incentive share options, but including bonus (averaged up to three years as applicable).

Samuel Yik

The Company is party to an agreement with Mr. Samuel Yik, effective as of November 9, 2009, pursuant to which Mr. Yik provided executive services as Chief Financial Officer of the Company. Mr. Yik resigned his position on November 8, 2011. During the fiscal year ended December 31, 2010, Mr. Yik was paid \$194,170 (2010- \$195,000).

- 62 -

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#### Geoffrey Bach

The Company is party to an agreement with Mr. Geoffrey Bach, effective as of November 8, 2011, pursuant to which Mr. Bach provides executive services as Chief Financial Officer of the Company. During the fiscal year ended December 31, 2011, Mr. Bach was paid \$8,775 (2010 - \$Nil).

#### Corporate Cease Trade Orders or Bankruptcies

Dr. Shklanka is a director and chairman of Pacific Imperial Mines Inc. which company is the subject of cease trade orders issued by the British Columbia Securities Commission on November 8, 2008, and the Alberta Securities Commission on February 9, 2009 for failure to file financial statements and related documents as required. The financial statements have since been filed and the company obtained a revocation order effective October 12, 2010. Dr. Shklanka is also a director of Texon Technologies Ltd., a private company, which received a Petition for a Receiving Order under the Bankruptcy and Insolvency Act (Canada) on August 27, 2004. The issues surrounding the Receiving Order were resolved in the first half of 2005 pursuant to a Plan of Arrangement.

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

- (a) was the subject of a cease trade order or similar order or an order that denied the other issuer access to any exemptions for a period of more than 30 consecutive days, or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

#### Penalties or Sanctions

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

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

#### Individual Bankruptcies

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

#### C. Board Practices

#### Compensation Committee

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

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

## Terms of Reference for the Compensation Committee

### General

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

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

### Composition and Process

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



## Responsibilities

1. The Compensation Committee will review management prepared policies and make recommendations to the Board regarding the following matters:
2. Compensation, philosophy, policies and guidelines for senior officers, as well as supervisory and management personnel of the Corporation and any subsidiary companies.
3. Corporate benefits for senior management (i.e. car insurance, life insurance, retirement plan, expense accounts, etc.).
4. Incentive plans, along with global payment information as it applies to senior management bonus and discretionary bonus plans.
5. Review and approval of Corporate goals and objectives relevant to CEO and other senior management compensation.
6. Evaluation of the performance of the CEO and other senior management in light of corporate goals and objectives and making recommendations with respect to compensation levels based on such evaluations.
7. Policies regarding the Corporation's Incentive Stock Option Plan and the granting of share options to Directors, management and employees of the Corporation.
8. Policies regarding the development and implementation of incentive compensation plans and equity based compensation plans.
9. Compensation levels for directors and committee members, including the compensation of the Chair and the Chair of any Board committees, to ensure compensation realistically reflects the responsibilities and risk involved in being an effective director. Compensation should be commensurate with the time spent by directors in meeting their obligations and should be transparent and easy for shareholders to understand.
10. Succession plan for the CEO and other executives and key employees of the Corporation, in conjunction with the CEO.
11. Any material changes in human resources policy, procedure, remuneration and benefits.
12. Review of executive compensation disclosure in all public disclosure documents.
13. The Compensation Committee will review and assess its effectiveness, contribution and these Terms of Reference annually and recommend any proposed changes thereto to the Board.
14. Perform any other activities consistent with these Terms of Reference, as the Compensation Committee or the Board deems necessary or appropriate.
15. The Compensation Committee will have the authority to delegate any specific tasks to individual Compensation Committee members.

## Audit Committee

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

## Terms of Reference for the Audit Committee

## General

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

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

- 65 -

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

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

#### D. Employees

The Company has 5 full-time employees. Exploration activities are conducted by consultants, labourers and technicians hired for the duration of the exploration program.

#### E. Share Ownership

As of March 26, 2012, the Company had 46,082,413 shares outstanding. The following table sets forth details of all employee share ownership and includes information regarding the date of expiration or any options or warrants held by each employee; the exercise price of the particular option or warrant held; the total number of options and warrants held by each employee; the total number of shares held by each employee; and each employee's percentage of ownership:

The following table sets forth certain information regarding ownership of the Company's shares by the Company's officers and directors as of March 26, 2012.

| Title of Class | Name   | Shares and Rights Beneficially Owned or Controlled (1) | Percent of Class(1) |   |
|----------------|--|--|---------------------|---|
| Common Shares  | Alfred Hills (2)                               | 690,829  | 1.48                | % |
| Common Shares  | Roman Shklanka (3)                             | 2,459,804  | 6.25                | % |
| Common Shares  | Michael Atkinson(5)                            | 285,000  | 0.61                | % |
| Common Shares  | James C. O'Rourke(6)                           | 487,055  | 1.05                | % |
| Common Shares  | Alexander Davidson(7)                          | 285,000  | 0.61                | % |
| Common Shares  | Geoffrey Bach(8)                               | 60,000   | 0.13                | % |
| Common Shares  | Officers and Directors (as a group, 5 persons) | 4,267,688 (9)  | 8.81                | % |

(1) Where persons listed on this table have the right to obtain additional common shares through the exercise of outstanding options and or warrants, these additional shares are deemed to be outstanding for the purpose of computing the percentage of common share owned by such persons, but are not deemed to be outstanding for the purpose of computing the percentage owned by any other person. Based on 46,082,413 shares of common share outstanding as of March 26, 2012.

(2) Includes 13,205 shares held by Mr. Hills and 677,624 options held by Mr. Hills to acquire an additional 677,624 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to

Acquire Securities - Share Options.”

- (3) Includes 40,950 and 1,716,629 shares held by Dr. Shklanka and Shklanka Holdings Ltd. respectively and 702,225 options held by Dr. Shklanka to acquire an additional 702,225 shares. See “Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Share Options.”
- (4) Intentionally omitted note.
- (5) Includes 285,000 options held by Mr. Atkinson to acquire an additional 285,000 shares. See “Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Share Options.”
- (6) Includes 122,850 shares held by Mr. O’Rourke and 364,205 options held by Mr. O’Rourke to acquire an additional 364,205 shares. See “Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Share Options.”
- (7) Includes 285,000 options held by Mr. Davidson to acquire an additional 285,000 shares. See “Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Share Options.”
- (8) Includes 60,000 options held by Mr. Bach to acquire 60,000 shares. See “Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Share Options.”
- (9) Includes the shares, options, and warrants set forth in footnotes 2 through 8 above. See “Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Share Options.”

## Options, Warrants and Other Rights to Acquire Securities

As of March 26, 2012, the Company had granted a number of share options, issued a number of warrants and entered into a number of agreements pursuant to which up to 3,169,997 common shares of the Company may be issued. The following is a brief summary of these share options and warrants currently outstanding and agreements.

### Share Options

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

### Administration of the Stock Option Plan

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

### Description of Stock Option Plan

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

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

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

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

length.

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

- 67 -

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Options under the Stock Option Plan will be subject to such vesting schedule as the Compensation Committee may determine. In the event that an option is to be terminated prior to expiry of its term due to certain corporate triggering events and following due notice to the option holders not less than ten days prior to consummation of the event, all options then outstanding shall become immediately exercisable notwithstanding the original vesting schedule.

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

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

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

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

As of March 26, 2012, the Company has issued 3,169,997 non-transferable incentive share options to purchase common shares outstanding to the following persons:

| Optionee       | Nature of Option(1) | Number of Shares | Exercise Price | Expiration Date | Market Value on Date of Grant or Repricing |
|----------------|---------------------|------------------|----------------|-----------------|--|
| Roman Shklanka | Director            | 27,312           | \$1.67         | Dec 12, 2012    | \$1.67                                     |
|                |                     | 4,604            | \$6.73         | Feb 5, 2013     | \$6.73                                     |
|                |                     | 13,812           | \$1.09         | Feb 25, 2014    | \$1.09                                     |
|                |                     | 38,237           | \$0.53         | Feb 26, 2014    | \$0.53                                     |
|                |                     | 400,000          | \$0.82         | Oct 26, 2014    | \$0.82                                     |
|                |                     | 100,000          | \$0.96         | Nov 1, 2015     | \$0.96                                     |
|                |                     | 100,000          | \$0.80         | Nov 8, 2016     | \$0.62                                     |
| Leo King       | Consultant          | 27,312           | \$1.67         | Dec 12, 2012    | \$1.67                                     |
|                |                     | 4,604            | \$6.73         | Feb 5, 2013     | \$6.73                                     |
|                |                     | 10,129           | \$1.09         | Feb 25, 2014    | \$1.09                                     |
|                |                     | 38,237           | \$0.53         | Feb 26, 2014    | \$0.53                                     |
|                |                     | 100,000          | \$0.82         | Oct 26, 2014    | \$0.82                                     |
|                |                     | 50,000           | \$0.96         | Nov 1, 2015     | \$0.96                                     |
| James O'Rourke | Director            | 27,312           | \$1.67         | Dec 12, 2012    | \$1.67                                     |
|                |                     | 38,237           | \$0.53         | Feb 26, 2014    | \$0.53                                     |
|                |                     | 200,000          | \$0.82         | Oct 26, 2014    | \$0.82                                     |
|                |                     | 50,000           | \$0.96         | Nov 1, 2015     | \$0.96                                     |
|                |                     | 35,000           | \$0.80         | Nov 8, 2016     | \$0.62                                     |



|                  |   |         |         |              |         |
|------------------|---|---------|---------|--------------|---------|
| Geoffrey Bird    | Former Director of<br>Kobex Resources Ltd.                    | 27,312  | \$1.67  | Dec 12, 2012 | \$1.67  |
|                  |   | 38,237  | \$0.53  | Feb 26, 2014 | \$0.53  |
| Evan Koblanski   | Consultant  | 27,312  | \$1.67  | Dec 12, 2012 | \$1.67  |
|                  |   | 20,000  | \$0.96  | Nov 1, 2015  | \$0.96  |
| Steve Bebek      | Former Director of<br>Kobex Resources Ltd.                    | 27,312  | \$1.67  | Dec 12, 2012 | \$1.67  |
|                  |   | 38,237  | \$0.53  | Feb 26, 2014 | \$0.53  |
| Chelsia Cheam    | Employee  | 8,193   | \$1.67  | Dec 12, 2012 | \$1.67  |
|                  |   | 1,381   | \$6.73  | Feb 5, 2013  | \$6.73  |
|                  |   | 1,841   | \$1.09  | Feb 25, 2014 | \$1.09  |
|                  |   | 60,000  | \$0.82  | Oct 26, 2014 | \$0.82  |
|                  |   | 40,000  | \$0.96  | Nov 1, 2015  | \$0.96  |
|                  |   | 30,000  | \$0.80  | Nov 8, 2016  | \$0.62  |
| Theodore Muraro  | Consultant  | 4,604   | \$6.73  | Feb 5, 2013  | \$6.73  |
|                  |   | 6,906   | \$1.09  | Feb 25, 2014 | \$1.09  |
| William Pillipow | Former Director of<br>International Barytex<br>Resources Ltd. | 4,604   | \$6.73  | Feb 5, 2013  | \$6.73  |
|                  |   | 6,906   | \$1.09  | Feb 25, 2014 | \$1.09  |
| Alfred Hills     | Officer   | 4,604   | \$6.73  | Feb 5, 2013  | \$6.73  |
|                  |   | 18,416  | \$1.09  | Feb 25, 2014 | \$1.09  |
|                  |   | 400,000 | \$0.82  | Oct 26, 2014 | \$0.82  |
|                  |   | 150,000 | \$0.96  | Nov 1, 2015  | \$0.96  |
|                  |   | 100,000 | \$0.80  | Nov 8, 2016  | \$0.62  |
| Mike Davies      | Consultant  | 184     | \$6.73  | Feb 5, 2013  | \$6.73  |
| Megan Carlson    | Employee  | 1,381   | \$12.81 | Nov 8, 2012  | \$12.81 |
|                  |   | 460     | \$6.73  | Feb 5, 2013  | \$6.73  |
|                  |   | 920     | \$1.09  | Feb 25, 2014 | \$1.09  |
|                  |   | 60,000  | \$0.82  | Oct 26, 2014 | \$0.82  |
|                  |   | 40,000  | \$0.96  | Nov 1, 2015  | \$0.96  |
|                  |   | 30,000  | \$0.80  | Nov 8, 2016  | \$0.62  |
| Nicole Forbes    | Employee  | 10,000  | \$0.96  | Nov 1, 2015  | \$0.96  |
|                  |   | 7,500   | \$0.80  | Nov 8, 2016  | \$0.62  |
| Ian Marshall     | Consultant  | 8,193   | \$1.67  | Dec 12, 2012 | \$1.67  |
|                  |   | 920     | \$1.09  | Feb 25, 2014 | \$1.09  |
|                  |   | 30,000  | \$0.82  | Oct 26, 2014 | \$0.82  |
|                  |   | 15,000  | \$0.96  | Nov 1, 2015  | \$0.96  |
| Louis Kabwe      | Consultant  | 460     | \$1.09  | Feb 25, 2014 | \$1.09  |
| CoMo Investment  | Consultant  | 920     | \$1.09  | Feb 25, 2014 | \$1.09  |
| Michael Atkinson | Director  | 200,000 | \$0.82  | Oct 26, 2014 | \$0.82  |
|                  |   | 50,000  | \$0.96  | Nov 1, 2015  | \$0.96  |
|                  |   | 35,000  | \$0.80  | Nov 8, 2016  | \$0.62  |

|                  |   |           |        |              |        |
|------------------|---|-----------|--------|--------------|--------|
| Alex Davidson    | Director  | 200,000   | \$0.82 | Oct 26, 2014 | \$0.82 |
|                  |   | 50,000    | \$0.96 | Nov 1, 2015  | \$0.96 |
|                  |   | 35,000    | \$0.80 | Nov 8, 2016  | \$0.62 |
| Albert Wu        | Consultant  | 2,731     | \$1.67 | Dec 12, 2012 | \$1.67 |
|                  |   | 920       | \$6.73 | Feb 5, 2013  | \$6.73 |
| Anthonie Luteijn | Former Director of<br>International Barytex<br>Resources Ltd. | 4,604     | \$6.73 | Feb 5, 2013  | \$6.73 |
|                  |   | 6,906     | \$1.09 | Feb 25, 2014 | \$1.09 |
|                  |   | 38,237    | \$0.53 | Feb 26, 2014 | \$0.53 |
| Geoffrey Bach    | Chief Financial Officer                                       | 60,000    | \$0.80 | Nov 8, 2016  | \$0.62 |
| TOTAL            |   | 3,169,997 |        |              |        |

As of March 26, 2012, Officers and directors, as a group (6 persons), held 2,337,534 options to purchase the Company's common shares.

#### Warrants and Other Commitments

As of March 26, 2012, there were no non-transferable common share purchase warrants exercisable or outstanding.

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



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

## A. Major Shareholders

To the best of the Company's knowledge, the following table sets forth certain information regarding ownership of the Company's common shares by the Company's major shareholders as of March 26, 2012:

| TITLE OF CLASS | NAME AND ADDRESS OF OWNER  | SHARES AND RIGHTS BENEFICIALLY OWNED OR CONTROLLED (1) | PERCENT OF CLASS (1) |
|----------------|--|--|----------------------|
| COMMON SHARES  | SPROTT ASSET MANAGEMENT INC.(3)<br>AND GLOBAL RESOURCE INVESTMENTS LTD. (2)<br>ROYAL BANK PLAZA,<br>SOUTH TOWER<br>200 BAY STREET<br>SUITE 2700, PO BOX 27<br>TORONTO, ONTARIO M5J 2J1 | 8,594,522  | 18.6%                |
| COMMON SHARES  | SEA WAVE INVEST LIMITED<br>902B EURO TRADE CENTER<br>21- 23 DES VOEUX ROAD<br>CENTRAL,<br>HONG KONG  | 1,031,329  | 2.2%                 |

## NOTES:

(1) Where persons listed on this table have the right to obtain additional common shares through the exercise of outstanding options or warrants within 60 days from March 26, 2012, these additional shares are deemed to be outstanding for the purpose of computing the percentage of common share owned by such persons, but are not deemed to be outstanding for the purpose of computing the percentage owned by any other person. Based on 46,082,413 common shares outstanding as of March 26, 2012.

(2) These shares are held collectively by Sprott Asset Management USA Inc. and Global Resource Investments Ltd.

(3) These shares were previously held by affiliated entities as follows: (i) by Exploration Capital Partners 2006 Limited Partnership, as the direct beneficial owner of 2,083,333 common shares of the issuer; (ii) by Resource Investment Management Corporation by virtue of its position as general partner of Exploration Capital Partners 2006 Limited Partnership; (iii) by the Rule Family Trust udt 12/17/98 by virtue of its indirect ownership and control of Exploration Capital Partners 2006 Limited Partnership (as owner of 100% of Resource Investment Management Corporation); and (iv) by Arthur Richards Rule by virtue of his positions with Resource Investment Management Corporation and ownership interest in the Rule Family Trust udt 12/17/98. Mr. Rule is president and a director of RIMC and, with his wife, is co-trustee of the Rule Family Trust udt 12/17/98, which owns 100% of

Resource Investment Management Corporation. The Rule Family Trust announced on February 17, 2011 that it has transferred its insider share position of the Company to Sprott Inc. (“Sprott”) as part of its recent Share Purchase Agreement with Sprott (see note 4 below).

(4) Mr. Michael Atkinson was nominated by the board to represent the interests of the Rule Family Trust, a previous significant shareholder of the company. Mr. Atkinson was elected a director at the company’s annual meeting of shareholders on December 9, 2008

#### Changes in ownership by major shareholders

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

#### Shares Held in the United States

As of December 31, 2011, there were 103 registered holders of the Company's shares with addresses in the United States, with combined holdings of 5,141,940 shares.

#### Change of Control

As of March 26, 2012, there were no arrangements known to the Company which may, at a subsequent date, result in a change of control of the Company.

#### Control by Others

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

#### B. Related Party Transactions

Other than as disclosed below, from January 1, 2011 through March 26, 2012, the Company did not enter into any transactions or loans between the Company and any (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close members of any such individual's family; (d) key management personnel and close members of such individuals' families; or (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly by any person described in (c) or (d) or over which such a person is able to exercise significant influence.

During the period the Company paid directors' fees totalling \$175,000 to the three continuing independent directors of the Company and one other independent director of the Company who resigned in July 2011 (2010 to four independent directors - \$200,000).

#### C. Interests of Experts and Counsel

Not Applicable.

### ITEM 8. FINANCIAL INFORMATION.

#### A. Consolidated Statements and Other Financial Information

##### Financial Statements

Description

Page

Consolidated Financial Statements for the  
Years Ended December 31, 2011, 2010 and as  
at January 1, 2010.

F-1 - F-27

Legal Proceedings

There are no legal proceedings as at March 26, 2012.

- 72 -

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## Dividend Policy

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

## B. Significant Changes

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

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

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

## ITEM 9. THE OFFER AND LISTING

### A. Offering and Listing Details

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

The following table lists the volume of trading and high and low sales prices on the TSX-V, for the Company’s common shares for the last five fiscal years, each quarterly period during the last two fiscal years and each month from September 2011 through February 2012.



## TSX Venture Exchange Stock Trading Activity

| Year Ended        | Volume     | Sales Price |        |
|-------------------|------------|-------------|--------|
|                   |            | High        | Low    |
| December 31 2011  | 12,538,100 | 1.19        | 0.60   |
| December 31, 2010 | 14,259,123 | \$1.08      | \$0.75 |
| December 31, 2009 | 8,127,272  | \$1.17      | \$0.62 |
| December 31, 2008 | 11,615,295 | \$1.15      | \$0.48 |
| December 31, 2007 | 16,325,925 | \$2.88      | \$0.85 |

| Quarter Ended      | Volume    | Sales Price |        |
|--------------------|-----------|-------------|--------|
|                    |           | High        | Low    |
| December 31 2011   | 3,309,200 | 0.68        | 0.55   |
| September 30, 2011 | 2,093,800 | 0.82        | 0.60   |
| June 30, 2011      | 3,161,900 | 1.00        | 0.74   |
| March 31, 2011     | 3,973,200 | 1.19        | 0.90   |
| December 31, 2010  | 2,956,677 | \$1.04      | \$0.90 |
| September 30, 2010 | 3,851,576 | \$1.08      | \$0.75 |
| June 30, 2010      | 2,950,014 | \$1.00      | \$0.81 |
| March 31, 2010     | 4,500,856 | \$1.07      | \$0.89 |

| Month Ended        | Volume    | Sales Price |      |
|--------------------|-----------|-------------|------|
|                    |           | High        | Low  |
| February 28, 2012  | 531,200   | 0.69        | 0.60 |
| January 31, 2012   | 530,100   | 0.69        | 0.61 |
| December 31, 2011  | 844,200   | 0.67        | 0.60 |
| November 30, 2011  | 1,617,600 | 0.66        | 0.55 |
| October 31, 2011   | 847,400   | 0.62        | 0.60 |
| September 30, 2011 | 990,900   | 0.73        | 0.60 |

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

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

| Year Ended        | Volume    | Sales Price (US\$) |        |
|-------------------|-----------|--------------------|--------|
|                   |           | High               | Low    |
| December 31, 2011 | 5,563,700 | 1.23               | 0.54   |
| December 31, 2010 | 5,207,646 | \$1.07             | \$0.71 |
| December 31, 2009 | 6,620,044 | \$1.12             | \$0.48 |

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|                   |           |        |        |
|-------------------|-----------|--------|--------|
| December 31, 2008 | 3,553,263 | \$1.13 | \$0.38 |
| December 31, 2007 | 7,591,289 | \$3.12 | \$0.60 |

- 74 -

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| Quarter Ended      | Volume    | Sales Price (US\$) |        |
|--------------------|-----------|--------------------|--------|
|                    |           | High               | Low    |
| December 31, 2011  | 570,100   | 0.69               | 0.54   |
| September 30, 2011 | 1,477,100 | 0.85               | 0.57   |
| June 30, 2011      | 894,300   | 1.03               | 0.71   |
| March 31, 2011     | 2,622,200 | 1.23               | 0.88   |
| December 31, 2010  | 1,740,522 | \$1.05             | \$0.85 |
| September 30, 2010 | 880,418   | \$1.07             | \$0.71 |
| June 30, 2010      | 972,261   | \$0.99             | \$0.77 |
| March 31, 2010     | 1,614,445 | \$1.04             | \$0.84 |

| Month Ended        | Volume  | Sales Price (US\$) |      |
|--------------------|---------|--------------------|------|
|                    |         | High               | Low  |
| February 28, 2012  | 227,100 | 0.68               | 0.61 |
| January 31, 2012   | 188,300 | 0.69               | 0.60 |
| December 31, 2011  | 153,600 | 0.66               | 0.56 |
| November 30, 2011  | 268,100 | 0.66               | 0.54 |
| October 31, 2011   | 148,400 | 0.69               | 0.59 |
| September 30, 2011 | 767,400 | 0.76               | 0.57 |

B. Plan of Distribution

Not Applicable.

C. Markets

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

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not Applicable.



B. Memorandum and Articles of Association

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

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

Amendment of Notice of Articles

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

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

On September 25, 2009, the shareholders of the Company passed a special resolution authorizing the Company's authorized share structure be altered by consolidating (the "Consolidation") all of the approximately 110,317,580 fully paid and issued common shares without par value in the capital of the Company on the basis of 2.4 old common shares of the Company for one new common share of the Company into approximately 45,967,077 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. See "Item 4. Information on the Company".

Summary of Material Provisions

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

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

Under the BCBCA, subject to certain exceptions, a director or senior officer of the Company must disclose any material interest that he personally has, or that he as a director or senior officer of another corporation has in a contract or transaction that is material to the Company and which the Company has entered into or proposes to enter into. A director or senior officer of the Company does not hold a disclosable interest in a contract or transaction if:

1.

the situation that would otherwise constitute a disclosable interest arose before the coming into force of the BCBCA, or the interest was disclosed and approved under, or was not required to be disclosed under legislation that applied to the Company before the coming into effect of the BCBCA;

- 76 -

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2. both the Company and the other party to the contract or transaction are wholly owned subsidiaries of the same corporation;
3. the Company is a wholly owned subsidiary of the other party to the contract or transaction;
4. the other party to the contract or transaction is a wholly owned subsidiary of the Company; or
5. the director or senior officer is the sole shareholder of the Company or of a corporation of which the Company is a wholly owned subsidiary.

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

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

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

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

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

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

The Company, if authorized by the directors, may:

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



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

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

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

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

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

#### Description of Share Capital

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

#### Common Shares

A total of 46,057,832 common shares were issued and outstanding as of December 31, 2011 and 46,082,413 common shares were outstanding as at March 26, 2012. All of the common shares are fully paid and not subject to any future call or assessment. All of the common shares of the Company rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and the entitlement to dividends. The holders of the common shares are entitled to receive notice of all shareholder meetings and to attend and vote at such meetings. Each common share carries with it the right to one vote. The common shares do not have preemptive or conversion rights. In addition, there are no sinking fund or redemption provisions applicable to the common shares or any provisions discriminating against any existing or prospective holders of such securities as a result of a shareholder owning a substantial number of shares.

#### Preferred Shares

The Company is authorized to issue up to 100,000,000 preferred shares in one or more series of which 18,283,053 have been designated as Preferred Shares, Series I. The preferred shares are entitled to priority over the common shares with respect to the payment of dividends and distribution in the event of the dissolution, liquidation or winding-up of the Company. The holders of preferred shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Company, other than at a meeting of holders of Preferred Shares. As of March 26, 2012 there were no issued or outstanding preferred shares.

#### Changes to Rights and Restrictions of Shares

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

#### Dividend Record

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

- 78 -

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### Ownership of Securities and Change of Control

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

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

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

### Meetings of the Shareholders

#### Annual and General Meetings

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

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

#### Quorum for Shareholder Meeting

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

#### Special Majority for Resolutions

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

#### Indemnity Provision

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

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

- (a) the party did not act honestly and in good faith with a view to the best interests of the Company;
- (b)

the proceeding was not a civil proceeding and the party did not have reasonable grounds for believing that his or her conduct was lawful; and

(c) the proceeding is brought against the party by the Company or an associated corporation.

#### Differences from Requirements in the United States

Except for the Company's quorum requirements, certain requirements related to related party transactions and the requirement for notice of shareholder meetings, discussed above, there are no significant differences in the law applicable to the Company, in the areas outlined above, in Canada versus the United States. In most states in the United States, a quorum must consist of a majority of the shares entitled to vote. Some states allow for a reduction of the quorum requirements to less than a majority of the shares entitled to vote. Having a lower quorum threshold may allow a minority of the shareholders to make decisions about the Company, its management and operations. In addition, most states in the United States require that a notice of meeting be mailed to shareholders prior to the meeting date. Additionally, in the United States, a director may not be able to vote on the approval of any transaction in which the director has an interest.

C. Material Contracts

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

1. Pursuant to an arrangement agreement dated August 17, 2009, among the Company, Kobex, and Barytex, the Company agreed, among other things, to acquire all the issued and outstanding common shares of Kobex and Barytex in exchange for issuing: (i) to Kobex shareholders, 1.311 common shares of the Company for each common share of Kobex acquired; and (ii) to Barytex shareholders, 0.221 common shares of the Company for each common share of Barytex acquired. This transaction was effected by way of two statutory plans of arrangement (the “Kobex Arrangement” and the “Barytex Arrangement”, respectively, and together, the “Arrangements”), and was subject to approvals from the TSX Venture Exchange and the Barytex and Kobex shareholders, as well as court approval of the Arrangements. The details of the Arrangements are fully disclosed in the joint information circular dated August 25, 2009, prepared by Kobex and Barytex in connection with the Arrangements, and available on SEDAR at [www.sedar.com](http://www.sedar.com) under their respective profiles.
2. Effective October 1, 2009, the Company entered into an employment agreement with Dr. Roman Shklanka to provide services as the Company’s chairman. Under this agreement, Dr. Shklanka receives an annual salary of \$150,000, and is also eligible for the Company’s benefit plan and Stock Option Plan. Pursuant to the terms of this employment agreement, in the event the agreement is terminated by the Company within one year of change of control, or if Dr. Shklanka resigns within one year of change of control, Dr. Shklanka’s entitlement to severance pay will be an amount equal to two years’ base salary plus the cost of two years’ benefits other than incentive share options, but including bonus (averaged up to three years as applicable).
3. Effective November 9, 2009, the Company entered into an employment agreement with Mr. Alfred Hills to provide services in the capacity of the Company’s Chief Executive Officer. Under this agreement, Mr. Hills receives an annual salary of \$225,000, and is also eligible for the Company’s benefit plan and Stock Option Plan. Pursuant to the terms of this agreement, in the event the agreement is terminated by the Company within one year of change of control, or if Mr. Hills resigns within one year of change of control, Mr. Hills’ entitlement to severance pay will be an amount equal to two years’ base salary plus the cost of two years’ benefits other than incentive share options, but including bonus (averaged up to three years as applicable).
4. International Barytex Resources Ltd., Kobex Resources Ltd., and Pacific Imperial Mines Inc. entered into a lease agreement with Pacific Centre Leaseholds Limited for leasing of office premises at #1700 – 700 West Pender Street, Vancouver, BC. Upon the completion of the merger, the Company moved its head office to this location. The term of the lease is for six years and expires on January 31, 2013.
5. Effective December 1, 2009, the Company sub-leased a portion of its office premises at #1700 – 700 West Pender Street to Copper Mountain Mining Corporation. The term of this sublease agreement expires on January 31, 2013.

D. Exchange Controls

There are no governmental laws, decrees, or regulations in Canada relating to restrictions on the export or import of capital, or affecting the remittance of interest, dividends, or other payments to non-resident holders of the Company’s Common Stock. Any remittances of dividends to United States residents are, however, subject to a 15% withholding tax (10% if the shareholder is a corporation owning at least 10% of the outstanding Common Shares of the Company) pursuant to Article X of the reciprocal tax treaty between Canada and the United States. See “Item 10. Additional Information - Taxation”.



Except as provided in the Investment Canada Act (the “Act”), there are no limitations specific to the rights of non-Canadians to hold or vote the Common Shares of the Company under the laws of Canada or the Province of British Columbia or in the charter documents of the Company.

Management of the Company considers that the following general summary is materially complete and fairly describes those provisions of the Act pertinent to an investment by an American investor in the Company.

The Act requires a non-Canadian making an investment which would result in the acquisition of control of a Canadian business, the gross value of the assets of which exceed certain threshold levels or the business activity of which is related to Canada’s cultural heritage or national identity, to either notify, or file an application for review with, Investment Canada, the federal agency created by the Investment Canada Act.

The notification procedure involves a brief statement of information about the investment of a prescribed form which is required to be filed with Investment Canada by the investor at any time up to 30 days following implementation of the investment. It is intended that investments requiring only notification will proceed without government intervention unless the investment is in a specific type of business activity related to Canada’s cultural heritage and national identity.

If an investment is reviewable under the Act, an application for review in the form prescribed is normally required to be filed with Investment Canada prior to the investment taking place and the investment may not be implemented until the review has been completed and the Minister responsible for Investment Canada is satisfied that the investment is likely to be of net benefit to Canada. If the Minister is not satisfied that the investment is likely to be of net benefit to Canada, the non-Canadian must not implement the investment or, if the investment has been implemented, may be required to divest himself of control of the business that is the subject of the investment.

The following investments by non-Canadians are subject to notification under the Act:

- (a) an investment to establish a new Canadian business; and
- (b) an investment to acquire control of a Canadian business that is not reviewable pursuant to the Act.

An investment is reviewable under the Act if there is an acquisition by a non-Canadian of a Canadian business and the asset value of the Canadian business being acquired equals or exceeds the following thresholds:

- (a) for non-WTO Investors, the threshold is \$5,000,000 for a direct acquisition and over \$50,000,000 for an indirect acquisition. The \$5,000,000 threshold will apply however for an indirect acquisition of the asset value of the Canadian business being acquired exceeds 50% of the asset value of the global transaction;
- (b) except as specified in paragraph (c) below, a threshold is calculated for reviewable direct acquisitions by or from WTO Investors. The threshold for 2005 is \$250,000,000. Pursuant to Canada’s international commitments, indirect acquisitions by or from WTO Investors are not reviewable; and
- (c) the limits set out in paragraph (a) apply to all investors for acquisitions of a Canadian business that:
  - (i) engages in the production of uranium and owns an interest in a producing uranium property in Canada;
  - (ii) provides any financial services;
  - (iii) provides any transportation service; or
  - (iv) is a cultural business.



WTO Investor as defined in the Act means:

- (a) an individual, other than a Canadian, who is a national of a WTO Member or who has the right of permanent residence in relation to that WTO Member;
- (b) a government of a WTO Member, whether federal, state or local, or an agency thereof;
- (c) an entity that is not a Canadian-controlled entity, and that is a WTO investor-controlled entity, as determined in accordance with the Act;
- (d) a corporation or limited partnership:
  - (i) that is not a Canadian-controlled entity, as determined pursuant to the Act;
  - (ii) that is not a WTO investor within the meaning of the Act;
  - (iii) of which less than a majority of its voting interests are owned by WTO investors;
  - (iv) that is not controlled in fact through the ownership of its voting interests; and
- (v) of which two thirds of the members of its board of directors, or of which two thirds of its general partners, as the case may be, are any combination of Canadians and WTO investors;
- (e) a trust:
  - (i) that is not a Canadian-controlled entity, as determined pursuant to the Act;
  - (ii) that is not a WTO investor within the meaning of the Act;
  - (iii) that is not controlled in fact through the ownership of its voting interests, and
  - (iv) of which two thirds of its trustees are any combination of Canadians and WTO investors, or
- (f) any other form of business organization specified by the regulations that is controlled by a WTO investor.

WTO Member as defined in the Act means a member of the World Trade Organization.

Generally speaking, an acquisition is direct if it involves the acquisition of control of the Canadian business or of its Canadian parent or grandparent and an acquisition is indirect if it involves the acquisition of control of a non-Canadian parent or grandparent of an entity carrying on the Canadian business. Control may be acquired through the acquisition of actual or de jure voting control of a Canadian corporation or through the acquisition of substantially all of the assets of the Canadian business. No change of voting control will be deemed to have occurred if less than one-third of the voting control of a Canadian corporation is acquired by an investor.

The Act specifically exempts certain transactions from either notification or review. Included among the category of transactions is the acquisition of voting shares or other voting interests by any person in the ordinary course of that person's business as a trader or dealer in securities.

## E. Taxation

### Material Canadian Federal Income Tax Consequences

Management of the Company considers that the following discussion describes the material Canadian federal income tax consequences applicable to a holder of Common Shares of the Company who is a resident of the United States and who is not a resident of Canada and who does not use or hold, and is not deemed to use or hold, his Common Shares of the Company in connection with carrying on a business in Canada (a "non-resident shareholder").

This summary is based upon the current provisions of the Income Tax Act (Canada) (the “ITA”), the regulations thereunder (the “Regulations”), the current publicly announced administrative and assessing policies of Revenue Canada, Taxation and all specific proposals (the “Tax Proposals”) to amend the ITA and Regulations announced by the Minister of Finance (Canada) prior to the date hereof. This description is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action.



## Dividends

Dividends paid on the common shares of the Company to a non-resident will be subject to withholding tax. The Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "Treaty") provides that the normal 25% withholding tax rate is reduced to 15% on dividends paid on shares of a corporation resident in Canada (such as the Company) to residents of the United States, and also provides for a further reduction of this rate to 5% where the beneficial owner of the dividends is a corporation which is a resident of the United States which owns at least 10% of the voting shares of the corporation paying the dividend. In the event of the Company declaring and paying dividends it would withhold any applicable taxes.

## Capital Gains

In general, a non-resident of Canada is subject to tax under the ITA with respect to a capital gain realized upon the disposition of a taxable Canadian property. Taxable Canadian property includes a share that is listed on a designated stock exchange if during the 60 month period that ends immediately preceding the disposition:

- (a) the non-resident holder; and
- (b) persons with whom the non-resident holder did not deal at arm's length

owned 25% or more of the issued shares of any class or series of the Company and more than 50% of fair market value of the shares was derived from one or any combination of real property in Canada, Canadian resource properties, timber resource properties, and options in respect therein. For purposes of the ITA, the Company is listed on a designated stock exchange. In the case of a non-resident holder to whom shares of the Company represent taxable Canadian property and who is resident in the United States, no Canadian taxes will be payable on a capital gain realized on such shares by reason of the Treaty unless the value of such shares is derived principally from real property situated in Canada. However, in such a case, certain transitional relief under the Treaty may be available.

## Certain United States Federal Income Tax Consideration

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of common shares.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local tax, and foreign tax consequences relating to the acquisition, ownership and disposition of common shares.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.



## Scope of this Summary

### Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, U.S. court decisions, the Treaty, and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

### U.S. Holders

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of common shares that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;
  - an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

### Non-U.S. Holders

For purposes of this summary, a “non-U.S. Holder” is a beneficial owner of common shares that is not a U.S. Holder. This summary does not address the U.S. federal income tax consequences to non-U.S. Holders arising from and relating to the acquisition, ownership, and disposition of common shares. Accordingly, a non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local tax, and foreign tax consequences (including the potential application of and operation of any income tax treaties) relating to the acquisition, ownership, and disposition of common shares.

### U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including the following U.S. Holders: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are dealers in securities or currencies or U.S. Holders that are traders in securities that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a “functional currency” other than the U.S. dollar; (e) U.S. Holders that own common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders that

acquired common shares in connection with the exercise of employee share options or otherwise as compensation for services; (g) U.S. Holders that hold common shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); (h) partnerships and other pass-through entities (and investors in such partnerships and entities); or (i) U.S. Holders that own or have owned (directly, indirectly, or by attribution) 10% or more of the total combined voting power of the outstanding shares of the Company. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are (a) U.S. expatriates or former long-term residents of the U.S. subject to Section 877 of the Code, (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Tax Act; (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold common shares in connection with carrying on a business in Canada; (d) persons whose common shares constitute “taxable Canadian property” under the Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Treaty. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local tax, and foreign tax consequences relating to the acquisition, ownership and disposition of common shares.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds common shares, the U.S. federal income tax consequences to such partnership and the partners of such partnership generally will depend on the activities of the partnership and the status of such partners. Partners of entities that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisor regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of common shares.

#### Tax Consequences Not Addressed

This summary does not address the U.S. state and local, U.S. federal estate and gift, U.S. federal alternative minimum tax or foreign tax consequences to U.S. Holders of the acquisition, ownership, and disposition of common shares. Each U.S. Holder should consult its own tax advisor regarding the U.S. state and local, U.S. federal estate and gift, U.S. federal alternative minimum tax and foreign tax consequences of the acquisition, ownership, and disposition of common shares.

#### Passive Foreign Investment Company Rules

If the Company is considered a “passive foreign investment company” under the meaning of Section 1297 of the Code (a “PFIC”) at any time during a U.S. Holder’s holding period, the following sections will generally describe the U.S. federal income tax consequences to the U.S. Holder of the acquisition, ownership, and disposition of common shares. In addition, in any year in which the Company is classified as a PFIC, such holder would be required to file an annual report with the IRS, containing such information as Treasury Regulations and/or other IRS guidelines may require. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621.

#### PFIC Status of the Company

The Company generally will be a PFIC if, for a tax year, (a) 75% or more of the gross income of the Company for such tax year is passive income or (b) 50% or more of the value of the Company’s assets either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets. “Gross income” generally includes all revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and “passive income” generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions.

Active business gains arising from the sale of commodities generally are excluded from passive income if substantially (85% or more) all of a foreign corporation’s commodities are (a) stock in trade of such foreign corporation or other property of a kind which would properly be included in inventory of such foreign corporation, or property held by such foreign corporation primarily for sale to customers in the ordinary course of business, (b) property used in the trade or business of such foreign corporation that would be subject to the allowance for depreciation under Section 167 of the Code, or (c) supplies of a type regularly used or consumed by such foreign corporation in the ordinary course of its trade or business, and certain other requirements are satisfied.

For purposes of the PFIC income test and asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above, “passive income” does not include any interest, dividends, rents, or royalties that are received or accrued by the Company from a “related person” (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.



In addition, under certain attribution rules, if the Company is a PFIC, U.S. Holders will be deemed to own their proportionate share of any subsidiary of the Company which is also a PFIC (a “Subsidiary PFIC”), and will be subject to U.S. federal income tax on their proportionate share of (i) a distribution on the shares of a Subsidiary PFIC and (ii) a disposition or deemed disposition of shares of a Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC.

The Company believes that it qualified as a PFIC for the taxable year ended December 31, 2010, and based on current business plans and financial projections, the Company anticipates that it may qualify as a PFIC for the current taxable year and subsequent taxable years. The determination of whether a corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether a corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge any determination made by the Company (or a Subsidiary PFIC) concerning its PFIC status or that the Company (and each Subsidiary PFIC) was not, or will not be, a PFIC for any tax year. Each U.S. Holder should consult its own tax advisor regarding the PFIC status of the Company and each Subsidiary PFIC.

#### Default PFIC Rules Under Section 1291 of the Code

If the Company is a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the acquisition, ownership, and disposition of common shares will depend on whether such U.S. Holder makes an election to treat the Company as a “qualified electing fund” or “QEF” under Section 1295 of the Code (a “QEF Election”) or a mark-to-market election under Section 1296 of the Code (a “Mark-to-Market Election”). A U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this summary as a “Non-Electing U.S. Holder.”

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code with respect to (a) any gain recognized on the sale or other taxable disposition of common shares and (b) any excess distribution received on the common shares. A distribution generally will be an “excess distribution” to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder’s holding period for the common shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of common shares, and any “excess distribution” received on common shares, must be ratably allocated to each day in a Non-Electing U.S. Holder’s holding period for the respective common shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such year, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as “personal interest,” which is not deductible.

If the Company is a PFIC for any tax year during which a Non-Electing U.S. Holder holds common shares, the Company will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether the Company ceases to be a PFIC in one or more subsequent tax years. A Non-Electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such common shares were sold on the last day of the last tax year for which the Company was a PFIC.

#### QEF Election

A U.S. Holder that makes a QEF Election for the first tax year in which its holding period of its common shares begins, generally, will not be subject to the rules of Section 1291 of the Code discussed above with respect to its common shares. However, a U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such U.S. Holder's pro rata share of (a) the net capital gain of the Company, which will be taxed as long-term capital gain to such U.S. Holder, and (b) and the ordinary earnings of the Company, which will be taxed as ordinary income to such U.S. Holder. Generally, "net capital gain" is the excess of (a) net long-term capital gain over (b) net short-term capital loss, and "ordinary earnings" are the excess of (a) "earnings and profits" over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which the Company is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by the Company. However, for any tax year in which the Company is a PFIC and has no net income or gain, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as "personal interest," which is not deductible.



A U.S. Holder that makes a QEF Election generally (a) may receive a tax-free distribution from the Company to the extent that such distribution represents “earnings and profits” of the Company that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder’s tax basis in the common shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of common shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as “timely” if such QEF Election is made for the first year in the U.S. Holder’s holding period for the common shares in which the Company was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year.

A QEF Election will apply to the tax year for which such QEF Election is made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, the Company ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which the Company is not a PFIC. Accordingly, if the Company becomes a PFIC in another subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any subsequent tax year in which the Company qualifies as a PFIC.

U.S. Holders should be aware that there can be no assurances that the Company will satisfy the record keeping requirements that apply to a QEF, or that the Company will supply U.S. Holders with information that such U.S. Holders require to report under the QEF rules, in the event that the Company is a PFIC. Thus, U.S. Holders may not be able to make a QEF Election with respect to their common shares. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a QEF Election.

#### Mark-to-Market Election

A U.S. Holder may make a Mark-to-Market Election only if the common shares are marketable stock. The common shares generally will be “marketable stock” if the common shares are regularly traded on (a) a national securities exchange that is registered with the Securities and Exchange Commission, (b) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934, or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, and other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange ensure active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be “regularly traded” for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter.

A U.S. Holder that makes a Mark-to-Market Election with respect to its common shares generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to such common shares. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder's holding period for the common shares or such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, the common shares.

A U.S. Holder that makes a Mark-to-Market Election will include in ordinary income, for each tax year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the common shares, as of the close of such tax year over (b) such U.S. Holder's tax basis in such common shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (i) such U.S. Holder's adjusted tax basis in the common shares, over (ii) the fair market value of such common shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

A U.S. Holder that makes a Mark-to-Market Election generally also will adjust such U.S. Holder's tax basis in the common shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of common shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years).

A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the common shares cease to be "marketable stock" or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the common shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning, because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the interest charge described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC.

#### Other PFIC Rules

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of common shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which common shares are transferred.

Certain additional adverse rules will apply with respect to a U.S. Holder if the Company is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example under Section 1298(b)(6) of the Code, a U.S. Holder that uses common shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such common shares.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with their own tax advisor regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

In addition, a U.S. Holder who acquires common shares from a decedent will not receive a “step up” in tax basis of such common shares to fair market value.

- 88 -

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The PFIC rules are complex, and each U.S. Holder should consult its own tax advisor regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares.

#### U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Common Shares

The following discussion is subject to the rules described above under the heading “Passive Foreign Investment Company Rules.”

#### General Taxation of Distributions

Subject to the PFIC rules discussed above, a U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Common Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated “earnings and profits” of the Company, as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the common shares and thereafter as gain from the sale or exchange of such common shares. (See “Sale or Other Taxable Disposition of common shares” below). However, the Company may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution by the Company with respect to the common shares will constitute ordinary dividend income. Dividends received on common shares generally will not be eligible for the “dividends received deduction”. In addition, the Company does not anticipate that its distributions will be eligible for the preferential tax rates applicable to long-term capital gains. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

#### Sale or Other Taxable Disposition of Common Shares

Subject to the PFIC rules discussed above, upon the sale or other taxable disposition of common shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount of cash plus the fair market value of any property received and such U.S. Holder's tax basis in such common shares sold or otherwise disposed of. Subject to the PFIC rules discussed above, gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the common shares have been held for more than one year.

Gain or loss recognized by a U.S. Holder on the sale or other taxable disposition of common shares generally will be treated as “U.S. source” for purposes of applying the U.S. foreign tax credit rules unless the gain is subject to tax in Canada and is resourced as “foreign source” under the Treaty and such U.S. Holder elects to treat such gain or loss as “foreign source.”

Preferential tax rates apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

#### Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or on the sale, exchange or other taxable disposition of common shares, generally will be equal to the U.S. dollar value of such foreign currency based on the

exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). If the foreign currency received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in foreign currency and engages in a subsequent conversion or other disposition of the foreign currency may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

### Additional Tax on Passive Income

For tax years beginning after December 31, 2012, certain individuals, estates and trusts whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surtax on “net investment income” including, among other things, dividends and net gain from dispositions of property (other than property held in a trade or business). U.S. Holders should consult with their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of Common Shares.

### Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder who pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the common shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder’s U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder’s income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder’s U.S. federal income tax liability that such U.S. Holder’s “foreign source” taxable income bears to such U.S. Holder’s worldwide taxable income. In applying this limitation, a U.S. Holder’s various items of income and deduction must be classified, under complex rules, as either “foreign source” or “U.S. source.” In addition, this limitation is calculated separately with respect to specific categories of income. Dividends paid by the Company generally will constitute “foreign source” income and generally will be categorized as “passive category income.” The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisor regarding the foreign tax credit rules.

### Backup Withholding and Information Reporting

Under U.S. federal income tax law and Treasury regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. Penalties for failure to file certain of these information returns are substantial. For example, recently enacted legislation generally imposes new U.S. return disclosure obligations (and related penalties) on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of \$50,000. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their Common Shares are held in an account at a domestic financial institution. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns, including the requirement to file an IRS Form 8938.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of, common shares generally may be subject to information reporting and backup withholding tax, at the rate of 28% (increasing to 31% for payments made after December 31, 2012), if a U.S. Holder (a) fails to furnish such U.S. Holder’s correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons, such as

corporations, generally are excluded from these information reporting and backup withholding rules. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

- 90 -

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F. Dividends and Paying Agents

Not Applicable.

G. Statements by Experts

Not Applicable.

H. Documents on Display

We are subject to the informational requirements of the Exchange Act and file reports and other information with the SEC. You may read and copy any of our reports and other information at, and obtain copies upon payment of prescribed fees from, the Public Reference Room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. In addition, the SEC maintains a Website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC at <http://www.sec.gov>. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

We are required to file reports and other information with the securities commissions in Canada. You are invited to read and copy any reports, statements or other information, other than confidential filings, that we file with the provincial securities commissions. These filings are also electronically available from the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") (<http://www.sedar.com>), the Canadian equivalent of the SEC's electronic document gathering and retrieval system.

We "incorporate by reference" information that we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this Form 20-F and more recent information automatically updates and supersedes more dated information contained or incorporated by reference in this Form 20-F.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders.

We will provide without charge to each person, including any beneficial owner, to whom a copy of this annual report has been delivered, on the written or oral request of such person, a copy of any or all documents referred to above which have been or may be incorporated by reference in this annual report (not including exhibits to such incorporated information that are not specifically incorporated by reference into such information). Requests for such copies should be directed to us at the following address: 1700 - 700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8, Tel: (604) 688-9368, E-mail: [syik@kobexminerals.com](mailto:syik@kobexminerals.com).

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks. The Company's cash and cash equivalents are subject to foreign exchange risk, and the Company's marketable securities are subject to equity price risk. The Company uses the Canadian dollar as its reporting currency and has certain cash and cash equivalents denominated in the United States dollar. The Company has investments in two companies publicly listed on the TSX Venture Exchange. The following table sets forth the principal components of the balance sheet at December 31, 2011 showing the sensitivity to foreign exchange



and equity price risks:

- 91 -

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|  | Denominated in |        | Total Value<br>in | Effect of<br>10%<br>change<br>in<br>exchange<br>rate | Effect of<br>10%<br>change<br>in equity<br>price |
|--|----------------|--------|-------------------|--|--|
|  | Cdn\$          | US\$   | Cdn\$             |  |  |
| Cash and cash equivalents                | 37,156,499     | 40,434 | 37,196,933        | 4,043  | -  |
| Receivables and prepaids                 | 418,214        | -      | 418,214           | -  | -  |
| Accounts payable and accrued liabilities | 204,557        | 1,979  | 204,557           | 198  |  |
| Marketable securities                    | 708,453        | -      | 708,453           | -  | 70,845   |

## ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A. - D.

None.

E. Use of Proceeds

Not Applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including Mr. Hills, the Company's Chief Executive Officer, and Mr. Bach, the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15(b) and 15d-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act") as of December 31, 2011. Based on their evaluation, the Company's CEO and CFO have concluded that the disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

The Company's management, including Mr. Hills, the Company's Chief Executive Officer, and Mr. Bach, the Company's Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over the Company's internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, (with the participation of Mr. Hills, the Company's Chief Executive Officer, and Mr. Bach, the Company's Chief Financial Officer), conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. This evaluation was based on the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway

Commission. Based on its assessment, management has concluded that, as of December 31, 2011, the Company's internal control over financial reporting was effective and management's assessment did not identify any material weaknesses.

This Annual Report does not include an attestation report of the Company's independent auditors regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent auditors as the Company qualifies as a smaller reporting company and is exempt pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

#### Changes in Internal Control over Financial Reporting

During the fiscal year ended December 31, 2011, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### ITEM 16. [RESERVED]

#### ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that the Company has at least one audit committee financial expert, Mr. Atkinson is a financial expert and independent director under Rule 803 of the NYSE Amex and Rule 10A-3 of the United States Exchange Act of 1934, as amended, and serves on the Company's audit committee.

#### ITEM 16B. CODE OF ETHICS.

The Board of Directors of the Company has adopted a Code of Business Conduct and Ethics (the "Code of Ethics") that outlines the Company's values and its commitment to ethical business practices in every business transaction. This code applies to all directors, officers, and employees of the Company and its subsidiaries and affiliates. A copy of the Company's Code of Business Conduct and Ethics is available on the Company's website at [www.kobexminerals.com](http://www.kobexminerals.com),

#### Honest and Ethical Conduct

The Company expects a high level of personal integrity from each employee, officer and director when interacting with investors, business partners, shareholders, suppliers, consultants and other employees.

#### Conflict of Interest

When possible, conflicts of interest between personal and professional relationships should be avoided; however, unavoidable conflict of interest will be handled in accordance with the Company's ethical standards.

A director, officer or employee may not represent the Company in any transaction with a person or an entity in which the director, officer or employee has a direct or indirect interest or from which the director, officer or employee may derive personal benefit.

#### Accurate and Timely Disclosure

The Company presents full, fair, accurate, timely and understandable disclosure in reports or documents submitted to the Securities and Exchange Commission and other securities commissions across Canada as well as all public communications. Employees and officers who prepare financial and other reports will exercise diligence in ensuring that there are no false or misleading statements.

#### Compliance with Applicable Governmental Laws, Rules and Regulations

The Company is committed to compliance with all laws, rules and regulations, including laws and regulations applicable to the Company's securities, as well as any rules promulgated by any exchange on which the Company's shares are listed.



#### Prompt Internal Reporting of Violations

Employees and officers are responsible for the prompt internal reporting of any violations of the Code of Ethics to the Company's Compliance Officer.

#### Protection and Proper Use of Company Assets and Opportunities

All employees have an obligation to protect the Company's assets and to ensure that all opportunities available to the Company are brought to the attention of the relevant officer or employee.

#### Confidentiality of Company Information

It is the Company's policy that business affairs of the Company are confidential and should not be discussed outside the Company except for information that has already been made available to the public.

#### Insider Trading

Management, employees, members of the Board of Directors and others who are in a "special relationship" with the Company from time to time become aware of corporate developments or plans which may affect the value of the Company's shares (inside information) before these developments or plans are made public. Company directors, officers and employees are prohibited from using inside information themselves or disclosing this inside information to others who may use the information to trade Company stock.

#### Fair Dealing

Each employee should endeavour to respect the rights of, and deal fairly with, our shareholders, investors, business partners, suppliers, competitors and employees. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair business practice.

#### Reporting Unethical and Illegal Conduct/Ethics Questions

The Company is committed to taking prompt action against violations of the Code of Ethics and it is the responsibility of all directors, officers and employees to comply with the Code and to report violations or suspected violations to the Company's Compliance Officer. Employees may also discuss their concerns with their supervisor who will then report suspected violations to the Compliance Officer.

The Compliance Officer is appointed by the Board of Directors and is responsible for investigating and resolving all reported complaints and allegations and shall advise the President and CEO, the CFO and/or the Audit Committee.

The Compliance Officer can be reached via telephone at 1-866-921-6714 or via the internet site located at <http://www.whistleblowersecurity.com>.

#### Violations and Waivers

The Compliance Officer will report suspected fraud or securities law violations for review by the Audit Committee. The Audit Committee will report all violations reviewed by the Audit Committee to the Board of Directors.

The Compliance Officer will report regularly to the Board of Directors on the results and resolution of complaints and allegations concerning violations of the Code.

No waivers of any provision of this Code of Business Conduct and Ethics may be made except by the Board of Directors. Any waiver or amendment shall be reported as required by law or regulation.

Only the Audit Committee may amend the Company's Code of Business Conduct and Ethics.

- 95 -

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ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees

For the fiscal year ended December 31, 2011, the Company's auditor billed approximately \$50,800, (2010 - \$47,500) for the audit of the Company's annual financial statements or services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements for those fiscal years.

Audit Related Fees

For the fiscal years ended December 31, 2011, the Company's current auditor billed \$nil (2010 \$Nil) while the Company's previous auditor billed \$5,200 (2010 - \$7,640), for assurance and related services that were reasonably related to the performance of the audit or review of the Company's financial statements outside of those fees disclosed above under "Audit Fees".

Tax Fees

For the fiscal year ended December 31, 2011 the Company's auditor billed \$11,732 (2010 - \$25,592) for tax compliance, tax advice and tax planning services.

All Other Fees

For the fiscal years ended December 31, 2011 and 2010, the Company's auditor billed \$Nil and billed \$Nil, respectively, for products and services other than the services set out above.

Pre-Approval Policies and Procedures

Generally, in the past, prior to engaging the Company's auditors to perform a particular service, the Company's audit committee has, when possible, obtained an estimate for the services to be performed. The audit committee in accordance with procedures for the Company approved all of the services described above.

Additionally, the auditors have been engaged to perform services by non-independent directors of the Company pursuant to pre-approval policies and procedures established by the audit committee (which are detailed as to the particular service) and the audit committee has been informed of any such engagement and service.

Beginning July 1, 2004, the Company's audit committee obtained estimates for services to be performed, prior to engaging the Company's auditor to perform any audit or non-audit related services, including those set forth above. The audit committee also allowed the engagement of the auditor, by a non-independent member of the Board of Directors, to render services pursuant to pre-approval policies and procedures established by the audit committee (which are detailed as to the particular service), provided the audit committee is informed of any such engagement and service. The audit committee may delegate to one of its members, who is also an independent director of the Company, the ability to approve such services on behalf of the audit committee. Any approval by such director shall be ratified by the audit committee at its next scheduled meeting.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PERSONS

The Company did not repurchase any common shares in the fiscal year ended December 31, 2011.

- 96 -

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#### ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

There has been no change of Auditor since the audit of the financial statements for the year ended December 31, 2010.

#### ITEM 16G. CORPORATE GOVERNANCE

The Company's common shares are listed on the NYSE Amex. Section 110 of the NYSE Amex Company Guide permits the NYSE Amex to consider the laws, customs and practices of foreign issuers in relaxing certain NYSE Amex listing criteria, and to grant exemptions from NYSE Amex listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to NYSE Amex standards is as follows:

**Shareholder Meeting Quorum Requirement:** The NYSE Amex minimum quorum requirement for a shareholder meeting is one-third of the outstanding shares of common stock. In addition, a company listed on NYSE Amex is required to state its quorum requirement in its bylaws. The Company's quorum requirement is set forth in its Articles and bylaws. A quorum for a meeting of members of the Company is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the shares entitled to be voted at the meeting.

**Proxy Delivery Requirement:** NYSE Amex requires the solicitation of proxies and delivery of proxy statements for all shareholder meetings, and requires that these proxies shall be solicited pursuant to a proxy statement that conforms to SEC proxy rules. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act, and the equity securities of the Company are accordingly exempt from the proxy rules set forth in Sections 14(a), 14(b), 14(c) and 14(f) of the Exchange Act. The Company solicits proxies in accordance with applicable rules and regulations in Canada.

**Shareholder Approval Requirement:** The Company will follow Toronto Stock Exchange rules for shareholder approval of new issuances of its common shares. Following Toronto Stock Exchange rules, shareholder approval is required for certain issuances of shares that: (i) materially affect control of the Company; or (ii) provide consideration to insiders in aggregate of 10% or greater of the market capitalization of the listed issuer and have not been negotiated at arm's length. Shareholder approval is also required, pursuant to TSV-V rules, in the case of private placements: (x) for an aggregate number of listed securities issuable greater than 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction if the price per security is less than the market price; or (y) that during any six month period are to insiders for listed securities or options, rights or other entitlements to listed securities greater than 10% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of the closing of the first private placement to an insider during the six month period.

The foregoing is consistent with the laws, customs and practices in Canada.

In addition, the Company may from time-to-time seek relief from NYSE Amex corporate governance requirements on specific transactions under Section 110 of the NYSE Amex Company Guide by providing written certification from independent local counsel that the non-complying practice is not prohibited by our home country law, in which case, the Company shall make the disclosure of such transactions available on the Company's website at [www.kobexminerals.com](http://www.kobexminerals.com). Information contained on its website is not part of this annual report.

#### ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

- 97 -

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PART III

ITEM 17. FINANCIAL STATEMENTS.

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The Company's financial statements are stated in Canadian Dollars and are prepared in accordance with International Financial Reporting Standards (IFRS).

Independent Auditors' Report dated March 26, 2012;

Consolidated Statements of Financial Position as at December 31, 2011, December 31, 2010 and as at January 1, 2010;

Consolidated Statements of Comprehensive Loss for the years ended December 31, 2011 and 2010;

Consolidated Statements of Changes in Equity for the years ended December 31, 2011 and 2010;

Consolidated Statements of Cash Flows for the years ended December 31, 2011 and 2010;

Notes to the Consolidated Financial Statements for the years ended December 31, 2011 and 2010.

ITEM 19. EXHIBITS

| EXHIBIT<br>NUMBER | DESCRIPTION   |
|-------------------|---|
| 1.1               | Articles (1)  |
| 1.2               | Notice of Articles (2)  |
| 2.1               | Option agreement between IMA Exploration and Western Copper Corporation dated August 15, 2008 (2) |
| 2.2               | Arrangement Agreements with International Barytex Resources Ltd. and Kobex Resources Ltd. (3)     |
| 2.3               | Employment Agreement between the Company and Roman Shklanka (3)                                   |
| 2.4               | Employment Agreement between the Company and Alfred Hills (3)                                     |
| 2.5               | Consulting Agreement between the Company and Geoffrey Bach  |
| 2.6               | Office lease agreement with Cadillac Fairview (3)   |
| 2.7               | Office sub-lease agreement between the Company and Copper Mountain Mining Corporation (3)         |
| 2.8               | Consulting Agreement with H. Leo King (3)   |
| 2.9               | Consulting Agreement with Ian E, Marshall (3)   |
| 3.1               | List of Subsidiaries  |
| 3.2               | Certification of Alfred Hills Pursuant to Rule 13a-14(a)  |
| 3.3               | Certification of Geoffrey Bach Pursuant to Rule 13a-14(a)   |
| 3.4               | Certification of Alfred Hills Pursuant to 18 U.S.C. Section 1350                                  |
| 3.5               | Certification of Geoffrey Bach Pursuant to 18 U.S.C. Section 1350                                 |

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- (1) Previously filed as an exhibit to the company's annual report on form 20-f filed April 2, 2007. File number 01-32558.
- (2) Previously filed as an exhibit to the company's annual report on form 20-f filed April 8, 2009. File number 01-32558
- (3) Previously filed as an exhibit to the company's annual report on form 20-f filed April 6, 2010. File number 01-32558

- 98 -

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

KOBEX MINERALS INC.

Dated: January 7, 2013 /s/ Alfred Hills  
Alfred Hills  
President, Chief Executive Officer, and Director

## CERTIFICATION

I, Alfred Hills, certify that:

1. I have reviewed this amended annual report on Form 20-F/A of Kobex Minerals Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.



Date: January 7, 2013

/s/ Alfred Hills  
Alfred Hills  
Chief Executive Officer  
Principal Executive Officer

- 100 -

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## CERTIFICATION

I, Geoffrey Bach, certify that:

1. I have reviewed this amended annual report on Form 20-F/A of Kobex Minerals Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

/s/ Geoffrey Bach

Date: January 7, 2013

Geoffrey Bach  
Chief Financial Officer  
Principal Accounting and Financial Officer

- 101 -

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CERTIFICATION PURSUANT TO  
18 U.S.C. §1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Kobex Minerals Inc. (the “Company”) on Form 20-F for the fiscal year ended December 31, 2011, as amended by this Amendment No. 1 on Form 20-F/A, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Alfred Hills, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Alfred Hills

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Alfred Hills  
Chief Executive Officer  
Principal Executive Officer  
January 7, 2013

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the annual report or as a separate disclosure document.

CERTIFICATION PURSUANT TO  
18 U.S.C. §1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Kobex Minerals Inc. (the “Company”) on Form 20-F for the fiscal year ended December 31, 2011, , as amended by this Amendment No. 1 on Form 20-F/A, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Samuel Yik, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Geoffrey Bach

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Geoffrey Bach  
Chief Financial Officer  
Principal Accounting and Financial Officer  
January 7, 2013

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the annual report or as a separate disclosure document.

