

KOBEX MINERALS INC.  
Form 20-F  
March 30, 2012

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

FORM 20-F

oREGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE  
ACT OF 1934

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

For fiscal year ended December 31, 2011

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

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

OR  
oSHELL 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)

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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  No

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

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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  No

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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  No

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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  Accelerated filer  Non-accelerated filer

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

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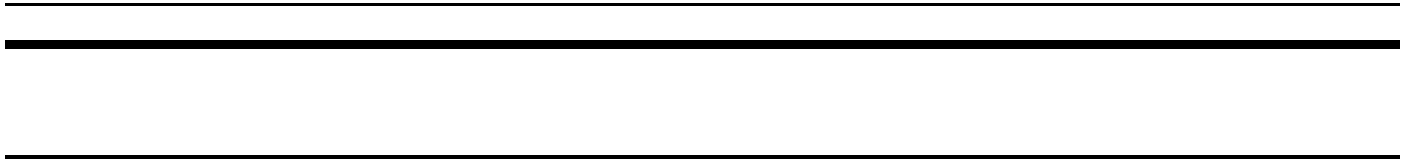
If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

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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  No

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GENERAL INFORMATION

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- risks related to the title to the Company's mineral properties;
- risks related to the Company's history of losses and lack of revenues;
- risks related to the Company's lack of production history;
- risks related to the Company's exploration activities;
- risks related to the Company raising capital through additional equity financing or joint venture arrangements;
- risks related to joint ventures and other partnerships;
- risks related to exploration, development and mining activities;
  - risks related to fluctuations in metal prices;
  - risks related to potential litigation;
  - risks related to potential community actions;
  - risks related to mineral resources 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;

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- 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.



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

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

In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of 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.

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## GLOSSARY

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

Alteration	Any physical or chemical change in a rock or mineral subsequent to its formation. Milder and more localized than metamorphism.
Bonanza Group	Geological unit composed of Jurassic volcano sedimentary rocks
Breccia	A rock containing generally angular fragments of itself or some other rock.
Epithermal	A mineral deposit consisting of veins and replacement bodies, usually in volcanic or sedimentary rocks, containing precious metals, or, more rarely, base metals. Epithermal deposits form in hydrothermal systems related to volcanic activity and while active can discharge to the surface as hot springs or fumaroles.
Hydrothermal Alteration	Those chemical and mineral changes resulting from the interaction of hot water solutions with pre-existing solid mineral phases.
Island Plutonic Suite	Geological unit composed of Jurassic intrusive rocks
Intrusive Rock	A body of rock, that while fluid, penetrated into or between other rocks, but solidified before reaching the surface.
Jurassic	The second period of the Mesozoic era thought to have covered the span of time between 190 and 135 million years ago.
km	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

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## 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 2012	January 2012	December 2011	November 2011	October 2011	September 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

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The selected financial data and the information in the following table of the Company for the years ended December 31, 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".

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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.

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	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.

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

	2009	2008	Restated 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.

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

	2009	2008	Restated 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 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

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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.

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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.

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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.

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B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

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

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

The Company has 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.

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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:



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

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

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

Mineral exploration is highly speculative in nature, involves many risks and frequently is 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.

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Litigation may adversely affect the Company's assets.

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

The Company is subject to risks related to community action.

All industries, including the mining industry, are subject to community actions. In recent years, communities and 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.

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

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, could impede the Company's access to capital or increase the cost of capital. 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".

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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.

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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".



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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.

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.

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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.

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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.

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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.

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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.

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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.

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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.

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### 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.

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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.”

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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 Written-off in Fiscal Year	Acquisition Costs Expensed in Fiscal Year	Exploration Expensed in Fiscal 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. A list of the claims and information regarding the claims is shown in Table 4.1.

## Claim Status Mel Property

Claim Name	Grant Number	Expiry 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

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Wet 25-32	Y 83325-Y 83332	2012-04-03	095D06
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

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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
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.

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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 had the option to acquire an 85% undivided interest in the property. Under the terms of this agreement, Barytex 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 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.



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### 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 on the property allows for year round access. 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. Barytex 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 of 2.6 million tonnes averaging 5.35% zinc, 1.93% lead, and 54.6% barite to a depth of 152 metres below surface was estimated.

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 of 4,782,380 tonnes grading 5.61% zinc, 2.05% lead, and 52.1% barite was calculated by St. Joseph for the Main Mel Zone. Preliminary metallurgical testing conducted on the Main Mel Zone by Lakefield Research in 1978 yielded concentrates ranging from 60.9% to 84.7% zinc, 78.0% to 79.6% lead and 90.3% to 94.4% barite.

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.



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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, the mineral resource was increased to 5,581,030 tonnes grading 6.63% zinc, 1.92% lead, and 49.64% barite. Breakwater purchased Novamin in 1988, giving them joint ownership of the Mel property with Barytex.

In 1989, Barytex 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 subsequently estimated an Indicated Mineral Resource for the Main Mel Zone of 5,687,492 tonnes grading 6.77% zinc, 1.92% lead and 51.1% barite.

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 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. The report stated that the Main Mel Zone contained a drill-indicated mineral inventory of 5,238,000 tonnes grading 7.86% zinc, 2.09% lead, and 48.98% barite for the Main Mel Zone.

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 increase in the Indicated Mineral Resource, estimated by Barytex, to 6,778,000 tonnes grading 7.1% zinc, 2.03% lead and 54.69% barite. 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.

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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 cryptograined 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.

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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 cryptocrystalline 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 cryptocrystalline 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.

Drilling at the Main Mel Zone has outlined an Indicated Resource of 6.78 million tonnes grading 7.10% zinc, 2.03% lead, and 54.69% barite based on 48 holes. 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 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 cryptograined 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.



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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.



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### 1994 Exploration Work

#### Main Mel Zone

In 1994, 6 drill holes totalling 3,122 metres were drilled on the Main Mel Zone. The results of the drilling led to an increase in the mineral resource, calculated by Barytex, to an Indicated Resource of 6,778,000 tonnes grading 7.1% zinc, 2.03% lead and 54.69% barite. 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.

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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 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 sphale rite. 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.

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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 coarsegrained 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 metre 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.

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### 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

In October, 1990, an independent mineral resource estimate was made by Nevin Sadlier-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 of 5,238,000 tonnes grading 7.86% zinc, 2.09% lead and 48.98% barite for the Main Mel Zone. 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. An Indicated Resource was estimated at 6,778,000 tonnes grading 7.10% zinc, 2.03% lead, and 54.69% barite 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.

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.

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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. A list of the claims and claim information is shown in 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.

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.

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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.

## 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.

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### 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.

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### 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-long 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.

### 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.

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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.

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.

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### 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).

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.

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## 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.

2011				2010			
Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
\$	\$	\$	\$	\$	\$	\$	\$

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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

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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.

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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.

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.

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	Payments Due by Period (\$)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 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) British Columbia, Canada Chief Executive Officer, President and Director 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 British Columbia, Canada Chairman and Director 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) British Columbia, Canada Director 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) British Columbia, Canada Director Age (72)	Director and Chief Executive Officer of Copper Mountain Mining Corporation, a present mining company. Corporate Director and Self-employed Mining Consultant. Former Director of Kobex Resources Ltd.	Director since September, 2009 to present
ALEXANDER DAVIDSON (2)(3) Ontario, Canada Director Age (60)	(Retired) Executive Vice-President Exploration and Corporate Development of Barrick Gold Corporation.	Director since September, 2009 to present



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Name, Age and Position(1)	Principal Occupation During Past Five Years	Period of Service as a Director/Officer
GEOFFREY D. BACH British Columbia, Canada Chief Financial Officer Age (73)	Consultant	CFO since November 8, 2011 to present

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

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee

Family Relationships

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

Arrangements

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

Conflicts of Interest

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

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

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





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

Name of Director	Name of Company	Position	Term of Service
Alfred L. Hills	-	-	-
Roman Shklanka	Pacific Imperial Mines Inc.	Director& Chairman	Sep/04 to present
Michael Atkinson	Petra Petroleum Corp	Director	Dec/09 to present
	Canadian Phoenix Resource Corp.	Director	Feb/09 to present
		President	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.	Director& President	May/98 to present
	Beanstalk Capital Inc.	Director, President & CEO	Jul/10 to present
Alexander Davidson	Namakwa Diamonds Ltd.	Director	Dec/07 to present
	MBAC Fertilizer Corp	Director	Jan/10 to present
	Noront Resources Ltd.	Director	Oct/09 to present
	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.

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The objectives and reasons for this system of compensation are generally to allow the Company to remain competitive compared to its peers in attracting experienced personnel. The salaries and/or consulting fees are set on a basis of a review and comparison of compensation paid to executives at similar companies. 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:

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## 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	2011	225,000	Nil	44,048	Nil	Nil	Nil	Nil	269,048
President and CEO	2010	225,000	Nil	240,274	Nil	Nil	Nil	Nil	465,274
(1)(2)(3)	2009	56,250	Nil	93,828	Nil	Nil	Nil	Nil	150,078
Samuel Yik	2011	194,170	Nil	13,229	Nil	Nil	Nil	Nil	207,399
CFO (4)(5)	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 Shklanka	2011	150,000	Nil	44,048	Nil	Nil	Nil	Nil	194,048
Chairman	2010	150,000	Nil	195,856	Nil	Nil	Nil	Nil	345,856
(6)(7)	2009	160,000	Nil	107,392	Nil	Nil	Nil	Nil	267,392
Joseph Grosso	2011	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
President and CEO	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(8)(9)(10)	2009	\$187,500	Nil	Nil	Nil	Nil	Nil	\$1,211,500	1,399,000
Geoffrey Bach	2011	Nil	Nil	18,492	Nil	Nil	Nil	\$8,775	27,267
CFO (11)	2010			Nil					Nil
	2009			Nil					Nil
Michael Clark	2011	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Acting Chief Financial Officer	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(12)	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.

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## 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	Option-based Awards			Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$ (1))	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
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	Feb 5, 2013	-		
	4,604	20.31	Mar 16, 2012	-		
	46,041	25.09	Jul 6, 2011	-		
Samuel Yik (2)	100,000	0.96	Feb 6, 2012	-	Nil	Nil
	400,000	0.82	Feb 6, 2012	-		

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	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 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.

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

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

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

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Alfred Hills (1)	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.

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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.

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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:

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	Dec 12, 2012	-		
	4,604	6.73	Feb 5, 2013	-		
	13,812	1.09	Feb 25, 2014	-		
	38,237	0.53	Feb 26, 2014	3,059		
	400,000	0.82	Oct 26, 2014	-		
	100,000	0.96	Nov 1, 2015	-		
	100,000	0.80	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	Dec 12, 2012	-		
	38,237	0.53	Feb 26, 2014	3,059		
	200,000	0.82	Oct 26, 2014	--		
	50,000	0.96	Nov 1, 2015	-		
	35,000	0.80	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.

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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) (#)	% of Total Options Granted in Financial Year(2) (%)	Exercise or Base Price(3) (\$/Security)	Market Value of Securities Underlying Options on Date of Grant (\$/Security)	Expiration Date
Directors as a group who are not Named Executive Officers	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).

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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.

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### 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.



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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.

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## 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:

- 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%

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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.

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- (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;

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

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

Options under the Stock Option Plan will be subject to such vesting schedule as the Compensation Committee may determine. In the event that an option is to be terminated prior to expiry of its term due to certain corporate 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

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Optionee	Nature of Option(1)	Number of Shares	Exercise Price	Expiration Date	Market Value on Date of Grant or Repricing
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 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 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 International Barytex 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

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Optionee	Nature of Option(1)	Number of Shares	Exercise Price	Expiration Date	Market Value on Date of Grant or Repricing
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 International Barytex 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.

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## 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) AND GLOBAL RESOURCE INVESTMENTS LTD. (2) ROYAL BANK PLAZA, SOUTH TOWER 200 BAY STREET SUITE 2700, PO BOX 27 TORONTO, ONTARIO M5J 2J1	8,594,522	18.6%
COMMON SHARES	SEA WAVE INVEST LIMITED 902B EURO TRADE CENTER 21- 23 DES VOEUX ROAD CENTRAL, HONG KONG	1,031,329	2.2%

## NOTES:

- (1) Where persons listed on this table have the right to obtain additional 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

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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.

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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”).

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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:

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Year Ended	Volume	Sales Price (US\$)	
		High	Low
December 31, 2011	5,563,700	&#16	