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

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:

Commission file number:
001-32558

KOBEX MINERALS INC.

(Exact name of Registrant as specified in its charter)

Province of British Columbia, Canada

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

Geoffrey Bach
1700- 700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8
Tel: (604) 688-9368
E-mail: investor@kobexminerals.com

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

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

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

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

None
(Title of Class)

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

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

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

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

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

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

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer x

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

U.S. GAAP o	International Reporting Standards as issued by the International Accounting Standards Board	x	Other

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

Item 17 o Item 18 o

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

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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 Kob 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” an 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.

TheCompany 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;