
**INTERNATIONAL PBX VENTURES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007**

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AUDITORS' REPORT

To the Shareholders of
International PBX Ventures Ltd.

We have audited the consolidated balance sheets of International PBX Ventures Ltd. as at December 31, 2008 and 2007 and the consolidated statements of operations and deficit, comprehensive loss, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
March 23, 2009

INTERNATIONAL PBX VENTURES LTD.**CONSOLIDATED BALANCE SHEETS****AS AT DECEMBER 31, 2008 AND 2007**

	2008	2007
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,251,997	8,016,183
Marketable securities	28,820	226,432
Amounts receivable	6,364	218,260
Amounts receivable from related parties [Note 11[d]]	5,483	3,689
Prepaid expenses and deposits	29,570	28,360
	<hr/>	<hr/>
	2,322,234	8,492,924
EQUIPMENT [Note 4]	57,140	67,103
MINERAL PROPERTIES [Note 5]	15,111,487	16,250,319
	<hr/>	<hr/>
	17,490,861	24,810,346
	<hr/>	<hr/>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	144,995	1,245,488
	<hr/>	<hr/>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL [Note 6]	32,722,400	32,722,400
CONTRIBUTED SURPLUS [Note 10]	2,222,527	2,121,103
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) [Note 7]	(188,180)	9,432
DEFICIT	(17,410,881)	(11,288,077)
	<hr/>	<hr/>
	17,345,866	23,564,858
	<hr/>	<hr/>
	17,490,861	24,810,346
	<hr/>	<hr/>

Nature of Operations and Continuance of Business (Note 1)

Commitments (Note 12)

Approved on behalf of the Board:

"George Sookochoff"
George Sookochoff, Director"Gary Medford"
Gary Medford, Director

(See accompanying notes to these consolidated financial statements)

INTERNATIONAL PBX VENTURES LTD.**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT****FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008 \$	2007 \$
ADMINISTRATIVE EXPENSES		
Administration fees [Note 11[a]]	645,786	434,071
Amortization	21,021	22,447
Bank charges	4,899	5,364
Foreign exchange (gain) loss	137,589	(3,463)
Investor relations [Note 11[b]]	52,170	600,836
Office and miscellaneous	314,159	242,568
Other exploration expense	221,081	-
Professional fees [Note 11[c][d]]	298,112	212,409
Stock-based compensation	101,424	704,729
Transfer agent and regulatory	21,751	25,971
Travel, promotion and mining shows	84,678	216,282
	<hr/> 1,902,670	<hr/> 2,461,214
Net operating loss before other items	(1,902,670)	(2,461,214)
OTHER ITEMS		
Impairment of mineral properties	(4,336,584)	(97,634)
Interest income	116,450	328,963
Gain on mineral property option	-	158,341
	<hr/> (4,220,134)	<hr/> 389,670
NET LOSS FOR THE YEAR	<hr/> (6,122,804)	<hr/> (2,071,544)
DEFICIT - BEGINNING OF YEAR	(11,288,077)	(9,216,533)
DEFICIT - END OF YEAR	<hr/> (17,410,881)	<hr/> (11,288,077)
Net Loss Per Share – Basic and Diluted	<hr/> \$ (0.08)	<hr/> \$ (0.03)
Weighted Average Shares Outstanding	<hr/> 77,109,815	<hr/> 64,391,033

(See accompanying notes to these consolidated financial statements)

INTERNATIONAL PBX VENTURES LTD.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008 \$	2007 \$
Net loss	(6,122,804)	(2,071,54
Unrealized loss on available-for-sale investments	(197,612)	(151,43
Comprehensive loss	(6,320,41€	(2,222,97

(See accompanying notes to these consolidated financial statements)

INTERNATIONAL PBX VENTURES LTD.**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008 \$	2007 \$
OPERATING ACTIVITIES		
Net loss for the year	(6,122,804)	(2,071,544)
Less items not affecting cash		
Amortization	21,021	22,447
Mineral property option proceeds	–	(158,341)
Impairment of mineral properties	4,336,584	97,634
Stock-based compensation	101,424	704,729
Change in non-cash components of working capital		
Amounts receivable from related parties	(1,794)	(3,689)
Amounts receivable	211,896	(136,323)
Prepaid expenses and deposits	(1,210)	24,200
Accounts payable and accrued liabilities	(1,100,493)	635,144
NET CASH USED BY OPERATING ACTIVITIES	(2,555,376)	(885,743)
INVESTING ACTIVITIES		
Acquisition of and expenditures on mineral properties	(3,197,753)	(7,398,537)
Acquisition of equipment (net of disposals)	(11,057)	(34,680)
NET CASH USED BY INVESTING ACTIVITIES	(3,208,810)	(7,433,217)
FINANCING ACTIVITIES		
Proceeds from share capital issued	–	13,749,791
Share issuance costs	–	(280,825)
NET CASH PROVIDED BY FINANCING ACTIVITIES	–	13,468,966
INCREASE (DECREASE) IN CASH	(5,764,186)	5,150,006
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	8,016,183	2,866,177
CASH AND CASH EQUIVALENTS – END OF YEAR	2,251,997	8,016,183
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Mineral property option proceeds	–	185,000
Share issuance costs	–	135,000
SUPPLEMENTAL DISCLOSURES		
Interest paid	–	–
Income tax paid	–	–

(See accompanying notes to these consolidated financial statements)

INTERNATIONAL PBX VENTURES LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

The Company is an exploration stage company and is in the business of acquiring and exploring mineral properties in Chile. There has been no determination whether properties held contain ore reserves, which are economically recoverable.

The recoverability of carrying amounts for mineral properties and options is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development and achieve profitable production or alternatively, dispose of the properties. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties could be written-off.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. As at December 31, 2008, the Company has working capital of \$2,177,239 but has incurred significant losses since inception totalling \$17,410,881. The continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

2. CHANGES IN ACCOUNTING POLICY AND RECENT ACCOUNTING PRONOUNCEMENTS**Changes in Accounting Policy**

Effective January 1, 2008, the Company adopted the CICA Handbook Section 1506, "Accounting Changes", to make accounting policy changes only in the event that a change is made within a primary source of generally accepted accounting principles, or where a change is warranted to provide more relevant and reliable information. All accounting policy changes are to be applied retroactively, unless there is no specific transition provision or it is impracticable to do so. Any prior period errors identified also require retroactive application. The adoption of the section did not have any significant impact on the Company's financial statements.

Effective January 1, 2008, the Company adopted the CICA Handbook Section 1535, "Capital Disclosures", to disclose its objectives, policies and processes for managing capital, and compliance with externally imposed capital requirements, if any. The adoption of this standard did not have any significant impact on the Company's financial statements.

Recent Accounting Pronouncements

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier adoption permitted. The Corporation is currently evaluating the impact of this standard on the consolidated financial statements.

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier adoption permitted. The Corporation is currently evaluating the impact of this standard on the consolidated financial statements.

INTERNATIONAL PBX VENTURES LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

2. CHANGES IN ACCOUNTING POLICY AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)**Recent Accounting Pronouncements (continued)**

In February 2008, the Accounting Standards Board issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces CICA 3062, "Goodwill and Intangible Assets", and CICA 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual financial statements commencing November 1, 2008. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

In June 2007, the Accounting Standards Board issued CICA Handbook Section 1400, "General Standards of Financial Statement Presentation", which provides revised guidance on management's responsibility to assess and disclose the Company's ability to continue as a going concern. This standard is effective for the Company's interim and annual financial statements for fiscal years beginning on or after November 1, 2008. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian generally accepted accounting principles and IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES**[a] Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned Chilean subsidiary, Minera IPBX Ltda., and its wholly-owned Canadian subsidiaries, Tierra de Oro Resources Ltd., Copa Holdings Inc., and Copacquire Mining Inc. All material inter-company balances and transactions have been eliminated on consolidation.

[b] Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

[c] Marketable securities

The Company has classified its marketable securities as available-for-sale and therefore carries them at fair market value with the unrealized gain or loss recorded in accumulated other comprehensive income. Fair values were determined by reference to published price quotations in an active market as at December 31, 2008. As at December 31, 2008 the fair market value of the securities held was \$28,820 (2007 - \$226,432).

[d] Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recognized on the declining balance basis at the following rates per annum:

Automobile	30%
Office equipment	30%
Field equipment	30%

INTERNATIONAL PBX VENTURES LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[e] Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized to income using the unit of production method over estimated recoverable ore reserves. Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that have lapsed, the unrecoverable amounts are expensed.

The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contains economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date, less write-downs and recoveries, and does not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

[f] Long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying value of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying value of the asset exceeds the fair value of the asset.

[g] Asset retirement obligations

The Company follows CICA Handbook Section 3110, "Asset Retirement Obligations", which establishes standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at December 31, 2008, the Company has not incurred any asset retirement obligation related to the exploration and development of its mineral properties.

[h] Foreign currency translation

The accounts of the Company are expressed in Canadian dollars. Transactions and balances in currencies other than the Canadian dollar are translated using the temporal method. Accordingly revenues, expenses and non-monetary balances are translated at the rates of exchange prevailing at the transaction dates and monetary balances are translated at the rate prevailing at the balance sheet date with the resulting exchange gains and losses being included in the determination of net loss.

The Company's Chilean subsidiary is considered an integrated subsidiary which is financially and operationally dependent on the Company. The Company uses the temporal method to translate the accounts of its integrated Chilean operation into Canadian dollars. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. The resulting exchange gains or losses are recognized in income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[i] Income taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under the liability method, future income taxes and liabilities are recognized to reflect the expected future tax consequences arising from temporary differences between the carrying value and the tax bases of the Company's assets and liabilities, and are measured using the tax rates expected to apply when these difference reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

[j] Financial instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3840 – Related Party Transactions.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

Financial instruments included in the balance sheet are comprised of cash and cash equivalents, marketable securities, amounts receivable from related parties and accounts payable. The Company is not exposed to any derivative instruments. The Company is exposed to currency exchange rate risk as certain transactions are denominated in US dollars and Chilean pesos. The Company does not have foreign exchange hedges in place at this time. It is management's opinion that the Company is not exposed to significant interest rate or credit risks.

[k] Stock-based Compensation

The Company has a stock option plan, which is described in Note 7. The Company applies the fair value method to all stock-based payments and to all grants that are direct awards of stock that call for settlement in cash or other assets. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, share capital is credited for the consideration received and the related contributed surplus is decreased. The Company uses the Black Scholes option pricing model to estimate the fair value of stock based compensation.

[l] Loss per share

The Company uses the treasury stock method in computing loss per share. Under this method, basic loss per share is computed by dividing losses available to common shareholders by the weighted average number of common shares outstanding during the year. For the years ended December 31, 2008 and 2007, the existence of warrants and options causes the calculation of fully diluted loss per share to be antidilutive. Accordingly, fully diluted loss per share information has not been shown.

[m] Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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 are the determination of impairment of mineral resource properties, stock-based compensation, amortization of property and equipment, and estimation of future income tax assets and liabilities. Actual results may differ from those estimates.

INTERNATIONAL PBX VENTURES LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[n] Comparative figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation. Such reclassifications are for presentation purposes only and has no effect on previously reported results.

4. EQUIPMENT

	Cost \$	Accumulated Amortization \$	2008 Net Book Value \$	2007 Net Book Value \$
Automotive	31,870	27,784	4,086	13,722
Field equipment	23,827	8,598	15,229	13,412
Furniture and office equipment	94,833	57,008	37,825	39,969
	150,530	93,390	57,140	67,103

5. MINERAL PROPERTIES

	Copaquire	Sierra Pintada	Tabaco	Tierra de Oro	Others	Total
Balance December 31, 2006	2,839,348	261,654	3,276,949	2,429,108	86,542	8,893,601
Acquisition and staking	821,278	22,963	648,871	38,127	10,550	1,541,789
Exploration						
Drilling	3,792,197	–	1,761	324,788	–	4,118,746
Field costs	814,104	263,747	26,780	260,783	26,332	1,391,746
Project management	187,010	–	50,056	–	869	237,935
Other	100,711	555	83,385	6,144	–	190,795
Exploration and related costs 2007	5,715,300	287,265	810,853	629,842	37,751	7,481,011
Option payments received	–	–	–	–	(185,000)	(185,000)
Gain on option payment transferred to income	–	–	–	–	158,341	158,341
Impairment of mineral property costs	–	–	–	–	(97,634)	(97,634)
	–	–	–	–	(124,293)	(124,293)
Balance December 31, 2007	8,554,648	548,919	4,087,802	3,058,950	–	16,250,319
Acquisition and staking	1,083,741	30,822	31,011	40,980	–	1,186,554
Exploration						
Drilling	321,737	–	129,474	585,818	–	1,037,029
Field costs	396,092	58,389	42,940	342,755	–	840,175
Project management	64,301	407	21,388	1,499	–	87,595
Other	8,000	10,502	23,970	3,929	–	46,400
Exploration and related costs 2008	1,873,870	100,120	248,783	974,979	–	3,197,753
Impairment of mineral property costs	–	–	(4,336,584)	–	–	(4,336,584)
	–	–	(4,336,584)	–	–	(4,336,584)
Balance December 31, 2008	10,428,518	649,039	–	4,033,929	–	15,111,487

INTERNATIONAL PBX VENTURES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

5. MINERAL PROPERTIES (continued)

[a] Copaquire Property, Chile

In 2004, the Company entered into an Option Purchase Agreement with Compania Minera Huatacondo S.C.M. and Sociedad Legal Minera Macate Primera de Huatacondo of Chile to acquire the Copaquire copper-molybdenum porphyry, Region II in Chile. Pursuant to this agreement, the Company can purchase a 100% interest, subject to a 2% Net Smelter Royalty (NSR) for US\$2,100,000 in cash and US\$2,000,000 in work commitments over a four year period.

On July 15, 2008, the Company paid its final instalment of US\$750,000 and fulfilled its commitment under the agreement.

As at December 31, 2008, the Company owns 100% of the claims.

[b] Sierra Pintada, Chile

The Company staked fourteen exploration claims covering 3,300 hectares. During the year ended December 31, 2008, the Company staked seven additional exploration claims covering 1,800 hectares.

[c] Tabaco, Chile

[i] The Company has staked three exploitation (300 hectares) concessions which are 100% owned by the Company.

[ii] The Company has staked ten gold and copper exploration (2,900 hectares) concessions which are 100% owned by the Company.

[iii] Since fiscal 2002, the Company was under an agreement to acquire a 100% interest in an additional area of 393 hectares adjacent to its other (3,200 hectares) Tabaco claims (the "Prospect") in Chile over a period of four years for US\$2,000,000 as follows:

- On July 15, 2005 US\$ 100,000 (paid)
- On Jan. 15, 2006 US\$ 100,000 (paid)
- On July 15, 2006 US\$ 600,000 (paid)
- On July 15, 2007 US\$ 600,000 (paid)
- On July 15, 2008 US\$ 600,000 (terminated)

During the year, the Company drilled a recently discovered 3D induced polarization chargeability anomaly to test for mineralization. The Company analysed the drill results of the Prospect and its future potential for the company and concluded not to actively pursue the Prospect any further. The Company terminated the agreement and did not pay the final instalment.

Previously capitalized costs in the amount of \$4,336,584 related to the Prospect were impaired and charged to operations.

The Company continues to hold its 100% interest in its remaining Tabaco claims and maintains the Tabaco mining properties in good standing.

INTERNATIONAL PBX VENTURES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

5. MINERAL PROPERTIES (continued)

[d] Tierra de Oro, Chile

The Company owns a 100% interest in exploitation and exploration concessions including the San claims covering 6,256 hectares in Region III, Chile.

[e] Other properties

During the year ended December 31, 2008, the Company incurred a total of \$221,081 (2007 - \$Nil) in other exploration expenses as follows:

[i] Hornitos Property, Chile

The Company has staked eleven claims, covering 3,200 hectares located 35 kilometres south of Copiapo, Chile. During 2007, the Company analysed the property and its future potential for the Company and concluded not to actively pursue the property, but to maintain it in good standing. The Company charged related maintenance costs of \$54,700 (2007 - \$Nil) to other exploration expense.

[ii] Palo Negro Property, Chile

The Company acquired 100% of the rights to an exploration concession through staking of an area of 6,500 hectares in Chile. During 2007, the Company analysed the property and its future potential for the Company and concluded not to actively pursue the property, but to maintain it in good standing. The Company charged related maintenance costs of \$107,873 (2007 - \$Nil) to other exploration expense.

On March 7, 2008, Aldershot Resources Ltd. advised the Company that it would no longer pursue the option agreement to acquire the 80% interest of the Hornitos and the Palo Negro claims. As a result, the 100% interest in these claims reverted back to the Company.

[iii] Zulema aka. Chicharra Property, Chile

The Company acquired 100% of the rights to an exploitation concession and staked an area of 721 hectares in Chile. During 2006, the Company analysed the property and its future potential for the Company and concluded not to actively pursue the property, but to maintain it in good standing. The Company charged related maintenance costs of \$31,704 (2007 - \$Nil) to other exploration expense.

[iv] Other Exploration, Chile

During the year ended December 31, 2008, the Company engaged in the pursuit of other exploration opportunities and possible mining prospects and expensed \$26,804 (2007 - \$Nil) to operations. That amount includes staking expenses of \$4,913 (2007 - \$Nil) related to the Naranjo Property, which comprised of seven exploration claims in the vicinity of the Tabaco claims; on December 31, 2008, the Company decided not to pursue the Naranjo claims any further.

INTERNATIONAL PBX VENTURES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

6. SHARE CAPITAL

[a] Authorized

Unlimited number of common shares without par value

[b] Issued and outstanding

	Number of Common Shares	Total \$
Balance as at December 31, 2006	50,596,890	19,240,057
Issued for cash pursuant to:		
Options exercised	70,000	32,500
Warrants exercised	4,083,927	2,483,741
Private placements	22,358,998	11,368,550
Fair value of stock options exercised	–	13,377
Share issuance costs	–	(415,825)
Balance as at December 31, 2007 and 2008	77,109,815	32,722,400

Private Placements

During 2007, the Company closed three private placements with total gross proceeds of \$11,368,550 and issued 22,358,998 shares as follows:

- [i] 3,885,000 units at a price of \$0.45 per unit, for total gross proceeds of \$1,748,250. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase a further common share at a price of \$0.55 per share for a period of two years. The Company paid finder's fee and other costs of \$165,000 cash.
- [ii] 3,832,998 units at a price of \$0.60 per unit, for total gross proceeds of \$2,299,800. Each unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase a further common share at a price of \$0.80 per share for a period of two years. The Company paid finder's fee and other costs of \$240,525 cash.
- [iii] 14,641,000 units at a price of \$0.50 per unit, for total gross proceeds of \$7,320,500. Each unit consists of one common share of the Company and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase a further common share at a price of \$0.75 per share for a period of two years. The Company paid finder's fee and other costs of \$10,300 cash.

During 2008, no additional shares were issued by the Company.

7. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Balance as at December 31, 2006	\$	–
Adjustment on January 1, 2007 for change in accounting policy		160,864
Other comprehensive loss		(151,432)
Balance as at December 31, 2007		9,432
Other comprehensive loss		(197,612)
Balance as at December 31, 2008	\$	(188,180)

INTERNATIONAL PBX VENTURES LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

8. STOCK OPTIONS

The Company has implemented a stock option plan ("the Plan") to be administered by the Board of Directors. Pursuant to the Plan the Board of Director's has discretion to grant options for up to a maximum of 10% of the issued and outstanding common shares of the Company at the date the options are granted. The option price under each option shall be not less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded, and shall not be more than five years after the grant date. Options granted to directors, employees and consultants, other than consultants engaged in investor relations activities, will vest fully upon the expiry of a four-month hold period, unless otherwise approved by the relevant regulatory authorities. Options granted to employees and consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

The continuity of options is as follows:

	Number of shares	Weighted average exercise price \$
Outstanding, December 31, 2006	4,927,500	0.60
Granted	3,350,000	0.64
Exercised	(70,000)	0.46
Cancelled	(400,000)	0.60
Expired	(1,957,500)	0.57
Outstanding, December 31, 2007	5,850,000	0.63
Granted	2,550,000	0.25
Cancelled	(350,000)	0.57
Expired	(1,200,000)	0.60
Outstanding, December 31, 2008	6,850,000	0.50

As at December 31, 2008, the following options were outstanding and exercisable:

Outstanding and Exercisable			
Exercise Price \$	Number of options	Weighted average Remaining Contractual life (years)	Weighted average exercise price \$
0.25	2,450,000	2.71	
0.50	1,100,000	0.65	
0.60	500,000	0.70	
0.65	1,200,000	1.72	
0.70	700,000	1.33	
0.75	900,000	0.30	
	6,850,000	1.60	0.50

Stock options outstanding as at December 31, 2008 expire between April 20, 2009 and September 15, 2011.

INTERNATIONAL PBX VENTURES LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

8. STOCK OPTIONS (continued)

During the year ended December 31, 2008 stock-based compensation of \$101,424 (2007 - \$704,729) has been charged to operations pursuant to vesting schedules for options grants. The fair value of each option granted was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	2008	2007
Expected volatility	67%	61%
Expected life of options (in years)	2.9 yrs	2.4 yrs
Risk free interest rate	2.61%	4.02%
Expected dividend yield	0%	0%

The weighted average fair value of the options granted during the year was \$0.04 (2007 - \$0.19).

9. WARRANTS

The continuity of warrants is as follows:

	Number of shares	Weighted Average Exercise Price \$
Balance, December 31, 2006	16,793,434	0.65
Granted	20,442,501	0.72
Exercised	(4,083,927)	0.61
Expired	(11,839,507)	0.64
Balance, December 31, 2007	21,312,501	0.73
Expired	(870,000)	1.00
Balance, December 31, 2008	20,442,501	0.72

As at December 31, 2008 the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price \$	Expiry Date
3,885,000	0.55	March 28, 2009
1,916,501	0.80	May 2, 2009
13,500,000	0.75	April 3, 2009
1,141,000	0.75	April 18, 2009

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10. CONTRIBUTED SURPLUS

The following table summarizes the continuity of the Company's contributed surplus:

	Amount \$
Balance, December 31, 2006	1,347,277
Fair value of stock options granted and vested	637,756
Fair value of stock options exercised transferred to share capital	(13,377)
Fair value of stock options vested	149,449
Balance, December 31, 2007	2,121,103
Fair value of stock options granted and vested	101,424
Balance, December 31, 2008	2,222,527

11. RELATED PARTY TRANSACTIONS/BALANCES

During the year ended December 31, 2008 and 2007, the Company incurred in the following related party transactions:

- [a] The Company incurred administration expenses from directors or companies controlled by directors of \$369,178 (2007- \$362,273).
- [b] The Company incurred investor relations expenses from directors or companies controlled by directors of \$Nil (2007 - \$32,000).
- [c] The Company incurred accounting expenses from officers or companies controlled by officers of \$108,000 (2007 - \$67,300).
- [d] The Company paid legal fees of \$1,794 (2007 - \$3,689) on behalf of companies with a common director. The total amount due from these companies is \$5,483 (2007 - \$3,689).

All of the above transactions have been in the normal course of operations, and in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

12. COMMITMENTS

The Company has a lease commitment for office space that expires June, 2010. Future minimum lease payments over the next two years are as follows:

Year	Commitment \$
2009	67,444
2010	33,722

13. SEGMENTED INFORMATION

The Company operates in one industry segment, namely exploration of mineral resources in one geographic region, Chile.

INTERNATIONAL PBX VENTURES LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

14. INCOME TAXES

Reconciliation to statutory rates - The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates of 31.00% (2007: 34.12%):

	2008	2007
Expected income tax benefit computed at statutory rates	\$ 1,898,069	\$ 706,811
Effect of:		
Amortization	(6,516)	(7,669)
Non-deductible stock based compensation	(31,441)	(240,454)
Miscellaneous	(1,386,994)	21,895
Share issuance costs	51,850	57,068
Change in enacted rates	(126,029)	-
Other	(78,939)	-
Valuation allowance	(320,000)	(537,651)
	<u>\$ -</u>	<u>\$ -</u>

Non-capital losses - The Company has non-capital losses of \$4,960,000 available to offset future taxable income, expiring from 2009 to 2028. As well, the Company has \$989,000 of non-capital losses that do not expire. The non-capital losses expire as follows:

2009	87,000
2010	517,000
2014	596,000
2015	712,000
2026	974,000
2027	1,192,000
2028	882,000
	<u>\$ 4,960,000</u>

Future tax assets - The tax effects of temporary differences that give rise to significant portions of the future tax assets at December 31, 2008 and 2007 are presented below:

	2008	2007
Combined statutory tax rate	30.00%	31.00%
Future income tax assets		
Non-capital loss carry forwards	\$ 1,785,000	\$ 1,382,000
Capital loss carry forwards	51,000	23,000
Property and equipment	18,000	15,000
Resource pools	1,750,000	1,808,000
Share issuance costs	125,000	181,000
Valuation allowance	(3,729,000)	(3,409,000)
Net future income tax asset	<u>\$ -</u>	<u>\$ -</u>

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences reverse. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future income tax assets considered realizable could change materially in the near term based on future taxable income during the carry forward period.

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares.

The Company includes the components of shareholders' equity in its management of capital.

As at December 31, 2008, the Company had capital resources consisting of cash and cash equivalents and marketable securities. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period.

16. FINANCIAL INSTRUMENTS AND RISK

Financial Instruments

As at December 31, 2008, the Company's financial instruments consist of cash and cash equivalents, marketable securities, amounts receivable from related parties and accounts payable. The fair values of these financial instruments approximate their carrying values because of their current nature.

The Company classifies its cash and cash equivalents as held-for-trading, its marketable securities as available-for-sale, its amounts receivable and amounts receivable from related parties as loans and receivables and its accounts payable as other financial liabilities.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents and marketable securities. To minimize the credit risk the Company places these instruments with high credit quality financial institutions. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts.

Liquidity Risk

The Company ensures its holding of cash is sufficient to meet its short-term general and administrative expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

16. FINANCIAL INSTRUMENTS AND RISK (continued)

Foreign Exchange Risk

The Company's functional currency is the Canadian dollar. However, the Company is exposed to the currency risk related to the fluctuation of foreign exchange rates as some of the company's operations are located in Chile. The Company also has liabilities denoted in US dollars. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and Chilean peso could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

Interest Rate Risk

At December 31, 2008, the Company has significant cash and cash equivalent balances, some of which are interest-bearing at 1.950%, but has no interest bearing debt.

The Company is exposed to reductions in interest rates, which could impact expected returns from the Company's investment of corporate funds in short-term, commercial paper upon maturity of such instruments. The assumed 1% change in interest rates would have an immaterial impact on net income/loss.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of molybdenum, gold and copper. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.