INTERNATIONAL PBX VENTURES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2009 AND 2008

MANNING ELLIOTT
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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, 2009 and 2008 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, 2009 and 2008 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
April 12, 2010

INTERNATIONAL PBX VENTURES LTD.

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2009 AND 2008

	2009 $	2008 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,082,298	2,251,997
Marketable securities	41,760	28,820
Amounts receivable	6,468	6,364
Amounts receivable from related parties [Note 11[c]]	1,213	5,483
Prepaid expenses and deposits	13,207	29,570
	1,144,946	2,322,234
EQUIPMENT [Note 4]	42,242	57,140
MINERAL PROPERTIES [Note 5]	15,483,742	15,111,487
	16,670,930	17,490,861
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	66,597	144,995
SHAREHOLDERS' EQUITY		
SHARE CAPITAL [Note 6]	32,722,400	32,722,400
CONTRIBUTED SURPLUS [Note 10]	2,329,763	2,222,527
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) [Note 7]	(175,240)	(188,180)
DEFICIT	(18,272,590)	(17,410,881)
	16,604,333	17,345,866
	16,670,930	17,490,861

Nature of Operations and Continuance of Business (Note 1)
Commitments (Note 12)
Subsequent Events (Note 17)

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, 2009 AND 2008

	2009 $	2008 $
ADMINISTRATIVE EXPENSES		
Administration and management fees [Note 11[a]]	270,784	645,786
Amortization	19,662	21,021
Bank charges	2,993	4,899
Foreign exchange (gain) loss	7,028	137,589
Investor relations	17,556	52,170
Office and miscellaneous	182,275	314,159
Other exploration expense [Note 5[d]]	95,596	221,081
Professional fees [Note 11[b][c]]	225,272	298,112
Stock-based compensation	107,236	101,424
Transfer agent and regulatory	19,029	21,751
Travel, promotion and mining shows	38,428	84,678
Net operating loss before other items	(985,859)	(1,902,670)
OTHER ITEMS		
Gain on write-off of accounts payable [Note 11[d]]	95,855	–
Impairment of mineral properties	–	(4,336,584)
Interest income	28,295	116,450
	124,150	(4,220,134)
NET LOSS FOR THE YEAR	(861,709)	(6,122,804)
DEFICIT - BEGINNING OF YEAR	(17,410,881)	(11,288,077)
DEFICIT - END OF YEAR	(18,272,590)	(17,410,881)
Net Loss Per Share – Basic and Diluted	(0.01)	(0.08)
Weighted Average Shares Outstanding	77,109,815	77,109,815

(See accompanying notes to these consolidated financial statements)

INTERNATIONAL PBX VENTURES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009 $	2008 $
Net loss	(861,709)	(6,122,804)
Unrealized gain (loss) on available-for-sale investments	12,940	(197,612)
Comprehensive loss	(848,769)	(6,320,416)

(See accompanying notes to these consolidated financial statements)

INTERNATIONAL PBX VENTURES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009 $	2008 $
OPERATING ACTIVITIES		
Net loss for the year	(861,709)	(6,122,804)
Less items not affecting cash		
Amortization	19,662	21,021
Impairment of mineral properties	–	4,336,584
Stock-based compensation	107,236	101,424
Gain on write-off of accounts payable	(95,855)	–
Change in non-cash components of working capital		
Amounts receivable from related parties	4,270	(1,794)
Amounts receivable	(104)	211,896
Prepaid expenses and deposits	16,363	(1,210)
Accounts payable and accrued liabilities	17,457	(1,100,493)
NET CASH USED BY OPERATING ACTIVITIES	(792,680)	(2,555,376)
INVESTING ACTIVITIES		
Acquisition of and expenditures on mineral properties	(372,255)	(3,197,753)
Acquisition of equipment (net of disposals)	(4,764)	(11,057)
NET CASH USED BY INVESTING ACTIVITIES	(377,019)	(3,208,810)
DECREASE IN CASH	(1,169,699)	(5,764,186)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	2,251,997	8,016,183
CASH AND CASH EQUIVALENTS – END OF YEAR	1,082,298	2,251,997
SUPPLEMENTAL DISCLOSURES		
Interest paid	–	–
Income tax paid	–	–

(See accompanying notes to these consolidated financial statements)

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, 2009, the Company has working capital of $1,078,349 but has incurred significant losses since inception totalling $18,272,590. 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

EIC-173, *Credit risk and fair value of financial assets and financial liabilities*

In January 2009, the CICA issued EIC-173, *Credit risk and fair value of financial assets and financial liabilities*, which clarifies that own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial instruments including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of this Abstract. The adoption of this new standard did not have any significant impact on the consolidated financial statements.

EIC-174, *Mining Exploration Costs*

In March 2009, the CICA issued EIC-174, which provides guidance on the accounting and the impairment review of exploration costs. This Abstract applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The adoption of this new standard did not have any significant impact on the Company's consolidated financial statements.

Section 3862, *Financial Instruments-Disclosures*

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

2. CHANGES IN ACCOUNTING POLICY AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Recent Accounting Pronouncements

Section 1582, *Business Combinations*

In January 2009, the CICA issued Section 1582, Business Combinations, replacing Section 1581, Business Combinations. This section establishes the standards for the accounting for business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is currently assessing the future impact of this new standard on its financial statements.

Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling interests*

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 Company is currently evaluating the impact of this standard on the consolidated financial statements.

Sections 1601 and 1602 must be implemented concurrently with Section 1582, *Business Combinations*, discussed above. Both Sections are applicable for fiscal years beginning on or after January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. Section 1602 is to be applied retrospectively, with certain exceptions. These sections have no impact on these consolidated financial statements.

International Financial Reporting Standards (“IFRS”)

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The IFRS standards will be effective for the Company for interim and annual financial statements relating to the Company’s fiscal year beginning on or after January 1, 2011. The effective date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and year ended December 31, 2010. The Company has begun the planning and scoping phase of the transition to IFRS and intends to transition to IFRS financial statements during fiscal 2011. While the Company has begun assessing the adoption of IFRS for fiscal 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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., Copaquire Mining Inc., Copa Holdings Inc., Tabaco Mining Inc., Tabco Holdings Inc., Verna Explorations Ltd., and Verna Holdings Ltd. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[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, 2009. As at December 31, 2009 the fair market value of the securities held was $41,760 (2008 - $28,820).

[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%

[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, 2009, the Company has not incurred any asset retirement obligation related to the exploration and development of its mineral properties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[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.

[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 and accrued liabilities. 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. Note 6 describes the risks associated with the Company's financial instruments.

[k] Stock-based Compensation

The Company has a stock option plan, which is described in Note 8. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[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, 2009 and 2008, 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.

[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 have no effect on previously reported results.

4. EQUIPMENT

	Cost $	Accumulated Amortization $	2009 Net Book Value $	2008 Net Book Value $
Automotive	31,870	29,404	2,466	4,086
Field equipment	23,826	13,135	10,691	15,229
Furniture and office equipment	97,659	68,574	29,085	37,825
	153,355	111,113	42,242	57,140

5. MINERAL PROPERTIES

	Copaquire	Sierra Pintada	Tabaco	Tierra de Oro	Total
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
Acquisition and staking	45,402	36,944	–	73,801	156,147
Exploration					
Field costs	12,463	–	–	955	13,418
Project management	201,260	–	–	976	202,236
Other	–	454	–	–	454
Exploration and related costs 2009	259,125	37,398	–	75,732	372,255
Balance December 31, 2009	10,687,643	686,437	–	4,109,662	15,483,742

[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 fulfilled its commitment under the agreement during 2008 and owns 100% (1,473 hectares) of the claims, subject to a 2% Net Smelter Royalty (NSR) for total costs of US$2,100,000 in cash and a US$2,000,000 in work commitments.

During 2009, the Company staked additional 2,100 hectares exploration claims located 8 kms west of its Copaquire claims.

As at December 31, 2009, the Company owns 100% of the claims.

[b] Sierra Pintada, Chile

The Company owns 100% of fourteen exploitation claims covering 3,170 hectares. During fiscal 2008, the Company staked seven additional exploration claims covering 1,800 hectares.

[c] Tierra de Oro, Chile

The Company owns a 100% interest in exploitation and exploration concessions including the San claims covering 5,758 hectares in Region III, Chile.

5. MINERAL PROPERTIES (continued)

[d] Other properties

During the year ended December 31, 2009, the Company incurred a total of $95,596 (2008 - $221,081) in other exploration expenses as follows:

[i] Hornitos Property, Chile

The Company has staked eleven claims, covering 3,009 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.

During the year ended December 31, 2009, the Company charged related maintenance costs of $22,663 (2008 - $54,700) 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 6,028 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.

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.

During the year ended December 31, 2009, the Company charged related maintenance costs of $45,401 (2008 - $107,873) to other exploration expense.

[iii] Zulema aka. Chicharra Property, Chile

The Company acquired 100% of the rights to an exploitation concession and staked an area of 871 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.

During the year ended December 31, 2009, the Company charged related maintenance costs of $6,616 (2008 - $31,704) to other exploration expense.

[iv] Tabaco, Chile

During fiscal 2008, the Company terminated an option agreement entered into during fiscal 2002 to purchase the Tabaco Prospect claims. Previously capitalized costs in the amount of $4,336,584 related to the Prospect were impaired and charged to operations. The Company, however, continues to hold 100% interest in its remaining Tabaco claims (300 hectares) and maintains its Tabaco mining properties in good standing. Further in fiscal 2008, the Company staked two exploitation (400 hectares) concessions which are 100% owned by the Company.

During the year ended December 31, 2009, the Company charged related maintenance costs of $12,510 (2008 - $Nil) to other exploration expense.

[v] Other Exploration, Chile

During the year ended December 31, 2009, the Company engaged in the pursuit of other exploration opportunities and possible mining prospects and expensed $8,406 (2008 - $26,804) to operations.

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, 2007, 2008 and 2009	77,109,815	32,722,400

During 2008 and 2009, no additional shares were issued by the Company.

7. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Balance as at December 31, 2007	$ 9,432
Other comprehensive loss	(197,612)
Balance as at December 31, 2008	(188,180)
Other comprehensive income	12,940
Balance as at December 31, 2009	$ (175,240)

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 ten 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 award date, unless otherwise determined by the Board or required by the relevant regulatory authorities. Options granted to persons 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, 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
Expired	(2,500,000)	0.43
Re-priced	4,350,000	0.10
Granted	1,700,000	0.10
Outstanding, December 31, 2009	6,050,000	0.10

8. STOCK OPTIONS (continued)

[a] Stock options granted

During the year ended December 31, 2009 the Company granted options to directors and officers to purchase up to 1,700,000 (2008 - 2,550,000) shares of the Company at $0.10 (2008 - $0.25) per share. The fair value of the stock-based compensation recognized during the period ended December 31, 2009 attributed to the stock option grant was $42,829 (2008 - $101,424) as determined using the Black Scholes Option Pricing model with the following weighted average assumptions.

	2009	2008
Expected volatility	101%	67%
Expected life of options (in years)	5yrs	2.9 yrs
Risk free interest rate	2.54%	2.61%
Expected dividend yield	0%	0%

The weighted average fair value of the options granted during the year was $0.03 (2008 - $0.04).

As at December 31, 2009, the following options were outstanding and exercisable:

Outstanding and Exercisable			
Exercise Price $	Number of Options	Weighted verage Remaining Contractual Life (years)	Weighted Average Exercise Price $
0.10	700,000	0.33	
0.10	1,200,000	0.72	
0.10	2,450,000	1.71	
0.10	1,700,000	4.43	
0.10	6,050,000	2.12	0.10

Stock options outstanding as at December 31, 2009 expire between May 2, 2010 and June 4, 2014.

[b] Modification of stock options

In 2009, the Company modified the terms of stock options granted in prior years by decreasing the exercise price. Additional stock-based compensation expense of $64,407 (2008 - $Nil) was recognized as a result of this re-pricing.

Number of Options	Expiry Date	Initial Exercise Price $	New Exercise Price $
700,000	May 5, 2010	0.70	0.10
1,200,000	September 20, 2010	0.65	0.10
2,450,000	September 15, 2011	0.25	0.10
4,350,000			

9. WARRANTS

The continuity of warrants is as follows:

	Number of shares	Weighted Average Exercise Price $
Balance, December 31, 2007	21,312,501	0.73
Expired	(870,000)	1.00
Balance, December 31, 2008	20,442,501	0.72
Expired	(20,442,501)	0.72
Balance, December 31, 2009	-	-

As at December 31, 2009, there are no share purchase warrants outstanding.

10. CONTRIBUTED SURPLUS

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

	Amount $
Balance, December 31, 2007	2,121,103
Fair value of stock options granted and vested	101,424
Balance, December 31, 2008	2,222,527
Fair value of stock options granted and vested	42,829
Fair value of stock options re-priced	64,407
Balance, December 31, 2009	2,329,763

11. RELATED PARTY TRANSACTIONS/BALANCES

During the year ended December 31, 2009 and 2008, the Company incurred in the following related party transactions:

[a] The Company incurred administration, management and consulting fees from directors or companies controlled by directors of $228,370 (2008- $369,178).

[b] The Company incurred accounting expenses from officers or companies controlled by officers of $108,000 (2008 - $108,000).

[c] The Company paid legal fees of $1,213 (2008 - $1,794) on behalf of companies with a common director. The total amount due from these companies is $1,213 (2008 - $5,483).

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.

[d] During the year ended December 31, 2009 the Company wrote off an amount owing to a former director for $95,855.

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 $
2010	35,328

13. SEGMENTED INFORMATION

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

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 30.00% (2008: 31.00%):

	2009	2008
Expected income tax benefit computed at statutory rates	$ 255,162	$ 1,898,069
Effect of:		
Non-deductible stock based compensation	(32,171)	(31,441)
Miscellaneous	–	(1,386,994)
Change in enacted rates	(661,336)	(126,029)
Other	(25,655)	(33,605)
Valuation allowance	464,000	(320,000)
	$ –	$ –

Non-capital losses - The Company has non-capital losses of $5,502,000 available to offset future taxable income, expiring from 2010 to 2029. As well, the Company has $1,242,000 of non-capital losses that do not expire. The non-capital losses expire as follows:

2010	$ 517,000
2014	596,000
2015	712,000
2026	974,000
2027	1,192,000
2028	882,000
2029	629,000
	$ 5,502,000

14. INCOME TAXES (continued)

Future tax assets -The tax effects of temporary differences that give rise to significant portions of the future tax assets at December 31, 2009 and 2008 are presented below:

	2009	2008
Combined statutory tax rate	25.00%	30.00%
Future income tax assets		
Non-capital loss carry forwards	$ 1,686,000	$ 1,785,000
Capital loss carry forwards	19,000	23,000
Marketable securities	22,000	28,000
Property and equipment	17,000	18,000
Resource pools	1,458,000	1,750,000
Share issuance costs	63,000	125,000
Valuation allowance	(3,265,000)	(3,729,000)
Net future income tax asset	$ –	$ –

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, 2009, 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 raise 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, 2009, the Company's financial instruments consist of cash and cash equivalents, marketable securities, amounts receivable from related parties and accounts payable and accrued liabilities 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 from related parties as loans and receivables and its accounts payable and accrued liabilities as other financial liabilities.

Fair Value

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's balance sheet as of December 31, 2009 as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $	Balance as of December 31, 2009 $
Assets:				
Cash and cash equivalents	1,082,298	–	–	1,082,298
Marketable Securities	41,760	–	–	41,760
Total assets measured at fair value	1,124,058	–	–	1,124,058

The Company believes that the recorded values of all of our other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

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, 2009, the Company has significant cash and cash equivalent balances, some of which are interest-bearing at 0.75%, 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.

17. SUBSEQUENT EVENTS

On January 6, 2010, the Company engaged a third party to provide investor relation services to the Company for a monthly fee of $8,500 and granted stock options to purchase up to 400,000 common shares at $0.13 per share expiring January 6, 2011.

On February 22, 2010, the Company announced, subject to TSX Venture Exchange approval, it will raise $1,400,000 by way of a non-brokered private placement of seven million units at a price of $0.20 per unit. Each unit will consist of one common share and one-half of a warrant. One whole warrant entitles the holder to purchase one additional share at $0.30 per share for one year from the closing date of the private placement. The warrants are subject to an acceleration clause which is triggered when the Company's shares trade at $0.40 or more for ten consecutive trading days. Upon the occurrence of such event, the Company reserves the right, at its discretion, to demand exercise of the warrants within a specified period of time, barring which the warrants will expire. The Company may pay finder's fees in accordance with the policies of the TSX Venture Exchange in connection with the private placement.