

KOBEX RESOURCES LTD.

**FINANCIAL STATEMENTS
(Unaudited and Unreviewed)**

January 31, 2007

BALANCE SHEETS

STATEMENTS OF LOSS AND DEFICIT

STATEMENTS OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

These financial statements have been prepared by management of the Company and have not been reviewed by the Company's independent auditor.

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

KOBEX RESOURCES LTD.
Balance Sheets (Unaudited and Unreviewed)

| | January 31 2007 | July 31 2006 |
|--|--------------------|-----------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | \$ 3,379,260 | \$ 4,157,001 |
| Accounts receivable | 14,260 | 24,401 |
| Marketable securities | 2,700 | 2,700 |
| GST receivable | 15,968 | 4,190 |
| Accrued interest receivable | - | 57,074 |
| Prepaid expenses and deposits | 39,023 | 15,589 |
| Investment in related company | 747 | 747 |
| | 3,451,958 | 4,261,702 |
| EQUIPMENT (Note 3) | 106,726 | - |
| RESOURCE PROPERTIES (Note 4) | 594,924 | - |
| | \$ 4,153,608 | \$ 4,261,702 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 470,003 | \$ 39,368 |
| Due to related parties (Note 6) | 99,866 | 6,319 |
| | 569,869 | 45,687 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 5) | 9,523,781 | 9,512,731 |
| Contributed surplus (Note 5(f)) | 1,170,337 | 1,170,337 |
| Deficit | (7,110,379) | (6,467,053) |
| | 3,583,739 | 4,216,015 |
| | \$ 4,153,608 | \$ 4,261,702 |

CONTINUING OPERATIONS (Note 1)
CONTINGENCY (Note 8)

APPROVED BY THE BOARD OF DIRECTORS

"Roman Shklanka"

Director

"Leo King"

Director

The accompanying notes are an integral part of these financial statements

KOBEX RESOURCES LTD.
Statement of Loss and Deficit (Unaudited and Unreviewed)

| | Three Months Ended January 31 | | Six Months Ended January 31 | |
|--|----------------------------------|----------------|--------------------------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| EXPENSES | | | | |
| Amortization | \$ 3,391 | \$ - | \$ 3,391 | \$ - |
| Bank charges | 195 | 354 | 664 | 663 |
| Consulting | 16,500 | 15,000 | 33,000 | 30,000 |
| Filing fees | 3,500 | 2,674 | 3,748 | 2,674 |
| Management fees | 16,500 | 16,500 | 33,000 | 33,000 |
| Office and miscellaneous | 6,755 | 1,217 | 9,362 | 2,945 |
| Professional fees | 33,246 | 20,863 | 43,546 | 26,846 |
| Property investigation and evaluation | 94 | 19,343 | 175 | 19,343 |
| Rent | 11,151 | 7,583 | 22,315 | 15,035 |
| Secretarial services | 10,038 | 7,729 | 17,076 | 15,458 |
| Shareholder communication | 21,776 | 39,771 | 42,003 | 59,619 |
| Telephone and communication | 420 | 333 | 750 | 668 |
| Transfer agent fees | 2,262 | 6,987 | 3,933 | 8,919 |
| Travel, meals and entertainment | 1,010 | 1,493 | 1,010 | 1,493 |
| Cost recovery | (104,381) | - | (104,381) | - |
| Interest income | 22,457 | 139,847 | 109,592 | 216,663 |
| Interest expenses | (45,293) | (7,054) | (75,928) | (16,290) |
| Foreign exchange | - | (50) | - | (50) |
| Deferred exploration costs written off | (1,770) | 7,099 | (3,056) | 7,886 |
| | 91,875 | (478) | 612,718 | 47,903 |
| NET LOSS FOR THE PERIOD | (67,269) | (139,364) | (643,326) | (256,112) |
| DEFICIT, BEGINNING OF PERIOD | (7,043,110) | (4,547,311) | (6,467,053) | (4,430,563) |
| DEFICIT, END OF PERIOD | \$ (7,110,379) | \$ (4,686,675) | \$ (7,110,379) | \$ (4,686,675) |
| LOSS PER SHARE | \$ - | \$ (0.01) | \$ (0.03) | \$ (0.01) |
| Weighted average of shares outstanding | 23,068,184 | 18,271,030 | 23,066,059 | 19,433,701 |

The accompanying notes are an integral part of these financial statements

KOBEX RESOURCES LTD.

Statement of Cash Flows (Unaudited and Unreviewed)

| | Three Months Ended January 31 | | Six Months Ended January 31 | |
|---|----------------------------------|---------------------|--------------------------------|---------------------|
| | 2007 | 2006 | 2007 | 2006 |
| OPERATING ACTIVITIES | | | | |
| Net income (loss) for the six months | \$ (67,269) | \$ (139,364) | \$ (643,326) | \$ (256,112) |
| Add items not involving use of cash: | | | | |
| Amortization | 11,998 | - | 11,998 | - |
| Deferred exploration costs written off | 91,875 | (478) | 612,718 | 47,903 |
| Stock-based compensation | - | - | - | - |
| | <u>36,604</u> | <u>(139,842)</u> | <u>(18,610)</u> | <u>(208,209)</u> |
| Non-cash working capital items | | | | |
| Accounts receivable | 4,934 | 16,146 | 10,141 | - |
| GST receivable | (9,706) | (7,065) | (11,778) | (3,309) |
| Accrued interest receivable | 79,211 | 5,649 | 57,074 | 523 |
| Mining tax credit receivable | - | - | - | 16,542 |
| Prepaid expenses | (18,384) | 10,336 | (23,434) | 2,037 |
| Accounts payable and accrued liabilities | 430,676 | (27,825) | 430,635 | (34,771) |
| Advances refundable | - | - | - | - |
| | <u>523,335</u> | <u>(142,601)</u> | <u>444,028</u> | <u>(227,187)</u> |
| FINANCING ACTIVITIES | | | | |
| Due (from) to related parties | 86,001 | (1,851) | 93,547 | (2,023) |
| Shares issued for cash, net of share issue costs | 11,050 | 3,860,387 | 11,050 | 3,916,487 |
| | <u>97,051</u> | <u>3,858,536</u> | <u>104,597</u> | <u>3,914,464</u> |
| INVESTING ACTIVITIES | | | | |
| Purchase of equipment | (118,724) | - | (118,724) | - |
| Expenditures on acquisition of resource properties | (175,350) | (131,319) | (231,785) | (154,815) |
| Expenditures on deferred exploration | (441,359) | (17,585) | (975,857) | (145,044) |
| | <u>(735,433)</u> | <u>(148,904)</u> | <u>(1,326,366)</u> | <u>(299,859)</u> |
| NET CASH (OUTFLOW) INFLOW | (115,047) | 3,567,031 | (777,741) | 3,387,418 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 3,494,307 | 861,270 | 4,157,001 | 1,040,883 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 3,379,260 | \$ 4,428,301 | \$ 3,379,260 | \$ 4,428,301 |
| Other supplementary information: | | | | |
| Shares issued for property | <u>\$ -</u> | <u>\$ 641,250</u> | <u>\$ -</u> | <u>\$ 641,250</u> |
| Interest paid (recovery) | <u>\$ -</u> | <u>\$ (50)</u> | <u>\$ -</u> | <u>\$ (50)</u> |
| Income tax paid | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements

KOBEX RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2007 AND 2006

1. CONTINUING OPERATIONS

The Company is an exploration stage public company whose shares trade on the TSX Venture Exchange. It has not, as yet, achieved commercial production on any of its resource properties. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has accumulated losses of \$7,110,379 (July 31, 2006 - \$6,467,053). As at January 31, 2007 the Company had working capital of \$2,882,089 (July 31, 2006 - \$4,216,015).

The Company's ability to meet its obligations and maintain its operations is contingent upon successful completion of additional financing arrangements and ultimately the achievement of profitable operations.

Realization values may be substantially different from the carrying values as shown in these financial statements should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Resource Properties and Deferred Exploration Costs

Acquisition costs of resource properties together with direct exploration and development expenditures thereon are deferred in the accounts as the properties are placed into production, abandoned, sold or considered to be impaired in value. General and administrative expenses which are directly related to exploration activities are also capitalized. When production is attained these costs will be amortized on a unit of production basis. The Company reviews the carrying value of each property that is in the exploration or development stage on a regular basis by reference to the project economics including the timing of the exploration and/or development risk, the work programs and the exploration results experienced by the Company and others. The review of the carrying value of each producing property is made by reference to the estimated future operating results and net cash flows.

When the carrying value of a property exceeds its estimated net recoverable amount, a provision is made for the decline in value. Costs relating to properties abandoned are written off when the decision to abandon is made. Exploration and investigative costs relating to properties for which the Company has not secured rights are expensed as incurred. Amounts shown for properties represent costs incurred net of write-downs and recoveries and are not intended to represent present or future values.

b) Government Assistance

Refundable mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to receive the credits. These mining tax credits are earned in respect of qualified exploration costs incurred in British Columbia and Yukon, Canada and are recorded as a reduction of the related exploration expenditures.

KOBEX RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2007 AND 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

c) Depreciation of Capital Assets

Capital assets are recorded at cost and are depreciated annually at the following rates:

| | | |
|--------------------------------|---|-------------------------------|
| Office furniture and equipment | - | 20% declining balance method |
| Computer software | - | 100% declining balance method |
| Leasehold improvement | - | Straight line over 11 years |

Further, capital costs are amortized at one-half of the annual rate in the year of acquisition except leasehold improvement.

d) Foreign Currencies Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date, while non-monetary assets, liabilities, revenues and expenses are translated into Canadian dollars at rates approximating the exchange rates in effect at the time of the transactions. All foreign exchange gains and losses are included in earnings, except for gains and losses on long-term monetary liabilities which are deferred and amortized over the term of the related liability.

e) Basic and Diluted Loss per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution by including other common share equivalents, including outstanding stock options and outstanding warrants, in the weighted average number of common shares outstanding during the period, if dilutive. Fully diluted amounts are not presented when the effects of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

f) Stock-based Compensation

Canadian generally accepted accounting principles require the fair value method for all purchase options to be expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share stock options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of the grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

KOBEX RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2007 AND 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

g) Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

h) Income Taxes

The Company follows the assets/liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized. Future tax assets or liabilities are measured using the tax rates and laws expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on future income tax assets and liabilities is recognized in the year of change.

i) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results may differ from those estimates. Significant estimates used in the preparation of these financial statements include, among other things, determination of net recoverable value of resource properties.

j) Financial Instruments

The carrying amounts reported in the balance sheets for cash and cash equivalents, marketable securities, prepaid expenses and deposits, accounts receivable, accounts payable and accrued liabilities approximate their fair market value due to the short-term to maturity of these instruments.

k) Flow-through Shares

Under the terms of Canadian flow-through share legislation, the tax attributes of qualifying mineral exploration expenditures are renounced to the flow-through share subscribers. To recognize the foregone tax benefits, share capital is reduced and future income tax liability is recognized at the time the related expenditures are renounced. The accounting policy had no effect on the financial statements.

KOBEX RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2007 AND 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

1) Cash and Cash Equivalents

Cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of ninety days or less.

3. CAPITAL ASSETS

| | January 31, 2007 | | | July 31 2006 |
|------------------------|-------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Computer software | \$ 32,000 | \$ 8,000 | \$ 24,000 | \$ - |
| Furniture | 12,131 | 607 | 11,524 | |
| Leasehold improvements | 74,593 | 3,391 | 71,202 | - |
| | <u>\$ 118,724</u> | <u>\$ 11,998</u> | <u>\$ 106,726</u> | <u>\$ -</u> |

KOBEX RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2007 AND 2006

4. RESOURCE PROPERTIES

| | Cumo Property Idaho USA | Mt. Emmons Colorado USA | Total |
|-----------------------------------|----------------------------------|----------------------------------|------------|
| Acquisition Costs | | | |
| Balance, July 31, 2006 | \$ - | \$ - | \$ - |
| Additions during the period: | | | |
| Property payment | - | 56,435 | 56,435 |
| Acquisition expenses | - | 175,350 | 175,350 |
| | - | 231,785 | 231,785 |
| | - | 231,785 | 231,785 |
| Written off during the period | - | - | - |
| Balance, January 31, 2007 | \$ - | \$ 231,785 | \$ 231,785 |
| Deferred Exploration Costs | | | |
| Balance, July 31, 2006 | \$ - | \$ - | \$ - |
| Addition during the period: | | | |
| Amortization | - | 8607 | 8,607 |
| Assays | 7,801 | | 7,801 |
| Camp supplies and field expenses | 15,312 | 1321 | 16,633 |
| Claim staking and filing expenses | 48,655 | | 48,655 |
| Culvit and road construction | 105,296 | | 105,296 |
| Drilling | 306,576 | | 306,576 |
| Geological consultants | 3,545 | 81,052 | 84,597 |
| Office and others | 3,151 | 84,441 | 87,592 |
| Project management fees | 75,370 | 29,011 | 104,381 |
| Salary and benefits | 41,950 | | 41,950 |
| Travel and meals | 5,062 | 22,527 | 27,589 |
| Water plant | - | 136,180 | 136,180 |
| | 612,718 | 363,139 | 975,857 |
| Written off during the period | (612,718) | - | (612,718) |
| Balance, January 31, 2007 | \$ - | \$ 363,139 | \$ 363,139 |
| Total Resource Properties | \$ - | \$ 594,924 | \$ 594,924 |

KOBEX RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2007 AND 2006

4. RESOURCE PROPERTIES - continued

| | Morley River Property Yukon | Titan Property BC | Cumo Property Idaho USA | Total |
|-----------------------------------|--------------------------------------|-------------------------|----------------------------------|-------------|
| Acquisition Costs | | | | |
| Balance, July 31, 2005 | \$ - | \$ - | \$ 299,577 | \$ 299,577 |
| Additions during the period: | | | | |
| Property payment | - | - | 586,051 | 586,051 |
| Acquisition costs | - | - | 210,014 | 210,014 |
| | - | - | 796,065 | 796,065 |
| | - | - | 1,095,642 | 1,095,642 |
| Written off during the period | - | - | (1,095,642) | (1,095,642) |
| Balance, July 31, 2006 | \$ - | \$ - | \$ - | \$ - |
| Deferred Exploration Costs | | | | |
| Balance, July 31, 2005 | \$ - | \$ - | \$ 129,241 | \$ 129,241 |
| Addition during the period: | | | | |
| Assays | - | 2,143 | - | 2,143 |
| Camp supplies and field expenses | - | 279 | 53,212 | 53,491 |
| Culvert and road construction | - | - | 26,528 | 26,528 |
| Drilling | - | (206) | - | (206) |
| Geological consultants | (94) | (3,624) | 57,282 | 53,564 |
| Insurance | - | - | 24,950 | 24,950 |
| Legal | - | - | 4,857 | 4,857 |
| Office expenses | - | 737 | 15,222 | 15,959 |
| Rental-field equipment | - | 288 | - | 288 |
| Salary and benefits | - | - | 37,689 | 37,689 |
| Travel and meals | - | - | 7,275 | 7,275 |
| | (94) | (383) | 227,015 | 226,538 |
| Mining tax credit | 20,892 | 27,489 | - | 48,381 |
| | 20,798 | 27,106 | 227,015 | 274,919 |
| | 20,798 | 27,106 | 356,256 | 404,160 |
| Written off during the period | (20,798) | (27,106) | (356,256) | (404,160) |
| Balance, July 31, 2006 | \$ - | \$ - | \$ - | \$ - |
| Total Resource Properties | \$ - | \$ - | \$ - | \$ - |

KOBEX RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2007 AND 2006

4. RESOURCE PROPERTIES - continued

Cumo and Trikay Properties

On January 21, 2005, the Company entered into an option agreement with Mosquito Consolidated Gold Mines Limited (“Mosquito”) to acquire a 100% interest in two Mosquito properties, the Cumo Molybdenum Property located in Boise County, Idaho and the Trikay Copper-Gold Property in Queensland, Australia for which an exploration permit has been filed. Subsequently on November 9, 2005, the Company entered into an amendment agreement with Mosquito whereby the Company surrendered to Mosquito all its right and interest to the Trikay Property while retaining a right of first refusal on the property for a period of two years. In summary, the terms of the amended option agreement with Mosquito included staged payments, issuance of stock and work commitments according to the following schedule:

| | <u>Shares to be Issued</u> | <u>Cash Payment</u> | <u>Exploration Expenditures</u> |
|---|--------------------------------|-------------------------|-------------------------------------|
| - upon execution of the agreement (paid) | - | \$ 50,000 | \$ - |
| - upon completion of due diligence and acceptance of filing by regulatory authorities (issued and paid) | 375,000 | 50,000 | - |
| - on or before the earlier of July 21, 2005 or acceptance for filing by regulatory authorities (paid) | - | 150,000 | - |
| - on or before January 21, 2006 | 1,125,000 | 187,500 | - |
| - on or before July 21, 2006 | - | 187,500 | - |
| - on or before January 21, 2007 (committed) | - | - | 750,000 |
| - on or before January 21, 2007 | 1,500,000 | 562,500 | - |
| - on or before January 21, 2008 | 2,625,000 | - | 1,125,000 |
| - on or before January 21, 2009 | 4,375,000 | 1,125,000 | 1,500,000 |
| - on or before January 21, 2010 | - | 1,500,000 | 1,875,000 |
| - on or before January 21, 2011 | - | - | 2,250,000 |
| Total | <u>10,000,000</u> | <u>\$ 3,812,500</u> | <u>\$ 7,500,000</u> |

The Company had also been granted a right of first refusal to a person or group of persons, designated by the Company, on all the shares of the Company to be issued to Mosquito under the above option agreement except the first one (1) million that Mosquito wishes to sell. Mosquito had agreed to place all shares acquired as a result of this agreement in a voting trust

The Company must also assume certain obligations with respect to an underlying option agreement dated October 13, 2004 between Cumo Molybdenum Mining Inc. (“Cumo”) and Mosquito. The terms included minimum advance royalty payments according to the following schedule:

- US\$10,000 on signing of agreement (paid by Mosquito);
- US\$10,000 after 60 days (paid by Mosquito);
- US\$5,000 after 6 months (paid);
- US\$20,000 on or before October 13, 2005 (paid);
- US\$20,000 on or before October 13, 2006;
- US\$15,000 on or before October 13, 2007;
- US\$15,000 every 6 months thereafter as long as the option is in effect.

KOBEX RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2007 AND 2006

4. RESOURCE PROPERTIES - continued

These payments were to be credited against a net smelter return royalty (“NSR”) of 1.5% which would be reduced to 0.5% after payments of US\$3,000,000.

The Company had also agreed to issue 300,000 shares of the Company as finder’s fee in consideration with the acquisition of the Cumo Property as follows:

- (1) 100,000 shares upon acceptance of this agreement by the TSX Venture Exchange and the completion of due diligence (issued);
- (2) 100,000 shares on the first and second anniversary dates of the acceptance of this agreement by the TSX Venture Exchange and upon the completion of due diligence by the Company provided that the Company continues with its agreement with Mosquito.

In November 2005, the Company was advised by the U.S. Forest Service that due to early onset of winter conditions, the access road work and culvert crossing to permit access for a planned drilling program on the property must be deferred until the spring of 2006. As a result, the Company invoked the force majeure provision in the Agreement with Mosquito. Both cash and share payments due on January 21, 2006 were deferred accordingly.

On October 6, 2006, the Company delivered a notice of termination in respect of the Cumo Property and wrote off all its related costs to the property. The Company has determined that the Company has fully complied with all minimum cash payments, share issuances and expenditures required under the option agreement with Mosquito Consolidated Gold Mines Limited. On November 1, 2006, the Company was served with a Writ of Summons and Statement of Claim by Mosquito for an amount approximately \$374,000 and 1,125,000 common shares of the Company. The Company filed a Statement of Defense with the Supreme Court of British Columbia on December 19, 2006. The Company is of the opinion that the lawsuit is unfounded.

Mt. Emmons Property

On October 6, 2006, the Company entered into an agreement with US Moly Corp. (“USMC”) and its shareholders U.S. Energy Corp. and Crested Corp. whereby the Company can earn up to a 65% interest in the Mt. Emmons Molybdenum property located at Crested Butte, Colorado. To acquire the 65% interest, the Company must pay US\$50,000 on signing of the agreement (paid), pay a total of US\$3,950,000 in cash or shares, expend a total of US\$50,000,000 on the property over stages as laid out in the table below, deliver to USMC a bankable feasibility study on the property including advanced permitting or the issuance of a mining license, and arrange 100% of all future financings.

The Company will earn the initial 15% interest in the property when the company has completed US\$15,000,000 in expenditures. An additional 35% interest will be earned at such time that a bankable feasibility study is delivered and the difference between US\$50,000,000 and total actual expenditures made by the Company is paid. An additional 15% (an aggregate of 65%) interest will be earned if the Company agrees to arrange 100% of all future financing for the property. The property is subject to an ultimate 3% gross overriding royalty.

KOBEX RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2007 AND 2006

4. RESOURCE PROPERTIES - continued

In November 2006, the Company entered into an amendment agreement with the vendors of the Mt. Emmons property whereby the initial payment of US\$1,450,000 will be decreased to US\$750,000 with the difference of US\$700,000 to be applied to the first year's work program, in whole or in part, with the balance, if any, payable in cash or shares on or before December 6, 2007. Further, the collective overriding gross royalty of 3%, at such time as the Company earns a 50% interest, can be reduced to 2% by a US\$10,000,000 payment at the Company's election within the first year following a production decision.

| | Cash Payment (US\$) | Cash or Shares (US\$) | Expenditures (US\$) |
|---|---------------------------|-----------------------------|------------------------|
| - upon execution of the agreement (paid) | \$ 50,000 | \$ - | \$ - |
| - on or before December 6, 2006 | - | 750,000 | - |
| - on or before December 6, 2007 | - | 500,000 | 4,150,000 |
| - on or before December 6, 2008 | - | 500,000 | 5,000,000 |
| - on or before December 6, 2009 | - | 500,000 | 2,500,000 |
| - on or before December 6, 2010 | - | 500,000 | - |
| - on or before December 6, 2011 | - | 500,000 | - |
| - on or before December 6, 2016 | - | - | 38,350,000 |
| (payable in cash to the extent that this amount has not been spent on the feasibility study) | | | |
| Total | <u>50,000</u> | <u>\$ 3,250,000</u> | <u>\$ 50,000,000</u> |

Cooperative Agreement with Pacific Imperial Mines Inc.

On August 30, 2004, the Company entered into a cooperative agreement with Pacific Imperial Mines Inc. ("PPM") pursuant to which the Company was granted a right of first refusal to acquire a 60% undivided interest in one resource property available to PPM, excluding the Tangshang and Salachong properties. In order to acquire an interest, the Company is required to finance \$3 million of exploration and development expenditures on the property within three years of the date that the Company identifies a property of interest to it. The right of first refusal will expire on the earlier of the Company having identified a property in which to pursue an interest or three years from the date of the cooperative agreement. For the property selected, the Company will also be required to issue to PPM up to a total of one million common shares from its treasury on a staged basis as follows:

- (1) 200,000 shares upon the joint venture company's receipt of title to the property;
- (2) 200,000 shares upon expenditure by the Company of \$1 million (US) on the property;
- (3) 200,000 shares upon expenditure by the Company of a cumulative amount of \$3 million (US) on the property; and
- (4) 400,000 shares upon production decision being made by the parties with respect to the property.

The Company and PPM had a director in common at the time the agreement was negotiated. As of January 31, 2007, the Company has not exercised its first refusal right in the above cooperative agreement with PPM.

KOBEX RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2007 AND 2006

5. SHARE CAPITAL

a) Authorized

Unlimited common shares without par value.

b) Issued and Fully Paid

| | Number of Shares | Amount |
|--|---------------------|--------------|
| Balance, July 31, 2005 | 18,223,402 | \$ 4,959,937 |
| Private placement, net of issuance costs | 3,758,000 | 3,478,862 |
| Stock options exercised | 30,000 | 15,000 |
| Warrants exercised | 577,440 | 259,080 |
| Non-cash compensation charges on | | |
| stock options exercised | - | 12,735 |
| finder's warrants exercised | - | 145,867 |
| Mineral property acquisition | 475,000 | 641,250 |
| Balance, July 31, 2006 | 23,063,842 | 9,512,731 |
| Warrants exercised | 8,500 | 11,050 |
| Balance, January 31, 2007 | 23,072,342 | \$ 9,523,781 |

In December 2005, the Company completed a non-brokered private placement of 3,758,000 units at a price of \$1.05 per unit for total proceeds of \$3,945,900. Each unit is comprised of one common share and one non-transferable share purchase warrant entitling the holder to purchase one additional common share of the Company at a price of \$1.30 per share for a period of two years. The warrants will be subject to an acceleration clause whereby if the shares of the Company trade at an average price above \$1.75 per share for a period of 10 consecutive trading days, the Company will have the option to require the earlier exercise of the warrants within 30 days of formal notice from the Company. The Company applied the residual approach and allocated the total proceeds to common shares and \$Nil to the attached warrants. A commission of 7% cash was paid and 217,500 B-warrants were issued to eligible agents based on the total gross proceeds of the financing. The B-warrants entitle the holder to acquire one common share of the Company at \$1.30 per share for a period of two years.

In December 2005, the Company charged \$163,371 as share issuance costs by applying the fair value based method of accounting for the B-warrants granted to the agents and credited its contributed surplus by the same amount. The fair value of the B-warrants granted has been estimated using the Black-Scholes Option Pricing Model with the following assumptions:

| | |
|-------------------------|---------|
| Risk-free interest rate | 3.81% |
| Dividend yield | 0% |
| Volatility | 99.30% |
| Expected lives | 2 years |

KOBEX RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2007 AND 2006

5. SHARE CAPITAL

b) Issued and Fully Paid- continued

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Broker Warrants.

c) Shares Held in Escrow

As at January 31, 2007, 562,500 (July 31, 2006 – 562,500) shares of the Company were subject to escrow agreements which may not be transferred, assigned or otherwise dealt without the consent of the regulatory body having jurisdiction thereon.

d) Warrants

As at January 31, 2007, the following warrants were outstanding:

| | <u>Number of Shares</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|--------------------|-------------------------|-----------------------|--------------------|
| Warrants | 3,749,500 | \$1.30 | December 20, 2007 |
| Agents' B-Warrants | 217,500 | \$1.30 | December 20, 2007 |

e) Stock Options

Under the stock option plan of the Company, not more than 10% of the outstanding common shares of the Company are, from time to time, reserved for issuance to eligible participants. The stock options which were granted during the year ended July 31, 2005 were also vested during the period. A summary of the status of the Company's stock option plan and activity during the period is presented below:

| | <u>Six Months Ended January 31, 2007</u> | | <u>Year Ended July 31, 2006</u> | |
|------------------------------|--|---------------------------------------|-------------------------------------|---------------------------------------|
| | <u>Number of Options</u> | <u>Average Exercise Price</u> | <u>Number of Options</u> | <u>Average Exercise Price</u> |
| Balance, beginning of period | 1,590,000 | \$ 0.75 | 1,395,000 | \$ 0.70 |
| Granted | - | - | 225,000 | 0.99 |
| Exercised | - | - | (30,000) | 0.50 |
| Balance, end of period | <u>1,590,000</u> | <u>\$ 0.75</u> | <u>1,590,000</u> | <u>\$ 0.75</u> |

KOBEX RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2007 AND 2006

5. SHARE CAPITAL

e) Stock Options-continued

As at January 31, 2007, the following directors and employee stock options were outstanding:

| <u>Number of Shares</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|-------------------------|-----------------------|--------------------|
| 825,000 | \$0.25 | September 25, 2008 |
| 20,000 | \$0.41 | March 23, 2009 |
| 20,000 | \$0.50 | July 28, 2009 |
| 500,000 | \$1.48 | January 28, 2010 |
| 225,000 | \$0.99 | February 9, 2011 |

These options entitle the holder thereof the right to acquire one common share for each option held.

In February 2006, the Company charged \$186,570 as stock-based compensation by applying fair value based method of accounting for 225,000 stock options granted to directors, officers and consultants and credited its contributed surplus by the same amount. The fair value of the stock options granted has been estimated using the Black-Scholes Option Pricing Model with the following assumptions:

| | |
|---|---------|
| Risk free interest rates | 4.11% |
| Expected term in years | 5 years |
| Expected dividend yield | 0% |
| Weighted average of fair value of options granted | 0.83 |
| Expected volatility | 72.51% |

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore existing models do not necessary provide a reliable single measure of the fair value of the Company's stock options.

f) Contributed Surplus

| | Six Months Ended January 31 2007 | Year Ended July 31 2006 |
|--|---|----------------------------------|
| Balance, beginning of period | \$ 1,170,337 | \$ 978,998 |
| Stock-based compensation on issue of stock options | - | 186,570 |
| Stock-based compensation on issue of agents' B-warrants | - | 163,371 |
| Non-cash compensation charge on - exercise of stock options | - | (12,735) |
| - exercise of finder's warrants | - | (145,867) |
| Balance, end of period | <u>\$ 1,170,337</u> | <u>\$ 1,170,337</u> |

KOBEX RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2007 AND 2006

6. RELATED PARTY TRANSACTIONS

- a) The Company had the following transactions with an officer, directors, a company related to one of the directors, or a law firm with which a director is associated:

| | 2007 | 2006 |
|--|------------|------------|
| Office equipment rental and various office costs | \$ 51,460 | \$ 34,675 |
| Leasehold improvement | 74,593 | - |
| Legal fees | 27,152 | 19,896 |
| Management fees | 33,000 | 33,000 |
| Consulting fees | 33,000 | 30,000 |
| Exploration expenses | 9,359 | 4,591 |
| Accounting | 8,055 | 6,330 |
| Share issuance costs | - | 22,905 |
| | \$ 236,619 | \$ 151,397 |

- b) The amounts due to related parties are due to directors, have no specified terms of repayment and bear no interest.

7. LEASING COMMITMENT

There are minimum rental obligations under an operating lease for office premises which expires on January 31, 2013 as follows:

| | |
|------|------------|
| 2007 | \$ 51,072 |
| 2008 | 102,144 |
| 2009 | 102,144 |
| 2010 | 106,896 |
| 2011 | 111,648 |
| 2012 | 111,648 |
| 2013 | 55,824 |
| | \$ 641,376 |

KOBEX RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2007 AND 2006

8. CONTINGENCY

With respect to the San Jose del Cobre option agreement, a contingent liability exists for the Company's Mexican subsidiary, Reina del Oro Minerales S.A. de C.V. Although the Company had served a termination notice, it cannot be officially recorded in the appropriate Mexican government department until all option payments outstanding at the time of the notice are made. Currently, there are two option payments totalling US\$50,000 which remain unpaid and which have not been recorded by the Company. No demand for these option payments has been made by the owner of the San Jose del Cobre property. The Company's position is that it has no obligation with respect to each of these payments and would vigorously defend any claim that might be made.

On November 1, 2006, the Company was served with a Writ of Summons and Statement of Claim by Mosquito for an amount approximately \$374,000 and 1,125,000 common shares of the Company. The Company filed a Statement of Defense with the Supreme Court of British Columbia on December 19, 2006. The Company is of the opinion that the lawsuit is unfounded.

9. SUBSEQUENT EVENTS

- (a) On March 19, 2007, the Company announced that it has granted stock options to an officer and director of the Company to purchase 280,000 shares of the Company at a price of \$1.38 per share for a period of five years. Of the total options granted, 100,000 options were vested immediately and the remaining 180,000 options will be vested annually at 90,000 per year for the next two years.
- (b) On March 12, 2007, the Company granted stock options to officers and directors of the Company to purchase 250,000 shares of the Company at a price \$1.87 per share for a period of five years.
- (c) On March 20, 2007, the Company entered into an investor relations agreement with Institutional Market Communications Inc. ("IMC") with a term of one year renewable by mutual consent. In accordance with the agreement, the Company will pay IMC \$6,500 per month and grant 150,000 stock options to IMC exercisable at a price of \$1.68 per share over a two-year period, which will vest quarterly during the first year.
- (d) Subsequent to the period end, 225,000 stock options and 86,250 warrants were exercised at the price of \$0.25 and \$1.30 per share respectively to net the Company \$168,375.

Kobex Resources Ltd.
Management Discussion and Analysis

General

This management discussion and analysis (“MD&A”) was prepared on March 20, 2007 and it describes the operating financial results of the Company for the six months ended January 31, 2007. The MD&A should be read in conjunction with the unaudited and unreviewed financial statements of Kobex Resources Ltd. (the “Company”) for the six months ended January 31, 2007, together with the related notes thereto. The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles.

This MD&A may contain statements that are forward-looking in nature, involving known and unknown risks and uncertainties such as general economic and business conditions, operating costs, changes in foreign currency exchange rates, and other factors. Since forward-looking statements address future events and conditions, by their nature, they involve inherent risks and uncertainties. Therefore, actual results may be materially different from those expressed or implied in such statements.

Additional information relating to the Company is available on the SEDAR website at www.sedar.com under “Kobex Resources Ltd.”.

Overall Performance

Kobex Resources Ltd. is a natural resource corporation currently engaged in the acquisition and exploration of mineral properties. On September 12, 2003, the Company received approval for removal of its inactive status and resumed trading under the symbol: KBX.H on the NEX. On December 17, 2003, the Company completed the requirements to be listed as a Tier 2 company on the TSX Venture Exchange and consequently, the Company’s listing was transferred from NEX to TSX Venture Exchange effective December 18, 2003.

In January 2005, the Company acquired an option on the Cumo Molybdenum Property located in Boise County, Idaho. However, on October 6, 2006, the Company decided to abandon the Cumo Property in order to concentrate its resources on the newly acquired Mt. Emmons Property in Colorado. The property costs for the Cumo Property were written off.

On October 6, 2006, the Company entered into an agreement with US Moly Corp. (“USMC”) whereby the Company can earn up to a 65% interest in the Mt. Emmons Molybdenum property located at Crested Butte, Colorado. To acquire the 65% interest, the Company must pay a total of US\$4,000,000 in cash or shares, expend a total of US\$50,000,000 on the property over stages, deliver to USMC a bankable feasibility study on the property including advanced permitting or the issuance of a mining license, and arrange 100% of all future financings.

During the six months ended January 31, 2007, the Company incurred a loss of \$643,326. As the Company does not have any operating revenue and has incurred losses since inception, the loss is likely to continue until the Company has achieved commercial production on its resource property.

During the six month period, the Company expended a total of \$118,724 in equipment, \$231,785 in mineral properties acquisition and \$975,857 in deferred exploration costs. As of January 31, 2007, the Company had \$2,882,089 in working capital and no long-term debt. However, the Company may have to raise additional funds in order to finance its operations for the next 12 months.

The Company’s business, results of operations, financial condition, and the trading price of its common shares could be materially adversely affected by risks related to development of mineral deposits, metal prices, title matters, reclamation costs, gold and other base metal prices volatility, competition, additional funding requirements, insurance, currency fluctuations, conflicts of interest, and share trading volatility. Any of these risks could have a material adverse effect on the business, operations or financial condition of the Company.

Management Change

On February 7, 2007, the Company announced the appointment of Mr. Maurice Tagami, P.Eng. as Chief Operating Officer and a Director of the Company.

Mr. Tagami is a graduate of the University of British Columbia in Metallurgical Engineering, a Registered Professional Engineer in the Province of British Columbia and has over 26 years experience in mine development and operations. Since 1981, Mr. Tagami has specialized in extractive metallurgy and mineral processing project management at both existing mining operations and implementation of process facilities for new base metal and precious metal projects. Mr. Tagami has played a significant metallurgical and project management role in numerous open pit, underground and heap leach projects in North and South America, Australia, Papua New Guinea, Africa, Europe and Asia. He has implemented parameters for metallurgical test work, designed flow sheets for mill recovery applications, managed projects, and actively participated in several plant commissioning and start-up periods. Mr. Tagami has supervised and directed both metallurgical flow sheet development and engineering for the resumption of operations of a massive sulfide base metals ore body in Portugal as well as for grassroots gold/copper projects in Northwest Tanzania and Mongolia. Recently Mr. Tagami held the position of Senior Project Manager for Canico Resource Corp. on the Onça Puma Project, a large greenfields nickel laterite smelter project in Para State, Brazil from exploration through scoping study, feasibility study and basic engineering.

Mr. Tagami will take the leading role in proceeding with the Mt. Emmons molybdenum feasibility study in Colorado. Mr. Tagami has been granted incentive stock options to purchase a total of 280,000 common shares of the Company at \$1.38 per share for five years, subject to regulatory approval, with 100,000 options vested immediately and the remaining 180,000 options vested annually at 90,000 per year for the next two years.

Cumo and Trikay Properties

On January 21, 2005, the Company entered into an option agreement with Mosquito Consolidated Gold Mines Limited ("Mosquito") to acquire a 100% interest in two Mosquito properties, the Cumo Molybdenum Property located in Boise County, Idaho and the Trikay Copper-Gold Property in Queensland, Australia for which an exploration permit has been filed. Subsequently on November 9, 2005, the Company entered into an amendment agreement with Mosquito whereby the Company surrendered to Mosquito all its right and interest to the Trikay Property while retaining a right of first refusal on the property for a period of two years. The revised terms are summarized as follows:

| | <u>Shares to be Issued</u> | <u>Cash Payment</u> | <u>Exploration Expenditure</u> |
|---|--------------------------------|-------------------------|------------------------------------|
| - upon execution of the agreement (paid) | - | \$ 50,000 | \$ - |
| - upon completion of due diligence and acceptance for filing by regulatory authorities (issued and paid) | 375,000 | 50,000 | - |
| - on or before the earlier of July 21, 2005 or acceptance for filing by regulatory authorities (paid) | - | 150,000 | - |
| - on or before January 21, 2006 | 1,125,000 | 187,500 | - |
| - on or before July 21, 2006 | | 187,500 | |
| - on or before January 21, 2007 (committed) | - | - | 750,000 |
| - on or before January 21, 2007 | 1,500,000 | 562,500 | - |
| - on or before January 21, 2008 | 2,625,000 | 1,125,000 | 1,125,000 |
| - on or before January 21, 2009 | 4,375,000 | 1,500,000 | 1,500,000 |
| - on or before January 21, 2010 | - | - | 1,875,000 |
| - on or before January 21, 2011 | - | - | 2,250,000 |
| Total | <u>10,000,000</u> | <u>\$ 3,812,500</u> | <u>\$ 7,500,000</u> |

The Agreement was subject to a two-month due diligence period and required regulatory approvals (now completed). Mosquito agreed to place all shares acquired as a result of this agreement in a voting trust.

The Company had also been granted a right of first refusal for a person or group of persons, designated by the Company, on all the shares of the Company except the first one (1) million that Mosquito wishes to sell.

The Company was to assume certain obligations with respect to an underlying option agreement dated October 13, 2004 between Cumo Molybdenum Mining Inc. ("Cumo") and Mosquito. The terms include Minimum Advance Royalty payments according to the following schedule:

- US\$10,000 on signing of the agreement (paid by Mosquito);
- US\$10,000 after 60 days (paid by Mosquito);
- US\$ 5,000 after 6 months (paid);
- US\$20,000 on or before October 13, 2005 (paid);
- US\$20,000 on or before October 13, 2006 (not paid);
- US\$15,000 on or before the October 13, 2007;
- US\$15,000 every 6 months thereafter as long as the option is in effect.

All of the above payments were to be considered as minimum advance royalty payments. A net smelter return royalty ("NSR") of 1.5% was payable to Cumo up to a maximum of US\$3,000,000 and thereafter a 0.5% NSR.

The Company had also agreed to pay a finders fee to an individual for his assistance in regard to the acquisition of the Como Property from Mosquito. A total of 300,000 shares would be paid as follows:

- 100,000 shares upon acceptance of this agreement by the TSX Venture Exchange and the completion of due diligence by the Company within 60 days of the date of the agreement entered into between the Company and Mosquito (On December 20, 2005, this agreement was accepted by TSX Venture Exchange and 100,000 common shares were issued by the Company accordingly);
- 100,000 shares each on the first and second anniversary date of the acceptance of this agreement by the TSX Venture Exchange and upon the completion of due diligence by the Company provided that the Company continues with its agreement with Mosquito (not issued);

In June 2005, the Company received an independent summary report on the Cumo molybdenum property in Idaho, prepared by George Cavey, P.Geo. and David Gunning, P.Eng. of Orequest Consultants Ltd. and Gary Giroux, P.Eng. of Giroux Consultants Ltd. The report concludes that the Cumo deposit is in need of additional drilling to determine the grade and location of the mineralization to a greater degree of accuracy. In this regard, it recommends a phase 1 program that includes 6,000 metres of infill drilling, baseline environmental studies, preliminary metallurgical testing and geological block modeling. The program was estimated to cost US\$1.7 million. Contingent on the success of phase 1, a phase 2 program, including 16,000 metres of diamond drilling, was estimated to cost US\$4,081,000.

In November 2005, the Company was advised by the U.S. Forest Service that due to early onset of winter conditions, the access road work and culvert crossing to permit access for a planned drilling program on the property must be deferred until the spring of 2006. As a result, the Company invoked the force majeure provision in the Agreement with Mosquito. Both cash and share payments due on January 21, 2006 were deferred accordingly. In August 2006, the Company started the drilling program. In preparation for project start-up, the Company engaged Dan Munter as manager for this project.

On October 6, 2006, the Company decided to abandon the Cumo Property in order to concentrate its resources on the newly acquired Mt. Emmons Property in Colorado. The Company has determined that it has fully complied with all minimum cash payments, share issuances, and expenditures required under the option agreement with Mosquito. On November 1, 2006, the Company was served with a Writ of Summons and Statement of Claim by Mosquito for an amount approximately \$374,000 and 1,125,000 common shares of the Company. The Company filed a Statement of Defense with the Supreme Court of British Columbia on December 19, 2006. The Company is of the opinion that the lawsuit is unfounded.

Mt. Emmons Property

On October 6, 2006, the Company entered into an agreement with US Moly Corp. (“USMC”) and its shareholders U.S. Energy Corp. and Crested Corp. whereby the Company can earn up to a 65% interest in the Mt. Emmons Molybdenum property located at Crested Butte, Colorado. To acquire the 65% interest, the Company must pay US\$50,000 on signing of the agreement (paid), a total of US\$3,950,000 in cash or shares, expend a total of US\$50,000,000 on the property over stages as laid out in the table below, deliver to USMC a bankable feasibility study on the property including advanced permitting or the issuance of a mining license, and arrange 100% of all future financings.

The Company will earn the initial 15% interest in the property when the company has completed US\$15,000,000 in expenditures. An additional 35% interest will be earned at such time that a bankable feasibility study is delivered and the difference between US\$50,000,000 and total actual expenditures made by the Company is paid. An additional 15% (an aggregate of 65%) interest will be earned if the Company agrees to arrange 100% of all future financing for the property. The property is subject to a ultimate 3% overriding gross royalty.

In December 2006, the Company entered into an amendment agreement with the vendors of the Mt. Emmons property whereby the initial payment of US\$1,450,000 will be decreased to US\$750,000 with the difference of US\$700,000 to be applied to the first year’s work program, in whole or in part, with the balance, if any, payable in cash or shares on or before December 6, 2007. Further, the collective overriding gross royalty of 3%, at such time as the Company earns a 50% interest, can be reduced to 2% by a US\$10,000,000 payment at the Company’s election within the first year following a production decision.

| | Cash Payment (US\$) | Cash or Shares (US\$) | Expenditures (US\$) |
|--|---------------------------|-----------------------------|------------------------|
| - upon execution of the agreement (paid) | \$ 50,000 | \$ - | \$ - |
| - on or before December 6, 2006 | - | 750,000 | - |
| - on or before December 6, 2007 | - | 500,000 | 4,200,000 |
| - on or before December 6, 2008 | - | 500,000 | 5,000,000 |
| - on or before December 6, 2009 | - | 500,000 | 5,000,000 |
| - on or before December 6, 2010 | - | 500,000 | 2,500,000 |
| - on or before December 6, 2011 | - | 500,000 | - |
| - on or before December 6, 2016 (payable in cash to the extent that this amount has not been spent on the feasibility study) | - | - | 33,300,000 |
| Total | <u>\$ 50,000</u> | <u>\$ 3,250,000</u> | <u>\$ 50,000,000</u> |

Cooperative Agreement with Pacific Imperial Mines Inc.

On August 30, 2004, the Company entered into a cooperative agreement with Pacific Imperial Mines Inc. (“PPM”) pursuant to which the Company was granted a right of first refusal to acquire a 60% undivided interest in one resource property available to PPM, excluding the Tangshang and Salachong properties. In order to acquire an interest, the Company is required to finance \$3 million of exploration and development expenditures on the property within three years of the date that the Company identifies a property of interest to it. The right of first refusal will expire on the earlier of the Company having identified a property in which to pursue an interest or three years from the date of the cooperative agreement. The Company and PPM will form a joint venture company for the purposes of acquiring and developing a property that is identified by the Company by exercising its right of first refusal with PPM as mentioned above.

For the property selected, the Company will also be required to issue to PPM up to a total of one million common shares from its treasury on a staged basis as follows:

- (1) 200,000 shares upon the joint venture company’s receipt of title to the property;

- (2) 200,000 shares upon expenditure by the Company of \$1 million (US) on the property;
- (3) 200,000 shares upon expenditure by the Company of a cumulative amount of \$3 million (US) on the property; and
- (4) 400,000 shares upon a production decision being made by the parties with respect to the property.

At the time when the above agreement was completed, the President and director of the Company was also a director of PPM.

To date, the Company has not exercised its right of first refusal in the cooperative agreement with PPM, which agreement expires on the earlier of the Company having identified a property in which to pursue an interest or August 31, 2007.

Deferred Exploration Costs

Deferred exploration costs for the period were as follows:

| | Cumo Property Idaho, USA | Mr. Emmons Property Colorado, USA | Total |
|--|--------------------------------|---|-------------------|
| Three Months Ended January 31, 2007 | | | |
| Balance, beginning of period | \$ - | \$ 13,655 | \$ 13,655 |
| Additions during the period: | | | |
| Amortization | - | 8,607 | 8,607 |
| Assays | 3,178 | - | 3,178 |
| Camp supplies and field expenses | 198 | 1,321 | 1,519 |
| Claim and staking fees | - | - | - |
| Culvert and road construction | 8,512 | - | 8,512 |
| Drilling | - | - | - |
| Geological consultants | 2,538 | 77,802 | 80,340 |
| Office expenses | (884) | 84,441 | 83,557 |
| Project management fees | 75,370 | 29,011 | 104,381 |
| Salary and benefits | 2,801 | - | 2,801 |
| Travel and meals | 162 | 12,122 | 12,284 |
| Water plant | - | 136,180 | 136,180 |
| | <u>91,875</u> | <u>349,484</u> | <u>441,359</u> |
| Written off | (91,875) | - | (91,875) |
| | <u>-</u> | <u>349,484</u> | <u>349,484</u> |
| Balance, end of period | <u>\$ -</u> | <u>\$ 363,139</u> | <u>\$ 363,139</u> |

| | Cumo Property Idaho, USA | Mr. Emmons Property Colorado, USA | Total |
|--|--------------------------------|---|------------|
| Six Months Ended January 31, 2007 | | | |
| Balance, beginning of period | \$ - | \$ - | \$ - |
| Additions during the period: | | | |
| Amortization | - | 8,000 | 8,000 |
| Assays | 7,801 | - | 7,801 |
| Camp supplies and field expenses | 15,312 | 1,321 | 16,633 |
| Claim and staking fees | 48,655 | - | 48,655 |
| Culvit and road construction | 105,296 | - | 105,296 |
| Drilling | 306,576 | - | 306,576 |
| Geological consultants | 3,545 | 67,937 | 71,482 |
| Office expenses | 3,151 | 755 | 3,906 |
| Project management fees | - | 12,894 | 12,894 |
| Salary and benefits | 41,950 | - | 41,950 |
| Travel and meals | 5,062 | 22,526 | 27,588 |
| | 537,348 | 113,433 | 650,781 |
| Written off | (537,348) | - | (537,348) |
| Balance, end of period | \$ - | \$ 113,433 | \$ 113,433 |

Selected Annual Information

| Year Ended | Revenue (\$) | Operating Income /(Loss) (\$) | Basic & Fully Diluted Loss per Share (\$) | Total Assets (\$) | Long Term Liabilities (\$) | Cash Dividend (\$) |
|---------------|-----------------|--|--|-------------------------|-------------------------------------|--------------------------|
| 31-Jul-06 | Nil | (2,036,490) | (0.10) | 4,261,702 | Nil | Nil |
| 31-Jul-05 | Nil | (1,283,928) | (0.07) | 1,579,887 | Nil | Nil |
| 31-Jul-04 | Nil | (623,889) | (0.04) | 1,452,955 | Nil | Nil |

Since the acquisition of the Cumo and Mt. Emmons properties, the Company has experienced exponential growth in operating losses due to increased business activities. The Company is likely to continue incurring losses as long as the Company remains in the exploration and development stage and has no operating revenue.

Results of Operations

Net loss for the three months ended January 31, 2007 was \$67,269 in comparison with a loss of \$139,364 for the same period last year. The decrease in loss of \$72,095 was due to an increase in interest income of \$38,239 and cost recovery of \$104,381, counter-balanced by the increase of deferred exploration written off in the amount of \$92,353. During the quarter, major expenditures were as follows:

- (1) \$16,500 in consulting fees paid to two directors of the Company for providing services in corporate development;
- (2) \$91,875 in deferred exploration costs written off for the Cumo Property;
- (3) \$16,500 in management fees to a private corporation controlled by the President and director of the

Company, who managed the Company's business;

- (4) \$21,776 in shareholder communications which included \$9,900 for wages and \$11,876 for investor relations expenses.
- (5) \$33,246 in professional fees which included \$6,490 in audit and accounting fees, and \$26,756 in legal fees.

Net loss for the six months ended January 31, 2007 was \$643,326 in comparison with a loss of \$256,112 for the same period last year. The increase in loss of \$387,214 was due to an increase in deferred exploration costs written off of \$564,815, offset by an increase of interest income of \$59,638 and cost recovery of \$104,381. During the period, major expenditures were as follows:

- (1) \$33,000 in consulting fees paid to two directors of the Company for providing services in corporate development;
- (2) \$612,718 in deferred exploration costs written off for the Cumo Property;
- (3) \$33,300 in management fees to a private corporation controlled by the President and director of the Company, who managed the Company's business;
- (4) \$42,003 in shareholder communication which included \$19,800 for wages and \$22,203 for investor relations expenses.
- (5) \$43,546 in professional fees which included \$9,130 in audit and accounting fees, \$34,416 in legal fees.

Summary of Quarterly Results

| Quarter Ended | Revenue (\$) | Operating Income / (Loss) (\$) | Basic & Fully Diluted Loss per Share (\$) | Total Assets (\$) | Long Term Liabilities (\$) | Cash Dividend (\$) |
|---------------|--------------|--------------------------------|---|-------------------|----------------------------|--------------------|
| 31-Jan-07 | Nil | (67,269) | - | 4,153,608 | Nil | Nil |
| 31-Oct-06 | Nil | (576,057) | (0.02) | 3,693,150 | Nil | Nil |
| 31-Jul-06 | Nil | (1,483,709) | (0.03) | 4,261,702 | Nil | Nil |
| 30-Apr-06 | Nil | (296,669) | (0.01) | 5,728,743 | Nil | Nil |
| 31-Jan-06 | Nil | (139,364) | (0.01) | 5,844,718 | Nil | Nil |
| 31-Oct-05 | Nil | (116,748) | (0.01) | 1,512,121 | Nil | Nil |
| 31-Jul-05 | Nil | (263,022) | (0.01) | 1,579,887 | Nil | Nil |
| 30-Apr-05 | Nil | (84,862) | - | 1,742,451 | Nil | Nil |

During the last eight quarters, the Company has consistently incurred losses from operations as the Company has been and still is in the exploration and development stage. This trend is likely to continue in the near term. The losses during the quarter ended July 31, 2006 were significantly higher than the other quarters due to write off of mineral properties in the amounts of \$1,499,802.

Liquidity and Solvency

The Company currently has no operating revenues and since the date of inception on August 30, 1996, the Company has been incurring losses each year, except for the quarter ended October 31, 2002 due to reinstatement of advances of US\$100,000 which were written off in the prior financial year. The Company has been relying on funds from private placements. As at January 31, 2007, the Company had working capital of \$2,882,089. The Company may have to raise additional funds in order to finance its exploration and other business activities for the next twelve months. The Company's ability to meet all its future obligations and maintain its operations is contingent upon successful completion of additional financing.

The Company's last major financing was completed in December 2005. The Company received \$3,478,862 net of share issuance costs from a private placement of 3,758,000 units at a price of \$1.05 per share. Each unit is comprised of one common share and one non-transferable share purchase warrant entitling the holder to purchase

one additional common share of the Company at a price of \$1.30 per share for a period of two years. The warrants are subject to an acceleration clause whereby if the shares of the Company trade at an average price above \$1.75 per share for a period of 10 consecutive trading days, the Company will have the option to require the earlier exercise of the warrants within 30 days of formal notice from the Company. A commission of 7% cash was paid and 217,500 B-warrants were issued to eligible agents based on the total gross proceeds of the financing. Due to the issuance of B-warrants to the agents, the Company charged \$163,371 as share issuance costs by applying fair value based method of accounting for the warrants and credited its contributed surplus by the same amount. Proceeds from the financing were to be used for exploration and property payments on the Cumo property and for general corporate purposes or other acquisitions. However, due to the acquisition of the Mt. Emmons property, approximately \$2,000,000 of the proceeds will be redirected to this new property.

Related Party Transactions

During the six months ended January 31, 2007, the Company paid management fees, legal fees, and office costs to directors and companies related to directors of the Company as follows:

- (a) H. Leo King & Associates Inc., a private corporation controlled by Leo King, the President and a director of the Company, invoiced the Company \$33,000 as management fees for overseeing and directing the operations of the Company and \$1,026 for reimbursement of traveling and other expenses.
- (b) Steve Bebek, a director of the Company, was paid \$16,500 for providing services in corporate finance, business evaluation, and acquisitions.
- (c) Evan Koblanski, a director of the Company, was paid \$16,500 for providing services in business evaluation, acquisition, and preparation of various business agreements.
- (d) Aydin Bird, a legal firm controlled by Geoffrey Bird, a director of the Company, invoiced the Company \$27,231 for providing corporate and legal services.
- (e) Albert Wu & Associates Ltd, a private corporation controlled by Albert Wu, the Chief Financial Officer of the Company, invoiced the Company \$8,055 for professional fees in preparing quarterly and annual financial statements, management discussions, and overseeing the accounting and information system.
- (f) International Barytex Resources Ltd., a public corporation with common directors of the Company, invoiced the Company \$74,593 for leasehold improvement costs, \$17,076 for providing bookkeeping and administration services, \$22,314 for office rent, and \$15,966 for other office expenses.

As of January 31, 2007, the Company had a total of \$98,745 payable to International Barytex Resources Ltd. and \$443 to Albert Wu & Associates Ltd. These amounts have no specified terms of repayment and bear no interest.

Proposed Transactions

In the normal course of business, the Company evaluates property acquisition transactions and, in some cases, makes proposals to acquire such properties. These proposals, which are usually subject to Board of Directors, regulatory and sometimes shareholder approvals, may involve future payments, share issuances and property work commitments. These future obligations are usually contingent in nature and generally the Company is only required to incur the obligation if it wishes to continue with the transaction.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the period. Actual results could differ significantly from those estimates. Specific items requiring estimates are accounts receivable, equipment, and amortization, asset retirement obligations, future income taxes, stock-based compensation and other accrued liabilities and contingent liabilities.

At January 31, 2007, the net book value of equipment amounted to \$106,726. Amortization of these costs is calculated on the declining balance method using estimated percentages.

The Company has estimated the present value of estimated future asset retirement costs for all the mineral properties to be \$Nil at January 31, 2007. Estimates of these closure costs and the expected timing of their incurrence are reviewed periodically. It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves.

Changes in Accounting Policies

There have been no changes in accounting policies during the period.

Financial Instruments and Other Instruments

The fair value of the Company's cash and cash equivalent, taxes recoverable, amount due from related parties, prepaid and deposit, accounts payable and accrued liabilities, and due to related parties were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. Management does not believe the Company is exposed to significant credit, currency, market or interest rate risks.

Investor Relations

On March 23, 2003 the Company engaged Ivan Bebek as Manager of Investor Relations for an initial one-year term with a monthly salary of \$3,000 per month. This agreement was renewed on March 23, 2004 and March 23, 2005. Effective February 1, 2006, Mr. Bebek's salary was increased to \$3,300 per month. The following stock options were granted to Ivan Bebek:

| <u>Date</u> | <u>Number of Options</u> | <u>Expiring Date</u> |
|-------------|------------------------------|--------------------------|
| 23-Mar-04 | 20,000 | 23-Mar-09 |
| 28-Jan-05 | 30,000 | 28-Jan-10 |
| 9-Feb-06 | 15,000 | 23-Mar-11 |
| 12-Mar-07 | 15,000 | 12-Mar-11 |

On March 20, 2007, the Company entered into an investor relations agreement with Institutional Market Communications Inc. ("IMC") with a term of one year renewable by mutual consent. In accordance with the agreement, the Company will pay IMC \$6,500 per month and grant 150,000 stock options to IMC exercisable at a price of \$1.68 per share over a two-year period, which will vest quarterly during the first year.

Disclosure and Internal Financial Reporting Control and Procedures

The Company has evaluated its disclosure and internal financial reporting controls and procedures as of January 31, 2007 and concluded that the Company's disclosure and internal financial reporting controls and procedures, as at January 31, 2007, are effective in ensuring that material information is disclosed adequately and timely. The Company's disclosure and internal financial reporting controls and procedures can only provide reasonable assurance and not absolute assurance and the Company will re-evaluate its system and make necessary improvements from time to time.

Latest Outstanding Share Data

As of March 28, 2007, the Company had the following outstanding securities:

| | | |
|-----|-------------------------|------------|
| (1) | Common shares issued | 23,383,592 |
| (2) | Stock options | 2,045,000 |
| (3) | Share purchase warrants | 3,663,250 |
| (4) | B-warrants | 217,500 |
| (5) | Escrowed shares | 562,500 |