

**INTERNATIONAL PBX VENTURES LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED**  
**JUNE 30, 2005**  
**(UNAUDITED)**

## **NOTICE TO READER**

Management has prepared the consolidated balance sheet of International PBX Ventures Ltd. as at June 30, 2005 and the consolidated statements of operations and deficit and cash flows for the three months then ended. They have not been audited, or reviewed. Readers are cautioned that these statements may not be appropriate for their purposes.

Vancouver, B.C.  
August 19, 2005

International PBX Ventures Ltd.

**International PBX Ventures Ltd.**  
**Consolidated Balance Sheet**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

	June 30, 2005	June 30, 2004	December 31, 2004
	\$	\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	792,005	706,514	930,119
Marketable securities [Note 3]	32,000	42,000	42,000
Accounts receivable	14,239	9,587	10,418
Prepaid expenses	12,543	5,980	9,421
	<b>850,787</b>	764,081	991,958
PROPERTY AND EQUIPMENT [Note 4]	53,511	65,563	57,727
MINERAL INTERESTS [Note 5]	4,196,771	3,129,306	3,286,470
	<b>5,101,070</b>	3,958,950	4,336,155
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and accruals [Note 7]	17,621	27,891	23,615
Amount owing to a former director [Note 7]	95,855	95,855	95,855
	<b>113,476</b>	123,746	119,470
<b>SHAREHOLDERS' EQUITY</b>			
CAPITAL STOCK [Note 6]	11,557,538	9,621,318	10,389,913
CONTRIBUTED SURPLUS	87,600	-	73,000
DEFICIT	(6,657,544)	(5,786,114)	(6,246,228)
	<b>4,987,594</b>	3,835,204	4,216,685
	<b>5,101,070</b>	3,958,950	4,336,155

(See accompanying notes to the financial statements)

Nature of Operations and Continuance of Business (Note 1)

Approved on behalf of the Board:    "Gary Medford"                      "Verna Wilson"  
    Gary Medford, Director              Verna Wilson, Director

**International PBX Ventures Ltd.**  
**Consolidated Statement of Operations and Deficit**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b> <b>2005</b> \$	June 30, 2004 \$	<b>June 30,</b> <b>2005</b> \$	June 30, 2004 \$
<b>ADMINISTRATIVE EXPENSES</b>				
Administration fee	<b>9,000</b>	7,500	<b>16,500</b>	15,000
Amortization	<b>758</b>	1,018	<b>2,523</b>	1,773
Bank charges	<b>829</b>	89	<b>1,455</b>	415
Consulting expenses	<b>13,483</b>	-	<b>19,483</b>	-
Foreign Exchange	<b>78,547</b>	1,842	<b>64,974</b>	12,034
General Exploration	-	-	-	-
Finder's Fee	<b>14,340</b>	-	<b>14,340</b>	-
Investor relations	<b>40,135</b>	37,495	<b>85,436</b>	137,348
Insurance	<b>10,115</b>	-	<b>10,115</b>	-
Management fees	<b>15,000</b>	30,000	<b>45,000</b>	60,000
Office, telephone, rent and secretarial	<b>13,727</b>	7,598	<b>26,434</b>	15,078
Professional fees	<b>6,580</b>	6,145	<b>8,080</b>	13,145
Stock –based compensation	-	-	<b>14,600</b>	-
Transfer agent and regulatory	<b>11,854</b>	1,860	<b>17,651</b>	7,958
Travel, promotion and mining shows	<b>45,778</b>	9,619	<b>98,561</b>	34,031
<b>TOTAL EXPENSES</b>	<b>(265,033)</b>	(103,166)	<b>(425,152)</b>	(296,782)
Less interest income	<b>(12,360)</b>	(516)	<b>(13,836)</b>	(1,600)
Mineral Interest Written Off	-	30,000	-	30,000
<b>NET LOSS FOR THE PERIOD</b>	<b>(252,673)</b>	(132,650)	<b>(411,316)</b>	(325,182)
<b>DEFICIT, BEGINNING OF PERIOD</b>	<b>(6,404,871)</b>	(5,653,464)	<b>(6,246,228)</b>	(5,460,932)
<b>DEFICIT, END OF PERIOD</b>	<b>(6,657,544)</b>	(5,786,114)	<b>(6,657,544)</b>	(5,786,114)
<b>LOSS PER SHARE (Weighted average basis)</b>	<b>(0.01)</b>	(0.01)	<b>(0.01)</b>	(0.01)
<b>Weighted Average Shares Outstanding</b>	<b>32,721,050</b>	13,265,000	<b>32,721,050</b>	32,518,200

(See accompanying notes to the financial statements)

**International PBX Ventures Ltd.**  
**Consolidated Statement of Cash Flows**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2005</b>	June 30, 2004	<b>June 30, 2005</b>	June 30, 2004
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net Loss for the year	<b>(252,673)</b>	(132,650)	<b>(411,316)</b>	(325,182)
Less items not affecting cash				
Amortization	<b>758</b>	1,018	<b>2,523</b>	1,773
Amortization charged to mineral interests	-	(3,160)	-	6,362
Stock based compensation	-	-	<b>14,600</b>	-
	<b>(251,915)</b>	(128,472)	<b>(394,183)</b>	(317,047)
Change in non-cash components of working capital	<b>(2,926)</b>	(13,472)	<b>(2,938)</b>	(34,962)
<b>CASH TO OPERATING ACTIVITIES</b>	<b>(254,840)</b>	(141,944)	<b>(397,131)</b>	(352,009)
<b>FINANCING ACTIVITIES</b>				
Capital stock issued for cash	<b>1,167,625</b>	-	<b>1,167,625</b>	631,960
Capital stock issued for property acquisition	-	-	-	55,000
Subscriptions received	-	-	-	(12,500)
	<b>1,167,625</b>	-	<b>1,167,625</b>	674,460
<b>INVESTING ACTIVITIES</b>				
Acquisition of and expenditures upon mineral interests	<b>(682,535)</b>	(95,178)	<b>(903,680)</b>	(381,230)
Acquisition of property and equipment	<b>(2,177)</b>	(6,998)	<b>(4,928)</b>	(37,834)
	<b>(684,712)</b>	(102,176)	<b>(908,608)</b>	(419,064)
<b>INCREASE (DECREASE) IN CASH</b>	<b>228,072</b>	(244,120)	<b>(138,114)</b>	(96,613)
<b>CASH - BEGINNING OF PERIOD</b>	<b>563,933</b>	950,634	<b>930,119</b>	803,127
<b>CASH - END OF PERIOD</b>	<b>792,005</b>	706,514	<b>792,005</b>	706,514

(See accompanying notes to the financial statements)

**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

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 claims 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 necessary financing to complete the development and future profitable production or proceeds from the disposition thereof. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral claims and options could be written-off.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, and accordingly, do not purport to give effect to adjustments, if any, which may be appropriate should the Company be unable to continue as a going concern entity.

The Company intends to remain viable through receiving proceeds from private placements of its shares and option proceeds from its mineral concessions in the form of cash, shares and exploration commitments.

2. 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 subsidiary, Tierra de Oro Resources Ltd.

[b] Cash and cash equivalents

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

[c] Marketable securities

Marketable securities are recorded at cost. Losses in value, which are other than temporary, are recognized by writing down the investment to market value.

**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

[d] Property and equipment

Amortization is recorded at rates sufficient to amortize asset cost over the anticipated useful life of the asset. The amortization rate for furniture and office equipment is 30% on the declining balance basis.

[e] Mineral claims and deferred exploration costs

The Company records its interests in mineral properties at cost. Costs relating to these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or allowed to lapse. These costs will be amortized over the estimated useful life of the property following commencement of production, or written off if the mineral properties or projects are sold or allowed to lapse. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties and related deferred exploration costs could be written off.

The Canadian Institute of Chartered Accountants released Accounting Guideline 11 - Enterprises in the Development Stage ("AcG11").

Pursuant to AcG11 there should be a presumption of impairment in the carrying amount of deferred development costs of enterprises in the development stage engaged in extractive operations when any of the following conditions exist:

- [i] the enterprise's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;
- [ii] exploration results are not promising and no more work is being planned in the foreseeable future; or
- [iii] remaining lease terms are insufficient to conduct necessary studies or exploration work.

Once an impairment has been determined then a portion of the carrying value will be written down to net realizable value.

**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

[f] Income taxes

The Company uses the liability method for recording income taxes and records future income tax liabilities or assets for temporary differences between the tax basis of an asset or liability and its carrying amount on the balance sheet, using tax rates anticipated to apply in the periods that the differences are expected to reverse.

[g] Share issue costs

Commissions and expenses associated with issuing shares are offset against the related share offering as incurred. Finder's fees are expensed as incurred.

[h] Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles used in Canada requires management to make estimates and assumptions that affect the reported amounts of assets, particularly the recoverability of accounts receivable, capital assets and goodwill, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

[i] Financial instruments

Financial instruments included in the balance sheet are comprised of cash, marketable securities, accounts receivable, prepaid expenses, accounts payable and accrued liabilities. The fair values of these balance sheet items are equivalent to their carrying value because of the short-term maturity of those instruments. The Company is not party to any derivative instruments.

[j] Foreign currency translation

The Company's Chilean subsidiary is considered a fully integrated foreign subsidiary whereby monetary assets and liabilities have been translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Non-monetary assets and revenue and expense items are translated at the rates prevailing at their respective historical transaction dates. Gains and losses resulting from foreign exchange translation are reflected in operations for the year.



**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

[k] Stock-Based Compensation

Effective July 1, 2003, the Company adopted prospectively, the fair value method to recognize options granted. Accordingly, all stock-based payments are measured at the fair value of the equity instruments issued on the date of grant. The fair value of stock-based payments is periodically re-measured until counter-party performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

[l] Loss per share

The Company uses the treasury stock method for the calculation and presentation of both basic and diluted loss per share

3. MARKETABLE SECURITIES

As of June 30, 2005, the market value of all marketable securities owned by the Company totaled \$36,600.

**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

4. PROPERTY AND EQUIPMENT

	Cost \$	Accumulated Amortization \$	June 30 2005 Net Book Value \$	December 31 2004 Net Book Value \$
Automotive	52,754	20,227	32,527	37,737
Field equipment	2,021	445	1,577	433
Furniture and office equipment	36,363	16,956	19,407	19,557
	91,138	37,628	53,511	57,727

5. MINERAL INTERESTS

As of June 30 2005, the Company's mineral interests are as follows:

	Acquisition and Staking \$	Deferred Exploration \$	Total June 30, 2005 \$	Total Dec. 31, 2004 \$
Chile				
Tierra de Oro [a]	422,013	1,579,473	2,001,486	1,942,179
San Pedro [b]	10,506	40,414	50,920	41,667
Tabaco [c]	281,095	726,168	1,007,263	1,006,596
Sierra Pintada [d]	39,761	104,881	144,642	111,748
Hornitos [e]	(22,932)	31,124	8,192	16,104
Fuego [f]	10,902	18,891	29,793	20,878
Romerito [g]	5,316	19,826	25,142	15,124
Copaquire [h]	127,322	802,012	929,335	132,174
	873,982	3,322,789	4,196,771	3,286,470

[a] Tierra de Oro, Chile

**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

5. MINERAL INTERESTS (continued)

[a] Tierra de Oro, Chile

The Company owns a 100% interest in 20 exploration concessions and optioned claims near Copiapo, Northern Chile. Seven new exploration claims ("Lomitas") have been staked covering 1,900 hectares.

	Accumulated to December 31, 2004 \$	Expenditures during the period \$	Accumulated to June 30, 2005 \$
Deferred Exploration Expenditures			
Assays	158,709	(538)	158,171
Analysis	-	24,244	24,244
Automotive	61,716	150	61,866
Camp and exploration supplies	23,804	(527)	23,277
Drilling	224,832	(6,602)	218,230
Equipment rental	24,348	(715)	23,633
Geophysical, geological and geochemical	424,257	9,042	433,299
Mapping	23,085	872	23,957
Office, rent, telephone & professional fees	153,852	7,222	161,074
Personnel	57,717	(165)	57,552
Project management	275,859	2,948	278,807
Professional fees	-	2,057	2,057
Report writing	25,589	(601)	24,988
Travel	85,469	2,849	88,318
	1,539,237	40,236	1,579,473
Acquisition, staking and lease costs	463,626	(9,131)	454,495
Less: Option payments received	(60,684)	425	(60,259)
	1,942,179	59,307	2,001,486

San Joint Venture:

In order to facilitate the exploration, claims owned wholly by International PBX and some claims optioned by Aldershot from International PBX under the Los Lomitas Joint Venture have been transferred to create the San Joint Venture which will proceed on a 50-50 basis. 200 hectares were contributed by Aldershot out of the Los Lomitas Joint Venture and 100 hectares were contributed by the Company out of the Tierra de Oro property. As of June 30, 2005, no activities have been undertaken to jointly explore the San Joint Venture.

**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

5. MINERAL INTERESTS (continued)

[b] San Pedro, Chile

The Company staked 600 hectares of exploration concessions in Northern Chile.

	Accumulated to December 31, 2004 \$	Expenditures during the period \$	Accumulated to June 30, 2005 \$
Deferred Exploration Expenditures			
Assays	1,899	(29)	1,870
Automotive	1,196	666	1,862
Geophysical, geological and geochemical	4,165	627	4,792
Mapping	662	-	662
Office	20,369	5669	26,038
Project management	1,030	42	1,072
Travel	2,506	1,612	4,118
	<hr/> 31,828	<hr/> 8,587	<hr/> 40,414
Acquisition, staking and lease costs	9,840	666	10,506
	<hr/> 41,668	<hr/> 9,252	<hr/> 50,920

**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

5. MINERAL INTERESTS (continued)

[c] Tabaco, Chile

[i] The Company has staked three exploration concessions consisting of 900 hectares which are 100% owned by the Company.

[ii] The Company has entered into an agreement, which replaces previous agreements to acquire a 100% interest (393 hectares) in the Tabaco Prospect in Chile over the following four years for US\$2,000,000. The amount is payable in cash in accordance to the following installment schedule:

On July 15, 2005 US\$ 100,000 (Note 11(h))  
On Jan. 15, 2006 US\$ 100,000  
On July 15, 2006 US\$ 600,000  
On July 15, 2007 US\$ 600,000  
On July 15, 2008 US\$ 600,000

	Accumulated to December 31, 2004 \$	Expenditures during the Year \$	Accumulated to June 30, 2005 \$
Deferred Exploration Expenditures			
Assays	49,863	(716)	49,147
Automotive	7,338	633	7,971
Camp supplies	2,619	(14)	2,605
Drilling	371,998	(10,922)	361,076
Excavation and road building	25,307	(743)	24,564
Geophysical, geological and geochemical	141,647	166	141,813
Mapping	662	4,990	5,652
Office	26,410	5,601	32,012
Project management	82,462	609	83,071
Report writing	3,038	(90)	2,948
Travel	13,915	1,395	15,310
	725,260	909	726,168
Acquisition, staking and lease costs	281,338	(244)	281,095
	1,006,599	665	1,007,263

**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

5. MINERAL INTERESTS (continued)

[d] Sierra Pintada, Chile

The Company staked fourteen exploration claims covering 3,300 hectares.

	Accumulated to December 31, 2004 \$	Expenditures during the Year \$	Accumulated to June 30, 2005 \$
Deferred Exploration Expenditures			
Assays	20,071	(21)	20,050
Automotive	2,159	681	2,840
Geophysical, geological and geochemical	32,952	1,587	34,539
Mapping	662	3,653	4,315
Office	20,154	5,719	25,873
Project management	9,797	(159)	9,638
Travel	5,926	1,700	7,626
	91,721	13,160	104,881
Acquisition, staking and lease costs	20,027	19,734	39,761
	111,748	32,894	144,642

[e] Hornitos Property, Chile

The Company staked eleven claims, covering a 3,200 hectare property located 35 kilometers south of Copiapo in Chile.

	Accumulated to December 31, 2004 \$	Expenditures during the Year \$	Accumulated to June 30, 2005 \$
Deferred Exploration Expenditures			
Automotive	299	693	992
Field supplies	9	-	9
Geophysical, geological and geochemical	1,739	185	1,924
Mapping	662	-	662
Office, rent, telephone and professional fees	16,112	5,775	21,887
Project management	655	32	687
Report writing	1,350	(40)	1,310
Travel	2,027	1,627	3,654
	22,853	8,271	31,124
Acquisition, staking and lease costs	9,251	(16,183)	(6,932)
Less: Option payment	(16,000)	-	(16,000)
	16,104	(7,912)	8,192

**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

5. MINERAL INTERESTS (continued)

[e] Hornitos Property, Chile (continued)

On August 20, 2004, the Company entered into an Option Agreement with Aldershot Resources Ltd. (“Aldershot”) to explore and develop the eleven exploration concessions in the property (“Hornitos Group of Claims”). Aldershot will pay the Company a total of \$370,000 over the following four years (\$16,000 paid in fiscal 2004) to acquire a 65% undivided interest in and to the Hornitos Group of Claims. A total of \$1.3 million in “best effort” exploration expenditure is also committed by Aldershot over the following four years. Aldershot will act as Operator for the duration of the Option Agreement.

[f] Fuego claims, Chile

The Company staked four claims, covering a 900 hectare property located approximately 50 kilometres west of the Tierra de Oro property.

	Accumulated to December 31, 2004 \$	Expenditures during the Year \$	Accumulated to June 30, 2005 \$
Deferred Exploration Expenditures			
Automotive	597	692	1,289
Geophysical, geological and geochemical	979	203	1,182
Mapping	662	(662)	-
Office, rent, telephone and professional fees	8,290	6,004	14,294
Travel	401	1,674	2,075
	<u>10,929</u>	<u>7,962</u>	<u>18,891</u>
Acquisition, staking and lease costs	9,949	953	10,902
	<u>20,878</u>	<u>8,915</u>	<u>29,793</u>

**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

5. MINERAL INTERESTS (continued)

[g] Romerito claims, Chile

The Company acquired the right to a 70% interest in three copper/gold exploitation concessions, covering 225 hectares. The vendors will retain a 30% interest. Cost of the acquisition is 100% of the maintenance of the concessions and the cost of setting up a Chilean private company in which the Company's wholly owned subsidiary, Minera IPBX Ltda ("Minera") will hold 70% and Geoexploraciones S.A. will hold 30%. Minera, will, at its own cost and discretion, undertake to enhance the value of the property by geological mapping, sampling and drilling for a period of one year. At March 31, 2006, the Company may continue or withdraw from the agreement.

	Accumulated to December 31, 2004 \$	Expenditures during the Year \$	Accumulated to June 30, 2005 \$
Deferred Exploration Expenditures			
Automotive	219	694	913
Field Supplies	42	-	42
Geophysical, geological and geochemical	833	214	1,047
Mapping	662	-	662
Office, rent, telephone and professional fees	8,930	6,008	14,938
Project Management	-	51	51
Travel	498	1,675	2,173
	11,184	8,642	19,826
Acquisition, staking and tax costs	3,937	1,379	5,316
	15,121	10,021	25,142



**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

5. MINERAL INTERESTS (continued)

[h] Copaquire Property, Chile

The Company entered into an Option Purchase Agreement with Compania Minera Huatacondo S.C.M. and Sociedad Legal Minera Macate Primera de Huatacondo of Chile to acquire the Copaquire copper-molybdenum porphyry, Region II in Chile. Pursuant to this agreement, the Company can purchase a 100% interest, subject to a 2% NSR for US\$2,100,000 in cash and US\$2,000,000 in work commitments over four years. The Company paid US\$50,000 in fiscal 2004 and US\$25,000 in January 2005.

	Accumulated to December 31, 2004 \$	Expenditures during the year \$	Accumulated to June 30, 2005 \$
Deferred Exploration Expenditures			
Assays	-	14,743	14,743
Automotive	734	9,313	10,047
Camp supplies	-	41,150	41,150
Drilling	-	612,048	612,048
Geophysical, geological and geochemical	31,517	14,832	46349
Mapping	662	2,668	3,330
Office, rent, telephone and professional fees	10,458	11,743	22,201
Personnel	-	27,720	27,720
Project management	-	4,751	4,751
Professional fees	-	8,816	8,816
Travel	1,660	9,398	11,058
	45,031	756,981	802,012
Acquisition, staking and lease costs	87,143	40,179	127,322
	132,174	797,161	929,335

**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended June 30, 2005**  
**(Unaudited)**

6. CAPITAL STOCK

[a] Authorized:

As of June 10, 2005, the Company increased its 100,000,000 common shares to an unlimited number of common shares without par value.

	Shares #	Value \$
Issued as at December 31, 2002	18,913,406	6,579,308
Issued for cash pursuant to:		
Options exercised	140,000	14,000
Warrants exercised	3,335,000	432,750
Private placement	4,856,600	1,828,300
Issued for acquisition of mineral interests	100,000	80,000
<u>Issued as at December 31, 2003</u>	<u>27,345,006</u>	<u>8,934,358</u>
Issued for cash pursuant to:		
Options exercised	700,000	70,000
Warrants exercised	1,085,600	346,210
Agent warrants exercised	345,000	120,750
Agent units exercised	400,000	55,000
Private Placement	2,500,000	749,845
Issued for acquisition of mineral interests	100,000	55,000
<u>Issued as at December 31, 2004</u>	<u>32,475,606</u>	<u>10,389,913</u>
Issued for cash pursuant to:		
Options exercised	250,000	100,000
Agent warrants exercised	213,000	106,500
Private placement	2,135,833	961,125
<u>Issued as at June 30, 2005</u>	<u>35,074,439</u>	<u>11,557,538</u>

[b] 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

**International PBX Ventures Ltd.**  
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6. CAPITAL STOCK (continued)

[b] Options (continued)

more than five years after the grant date. Options granted to directors, employees and consultants, other than consultants engaged in investor relations activities, will vest fully upon the expiry of a four-month hold period, unless otherwise approved by the relevant regulatory authorities. Options granted to employees and consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

A summary of the status of the Company's stock options outstanding as at June 30, 2005 and changes during the six months then ended is as follows:

	Number of Shares	Weighted Average Exercise Price \$
Outstanding, December 31, 2002	1,740,000	0.10
Granted	250,000	0.40
Exercised	(140,000)	0.10
<hr/>		
Balance, December 31, 2003	1,850,000	0.14
Granted	500,000	0.34
Exercised	(700,000)	(0.10)
Cancelled	(1,200,000)	0.16
<hr/>		
Balance, December 31, 2004	450,000	0.39
Exercised	(250,000)	0.40
<hr/>		
Exercisable at June 30, 2005	200,000	0.38

Additional information regarding options outstanding at June 30, 2005 is as follows:

Options outstanding and Exercisable			
Exercise Prices	Number of shares	Weighted average remaining contractual life (years)	Weighted average Exercise price
\$0.38	200,000	0.35	\$0.38
	200,000	0.35	\$0.38

**International PBX Ventures Ltd.**  
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6. CAPITAL STOCK (continued)

[b] Options (continued)

During fiscal 2004, the Company granted 500,000 stock options with fair values ranging from \$0.09 to \$0.27 per option and has recorded \$73,000 as stock-based compensation. During the six months ending June 30, 2005 further stock-based compensation of \$14,600 has been charged to operations pursuant to vesting schedules for options grants in fiscal 2004. The fair value of each option granted was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	2.00% to 2.29%
Expected life of options	7 months to 1 year
Expected volatility	60%
Expected dividend yield	0%

[c] Warrants

	Number of shares	Weighted Average Exercise Price \$
Outstanding, December 31, 2002	3,960,000	0.13
Granted	4,856,000	0.48
Exercised	(3,335,000)	(0.13)
Expired	(475,000)	(0.15)
<hr/>		
Balance, December 31, 2003	5,006,600	0.47
Granted	2,900,000	0.48
Exercised	(1,430,600)	(0.33)
Expired	(3,976,000)	(0.51)
<hr/>		
Balance, December 31, 2004	2,500,000	0.50
Granted	451,000	0.60
Exercised	(213,000)	0.50
<hr/>		
Balance, June 30, 2005	2,738,000	0.52

As of June 30, 2005, 2,738,000 warrants are outstanding with a weighted average exercise price of \$0.52 per share. 2,287,000 warrants expire on October 20, 2005 and 451,000 warrants expire on February 23, 2006.

The Company issued 2,090,000 warrants with an exercise price of \$0.60 and 35,717 broker warrants with an exercise price of \$0.45 subsequent to June 30, 2005 (Note 11(f) (g)).



**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
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6. CAPITAL STOCK (continued)

[d] Private Placement

The Company closed two tranches of a private placement totaling 2,500,000 units at a price of \$0.45 per unit for total proceeds to the Company of \$1,125,000.

At June 30, 2005, the Company has received \$961,125 and issued 2,135,833 units. Subsequent to June 30, 2005, the Company received the remaining \$163,875 and issued 364,167 units (Note 11(e)). Each unit consists of one common share and one non-transferable share purchase warrant exercisable for a period of eight months at a price of \$0.60 per share

7. RELATED PARTY TRANSACTIONS/BALANCES

During the six months ended June 30, 2005, the Company paid \$16,500 (2004 - \$15,000) for administrative services, \$45,000 (2004 - \$60,000) for management services, and \$16,000 (2004 - \$13,213) for mapping services to director or companies controlled by directors. The Company paid further \$22,000 (2004 - \$2,500) for consulting services and investor relations services to a director, who was appointed President on June 10, 2005, and \$3,580 (2004 - \$2,320) for accounting services to a company controlled by an officer. The following amounts were paid to a director and former President of the Company and were recorded at their exchange amounts:

- [a] Project management - \$15,893 (2004 - \$5,104)
- [b] Office and administration - \$38,322 (2004 - \$28,007)
- [c] Geological and geophysical expenditures - \$37,999 (2004 - \$61,565)

Included in accounts payable is \$14,147 (2004 - \$7,702) owing to the former President for unpaid fees.

A former director is owed \$95,855 (2004 - \$95,855). To date, management has been unsuccessful in attempting to settle this claim on a basis satisfactory to the Company. The Company is under no duress to pay this amount.

**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
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8. LOSSES AND DEDUCTIONS FOR TAX PURPOSES

The Company has Canadian income tax losses of approximately \$1,835,000, which are available to reduce taxable income of future years. The losses expire as follows:

Year	\$	Year	\$
2005	284,000	2009	87,000
2006	144,000	2010	518,000
2007	114,000	2011	596,000
2008	92,000		

The future income tax asset associated with these losses is approximately \$660,000 using a tax rate of 36%. As realization of this asset is not more likely than not a valuation allowance of \$660,000 reduces this asset to Nil.

The Company has Canadian and foreign exploration and development expenditures available to reduce taxable income of future years. These expenditures, totaling some \$2,111,000 can be claimed at rates varying from 10% to 100% and have no expiry dates.

The potential benefits of income tax losses and exploration and development expenditures will be recognized in the accounts when realized.

9. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company entered into an Investor Relations and Corporate Communications Services Agreement for consideration of \$5,000 per month (2004 - \$7,500). The agreement was in effect until June 30, 2005 and has been extended until June 30, 2006. Pursuant to the agreement, the Company granted 350,000 stock options. Each option entitles the holder to purchase one common share of the Company at an exercise price of \$0.51 for a period of eighteen months, expiring January 5, 2007.

**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
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10. SEGMENTED INFORMATION

The Company is in business of acquiring and exploring mineral properties in Chile. Although all of its mineral interests are located in Chile, some costs were incurred in Canada. The following is a breakdown of the Company's assets by geographical area.

	Canadian \$	Chile \$	Total \$
Cash	790,715	1,290	792,005
Marketable securities	32,000	-	32,000
Accounts receivable	9,806	4,433	14,239
Prepaid expenses	12,424	120	12,544
	<hr/> 844,945	<hr/> 5,843	<hr/> 850,788
Property equipment	15,004	38,507	53,511
Mineral interests	934,096	3,262,675	4,196,771
	<hr/> 949,100	<hr/> 3,301,182	<hr/> 4,250,282
<b>Total Assets</b>	<hr/> <hr/> 1,794,045	<hr/> <hr/> 3,307,025	<hr/> <hr/> 5,101,070

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2005:

- a) The Company granted 750,000 stock options to directors and consultants. 550,000 options were granted at an exercise price of \$0.51 and 200,000 options at an exercise price of \$0.68. Each option entitles the holder to purchase one common share of the Company for a period of eighteen months, expiring January 5, 2007 and January 20, 2007 respectively.
- b) The Company entered into a twelve months contractual obligation with a consultant to obtain services as Chairman of the Company's Financial Advisory Committee for a monthly commitment of \$5,000.
- c) The Company entered into a twelve months contractual obligation with a consultant to obtain financial consulting and advisory services for a monthly commitment of \$2,500.
- d) On July 20, 2005, Peter Hooper was appointed Director.
- e) The Company closed its 2,500,000 private placement after receiving the remaining and outstanding funds of \$163,875 and issued 364,167 units. Each unit consists of one common share and one non-transferable share purchase warrant exercisable for a period of eight month at a price of \$0.60 per share, expiring March 7, 2006 (Note 6 [d]).



**International PBX Ventures Ltd.**  
**Notes to the Consolidated Financial Statements**  
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11. SUBSEQUENT EVENTS (Continued)

- f) The Company issued 2,090,000 warrants and 35,717 broker warrants related to the second tranche of the private placement totaling 2,500,000 units. Each unit consists of one common share and one non-transferable share purchase warrant exercisable for a period of eight month at a price of \$0.60 per share, expiring March 7, 2006.
- g) On August 2, 2005 the Company cancelled 76,616 broker warrants exercisable at a price of \$0.60 and reissued 76,616 warrants at an exercise price of \$0.45 per share purchase warrant.
- h) The Company received \$25,000 for the exercise of 50,000 warrants.
- i) On July 15, 2005, the Company has paid its first installment of US\$ 100,000 in regards to the Tabaco prospect (Note 5(c)[i]).
- j) On July 15, 2005, the Company paid US\$25,000 in accordance with the Copaquire Option Purchase Agreement with Compania Minera Huatacondo S.C.M. (Note 5 [h]).