

Growth Stocks Weekly

Publisher: Diversified Financial Solutions, Inc. ~ Since: May, 1995 ~ Editor: Richard Reinhard ~ E-Mail: reinhard@shaw.ca

Growth: 1996 116.9%; 1997 28.1%; 1998 36.4%; 1999 39.4%; 2000 180.9%; 2001 -50.5%; 2002 18.7%; 2003 28.8%; 2004 166.7%; 2005 28.2%; 2006 153.3%; 2007 8.8%; 2008 -25.2%; 2009 -50.3%

Junior Natural Resource Sector Research

July 17, 2009

UPDATE REPORT

KOBEX RESOURCES (KBX-TSXV)

CONSOLIDATING CASH & TALENT



Weekly chart, High \$3.55, Low \$0.18, Last trade \$0.445

An interesting merger was announced yesterday, involving three cash rich miners – Kobex Resources (KBX-TSXV), IMA Exploration (IMR-TSXV) and International Baytex Resources (IBX-TSXV). The companies have signed a letter agreement outlining in principle the terms for a merger, combining to create a new mineral exploration company, led by a management team with a record of success and a treasury which provides the combined company with access to substantial new projects.

Essentially, the companies are proposing to merge together into one cash-rich miner with tremendous management and advisory experience. They will form a “shell” with \$44 million in cash, no debt, and will look for international mining plays. This group has the experience and contacts to find high quality projects and get them funded.

The deal already has board approvals but needs shareholder and regulatory approval that will likely take to September. The possibility exists the deal could fall through, but is structured to ensure completion.

Each company contributes their cash and existing project pipeline - but only the cash holds any value as separate companies. IBX has \$6 million cash or \$0.10/share, IMR has \$20 million cash or \$0.38/share and KBX has \$18 million cash or \$0.51/share.

The best leverage is through KBX near \$0.40 as it has the greatest discount to its cash value right now. Next would be IMR near \$0.33. Both have pretty good liquidity today at those prices.

Highlights of the transaction

The proposed transaction will bring together the following components:

- Management team with decades of mining exploration, evaluation, production and deal-making accomplishments;
- Merged company with approximately \$44-million in cash to employ in the acquisition and advancement of high-calibre projects;
- Current economy favouring the acquisition of low-risk mining projects at substantially discounted prices;
- Credibility with the financial world which will facilitate financing for project development;
- Markedly reduced overall overhead costs through consolidation.

The boards of directors of each of the three companies have unanimously approved the transaction. Finalizing the transaction will require satisfactory completion of due diligence, the signing of a definitive agreement and regulatory and shareholder approvals.

Project criterion

The merged company will target the identification, acquisition and development of known mineral deposits which have the potential to be world class, in the lower cost quartile and in an acceptable political risk environment.

Proposed management team

Subject to the completion of the proposed transaction, the directors and officers of the merged company are expected to be the following:

Roman Shklanka, BComm, PhD -- chairman and director

Dr. Shklanka is currently chairman of Kobex Resources, International Barytex Resources and Polaris Minerals Ltd. He is an explorationist with over 45 years of international experience in the mining industry which included chairman of Canico Resource Corp. and Sutton Resources Ltd., and vice-president of exploration for Placer Dome. He is the recipient of a number of achievement awards and is a recent inductee to the Canadian Mining Hall of Fame.

Alexander J. Davidson, MSc -- director

Mr. Davidson is currently the retiring executive vice-president exploration and corporate development of Barrick Gold Corporation. With over 25 years of worldwide exploration experience, his outstanding accomplishments were recognized in his receiving the A.O. Dufresne Award in 2005 and being named Prospector of the Year in 2003.

Alfred L. Hills, BA Sc, PEng -- president, chief executive officer and director

Mr. Hills is CEO and director of International Barytex Resources Ltd. His is an engineering graduate in mining and mineral processing with over 30 years of international mine evaluation, development, start-up and operating experience including 26 years with Placer Dome Inc.

Robert Stuart (Tookie) Angus, LL.B -- director

Mr. Angus is director of IMA Exploration and an independent business consultant to the mining industry. Prior involvement included managing director -- mergers and acquisitions with the Endeavour Group, and partner and head of the Global Mining Group with the legal firm Fasken Martineau DuMoulin LLP.

Jim O'Rourke, BA Sc, PEng -- director

Mr. O'Rourke is director of Kobex Resources and president and CEO of Copper Mountain Mining Corporation. A mining engineer with over 35 years of mine development and operating experience included positions as former president of Huckleberry Mines and Princeton Mining Corporation.

Michael J. Atkinson, BA -- director

Mr. Atkinson is currently director of IMA Exploration and president of Maverick Projects Inc., a private consulting company focusing on merchant banking opportunities. He has over 15 years of investment and venture capital industry experience including assisting in forming Quest Capital Corp.

David A. Terry, PhD, PGeo -- senior vice-president exploration and corporate development

Dr. Terry is currently senior vice-president exploration and director of IMA Exploration Inc. He brings over 20 years of varied international mineral exploration and development experience gained working with a number of mining and exploration companies.

Sam Yik, BComm, CA -- chief financial officer

Currently CFO for International Barytex Resources and Kobex Resources. Mr. Yik has over 19 years of diversified business experience as a chartered accountant in corporate finance, investor relations, corporate development, commercial management and marketing.

Transaction structure

It is expected that the proposed transaction will occur by way of plan of arrangement, subject to a review of tax, corporate and securities law considerations. IMA, Barytex and Kobex intend to negotiate a definitive agreement to govern the implementation of the proposed transaction.

The parties intend that the relative values of each merging company will be based on the estimated value of its working capital at the time the definitive agreement is executed, subject to adjustment if the estimated actual working capital of any party on the effective date of the transaction differs by more than 1 per cent from the estimated working capital at the time of the definitive agreement.

IMA, Barytex and Kobex will conduct their respective businesses in the ordinary course until the effective date. However each has agreed not to dispose of any mineral assets without the consent of the other parties. In addition, any acquisition, option, joint venture or similar transaction proposed by any party prior to the effective date and requiring a commitment above a certain monetary threshold must be approved by all parties.

The letter agreement includes a commitment by each of IMA, Barytex and Kobex not to solicit alternative transactions to the proposed transaction. However, in the event a party receives a bona fide written acquisition proposal which was not solicited, the other parties have the right to match such proposal.

If the proposed transaction is not completed, other than as a result of the legitimate failure to satisfy a condition (other than shareholder or regulatory approval), a termination fee of approximately 3.5 per cent of the transaction value of each company is payable in total by the party failing to complete the transaction to the non-defaulting parties, pro rata.

Conditions

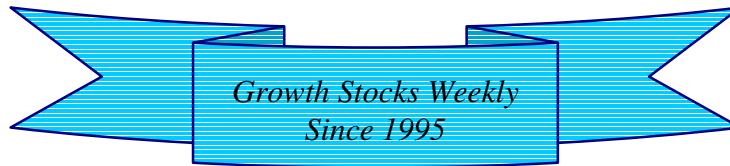
The proposed transaction is subject to a number of conditions including, but not limited to, the completion of confirmatory due diligence, definitive documentation, and regulatory and shareholder approvals. Subject to satisfaction of all conditions, completion of the proposed transaction is expected to occur prior to Sept. 30, 2009.

Conclusion

Failing another large market correction between now and September, these companies will likely trade near cash value once the deal closes, offering some short term arbitrage opportunities. Then it's a matter of waiting for a project to be found and announced, which could still take months. We will accumulate an initial position at current cash discounts, adding more on any market pullbacks. Essentially we want to buy the discounted cash and bet that the Barrick alumni will be able to attract a substantial deal that the market will embrace.

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