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IMA EXPLORATION INC
Form 20-F
April 02, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark one)

Registration Statement Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

or

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

or

Shell Company Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number: 001-32558

IMA EXPLORATION INC.
(Exact name of Registrant as specified in its charter)

IMA EXPLORATION INC.
(Translation of Registrant's name into English)

BRITISH COLUMBIA, CANADA
(Jurisdiction of incorporation or organization)

#709, 837 WEST HASTINGS STREET, VANCOUVER, BRITISH COLUMBIA, CANADA V6C 2N6
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.
NONE

Securities registered or to be registered pursuant to Section 12(g) of the Act.
COMMON STOCK, NO PAR VALUE
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

NOT APPLICABLE
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

52,013,064 COMMON SHARES AS OF DECEMBER 31, 2006

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No X
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If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No X
----- -----

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
----- -----

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer X
----- ----- -----

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 X Item 18
----- -----

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No X
----- -----

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GENERAL INFORMATION:

Unless otherwise indicated, all references herein are to Canadian dollars.

The Company is required under Canadian law (National Instrument 43-101 Standards Of Disclosure For Mineral Projects) ("NI 43-101") to calculate and categorize "mineral reserve", "proven mineral reserve", "probable mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" under the Canadian Institute of Mining Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Reserves - Definitions and Guidelines dated December 11, 2005. These standards establish

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definitions and guidelines for the reporting of exploration information, mineral resources and mineral reserves in Canada. These definitions have not been adopted for use in the United States of America by the Securities and Exchange Commission (the "SEC"). Under these guidelines, the CIM definitions of proven and probable mineral reserves equate to the definitions of proven and probable reserves as set out in Guide 7 of the Securities Act Industry Guides adopted by the SEC ("Guide 7"). In addition, Canadian law requires disclosure of mineral resources that equate to measured, indicated and inferred resources.

PART I

ITEM 1. DIRECTORS, SENIOR MANAGEMENT AND ADVISORS.

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. KEY INFORMATION.

SELECTED FINANCIAL DATA

The selected financial data and the information in the following table of IMA Exploration Inc. (the "Company") for the years ended December 31, 2006, 2005 and 2004 was derived from the consolidated financial statements of the Company which have been audited by PricewaterhouseCoopers LLP, independent Chartered Accountants, as indicated in their report which is included elsewhere in this annual report. The selected financial data set forth and the information in the following table for the years ended December 31, 2003 and 2002 are derived from the Company's audited consolidated financial statements after reflecting the carve out of Golden Arrow Resources Corporation not included herein.

The information in the following table should be read in conjunction with the information appearing under the heading "Item 5. Operating and Financial Review and Prospects".

Reference is made to Note 10 of the 2006 consolidated financial statements of the Company included herein for a discussion of the material measurement differences between Canadian Generally Accepted Accounting Principles ("Canadian GAAP") and United States Generally Accepted Accounting Principles ("U.S. GAAP"), and their effect on the Company's financial statements.

To date, the Company has not generated sufficient cashflow from operations to fund ongoing operational requirements and cash commitments. The Company has financed its operations principally through the sale of its equity securities. The Company considers that it has adequate resources to meet property commitments on its existing property holdings; however, at present, the Company may not have sufficient funds to conduct exploration programs on all of its existing properties and may need to obtain additional financing or joint venture partners in order to initiate any such programs. See "Item 5. Operating and Financial Review and Prospects".

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CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(CDN\$ IN 000, EXCEPT PER SHARE DATA)

| | 2006 | 2005 | 2004 | |
|--|----------------|----------------|----------------|------------|
| Revenue | - | - | - | |
| General Corporate Expenditures | (3,452) | (6,092) | (4,084) | (2) |
| General Exploration Expenditures | (499) (a) | (56) | (229) | |
| Foreign Exchange Gain (Loss) | (3) | 233 | (195) | |
| Interest and Miscellaneous Income | 373 | 150 | 102 | |
| Provision for Marketable Securities | - | - | (100) | |
| Loss Allocated to Spin off Assets | - | - | (131) | |
| Net Loss for the Year | (3,581) | (5,765) | (4,655) | (3) |
| Loss per Share from Continuing Operations | (0.07) | (0.12) | (0.11) | (0) |
| Loss per Share -Basic and Diluted | (0.07) | (0.12) | (0.11) | (0) |
| Weighted Average Number of Shares Outstanding | 51,264 | 46,197 | 40,939 | 32 |
| Working Capital | 9,060 | 7,489 | 5,053 | 4 |
| Capital Assets | - | - | 94 | |
| Mineral Properties | - | 15,032 | 6,551 | 1 |
| Navidad Interest | 17,950 | - | - | |
| Spin-Off Assets | - | - | - | 6 |
| Long-Term Debt | - | - | - | |
| Total Assets | 27,246 | 23,498 | 12,222 | 13 |
| Net Assets - Shareholder's Equity | 27,010 | 20,761 | 10,813 | 11 |

(a) The 2006 General Exploration balance includes Navidad holding costs which are comprised of:

- i) costs incurred in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline;
- ii) costs incurred in the period between the date of the judgment and the transfer of control of the Navidad project to Aquiline that would normally have been included in mineral properties and deferred costs.

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ADJUSTED TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Under U.S. GAAP the following financial information would be adjusted from Canadian GAAP (references are made to Note 11 of the accompanying consolidated

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audited financial statements):

| | (CDN\$ IN 000, EXCEPT PER SHARE DATA) | | | |
|--|---------------------------------------|------------|-----------|-----------|
| | 2006 | 2005 | 2004 | |
| CONSOLIDATED STATEMENT OF OPERATIONS | | | | |
| Loss for the year under Canadian GAAP | \$(3,581) | \$(5,765) | \$(4,655) | \$(3,581) |
| Mineral property and deferred exploration costs for the year, net of reversal of future income tax and write down of marketable securities | (4,492) | (7,605) | (4,479) | (16,576) |
| Mineral property and deferred exploration costs written off during the year which would have been expensed in the year incurred | - | - | - | |
| Stock-based compensation | - | - | - | |
| Loss for the year under US GAAP | \$(8,073) | \$(13,370) | \$(9,134) | \$(4,655) |
| Unrealized (loss) gains on available-for-sale securities | (3) | - | (387) | |
| Comprehensive Loss for the year | \$(8,076) | \$(13,370) | \$(9,521) | \$(4,655) |
| Loss per share under US GAAP | \$(0.16) | \$(0.29) | \$(0.22) | \$(0.22) |
| Diluted Loss per share under US GAAP | \$(0.16) | \$(0.29) | \$(0.22) | \$(0.22) |
| SHAREHOLDERS' EQUITY | | | | |
| Balance per Canadian GAAP | \$27,010 | \$20,761 | \$10,813 | \$11,000 |
| Mineral property and deferred exploration costs expensed net of reversal of future income tax | (17,764) | (13,272) | (5,666) | (6,000) |
| Accumulated other comprehensive income | 81 | 84 | 84 | |
| Balance per US GAAP | \$9,327 | \$7,573 | \$5,231 | \$5,000 |

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| | 2006 | 2005 | 2004 | |
|---|----------|----------|---------|-----|
| MIENRAL PROPERTIES / NAVID INTEREST | | | | |
| Balance per Canadian GAAP | \$17,950 | \$15,032 | \$6,552 | \$8 |
| Mineral property and deferred exploration costs expensed net of reversal of future income tax | (17,764) | (15,032) | (6,552) | (8 |
| Transfer of marketable Securities | 81 | - | - | |
| Balance per US GAAP | \$267 | \$- | \$- | |

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| | 2006 | 2005 | 2004 | |
|--|------------|-------------|------------|-------|
| CONSOLIDATED STATEMENTS OF CASH FLOWS | | | | |
| OPERATING ACTIVITIES | | | | |
| Cash used per Canadian GAAP | \$ (3,785) | \$ (3,850) | \$ (2,962) | \$ (1 |
| Mineral properties and deferred costs | (4,492) | (7,025) | (4,578) | (1 |
| Cash used per US GAAP | \$ (8,277) | \$ (10,875) | \$ (7,540) | \$ (3 |
| INVESTING ACTIVITIES | | | | |
| Cash used per Canadian GAAP | \$ (5,412) | \$ (10,259) | \$ (8,810) | \$ (1 |
| Mineral properties and deferred costs | 4,492 | 7,026 | 4,579 | 1 |
| Cash provided (used) per US GAAP | \$ (920) | \$ (3,233) | \$ (4,232) | |
| FINANCING ACTIVITIES | | | | |
| Cash provided per Canadian and US GAAP | \$9,437 | \$13,478 | \$9,297 | \$6 |

See Note 11 of the Company's consolidated financial statements.

EXCHANGE RATE HISTORY

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The noon rate of exchange on February 28, 2007, reported by the United States Federal Reserve Bank of New York for the conversion of Canadian dollars into United States dollars was US\$0.8547 (US\$1.00 = CDN\$1.1700).

The following table sets forth high and low exchange rates for one Canadian dollar expressed in terms of one U.S. dollar for the six-month period ended February 28, 2007.

| MONTH | HIGH | LOW |
|----------------|--------|--------|
| September 2006 | 0.9048 | 0.8872 |
| October 2006 | 0.8965 | 0.8784 |
| November 2006 | 0.8869 | 0.8715 |
| December 2006 | 0.8760 | 0.8582 |
| January 2007 | 0.8586 | 0.8547 |
| February 2007 | 0.8631 | 0.8437 |

The following table sets forth the average exchange rate for one Canadian dollar expressed in terms of one U.S. dollar for the past five fiscal years.

| PERIOD | AVERAGE |
|-------------------------------------|---------|
| January 1, 2002 - December 31, 2002 | 0.6368 |
| January 1, 2003 - December 31, 2003 | 0.7206 |
| January 1, 2004 - December 31, 2004 | 0.7682 |
| January 1, 2005 - December 31, 2005 | 0.8254 |
| January 1, 2006 - December 31, 2006 | 0.8818 |

Exchange rates are based upon the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.

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RISK FACTORS

Due to the nature of the Company's business and the present stage of exploration on its mineral resource properties, the following risk factors apply to the Company's operations (see "Item 4. Information on the Company - History and Development of the Company"):

TITLE TO PROPERTIES RISK: On November 16, 2006 the Company transferred ownership of its mineral properties to Aquiline Resources Inc. ("Aquiline") under the terms of an Interim Project Development Agreement (the "Interim Agreement") while the appeal of the Supreme Court of British Columbia decision of July 14, 2006 is heard and the Appeal Court's decision is rendered. In the event that the Company is unsuccessful on appeal, the Company will be paid \$18,500,000 as consideration for these assets, less legal costs Aquiline would be entitled to in relation to the trial and the appeal. In the event that the legal costs that Aquiline may become entitled to are significant, the recoverability of the costs reflected may be impaired. Such impairment may be material. However, at the current time, the Company is unable to determine with any degree of certainty what the final outcome of the appeal process may be and if the Company will regain its direct ownership of the mineral properties. The Company has no other mineral properties.

LIQUIDITY AND CASH FLOW: As at the date of this annual report, the Company has not generated any revenues from operations to fund ongoing operational requirements and cash commitments. The Company has financed its operations

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principally through the sale of its equity securities. As at February 28, 2007 the Company had working capital of approximately \$8,500,000. Management believes the Company has adequate resources to maintain its ongoing operations and will require additional financing for exploration and development in the event it regains operational control over the Navidad Project. See "Item 5. Operating and Financial Review and Prospects - Liquidity and Capital Resources".

EXPLORATION STAGE COMPANY: An investment in a natural resources company involves a high degree of risk. The degree of risk increases substantially where the company's properties are in the exploration stage.

ADDITIONAL FINANCING: The Company presently has sufficient financial resources to meet its commitments. The Company at present may not, however, have sufficient funds to conduct exploration and development programs on all these properties and may need to obtain additional financing or find joint venture partners in order to initiate any such programs in the event it regains operational control over the Navidad Project.

The Company will continue to rely on successfully completing additional equity financing and/or conducting joint venture arrangements to further exploration on its properties. There can be no assurance that the Company will be successful in obtaining the required financing or negotiating joint venture agreements. The Company's management may elect to acquire new projects, at which time additional equity financing may be required to fund overhead and maintain its interests in current projects, or may decide to relinquish certain of its properties. These decisions will be based on the results of ongoing exploration programs and the response of equity markets to the projects and business plan. The failure to obtain such financing or complete joint venture arrangements could result in the loss or substantial dilution of the Company's interests (as existing or as proposed to be acquired) in its properties as disclosed herein. The Company does not have any definitive commitment or agreement concerning any investment, strategic alliance or related effort, on any of the Company's material properties. The Company may seek joint venture partners to provide funding for further work on any or all of those other properties. Joint ventures may involve significant risks and the Company may lose any investment it makes in a joint venture. Any investments, strategic alliances or related efforts are accompanied by risks such as:

1. the difficulty of identifying appropriate joint venture partners or opportunities;
2. the time the Company's senior management must spend negotiating agreements and monitoring joint venture activities;
3. the possibility that the Company may not be able to reach agreement on definitive agreements, with potential joint venture partners;
4. potential regulatory issues applicable to the mineral exploration business;
5. the investment of the Company's capital or properties and the loss of control over the return of the Company's capital or assets;
6. the inability of management to capitalize on the growth opportunities presented by joint ventures; and
7. the insolvency of any joint venture partner.

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There are no assurances that the Company would be successful in overcoming these risks or any other problems encountered with joint ventures, strategic alliances or related efforts.

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EXPLORATION RISKS: Mineral exploration is highly speculative in nature, involves many risks and frequently is nonproductive. There can be no assurance that the Company's efforts to identify resources will be successful. Moreover, substantial expenditures are required to establish resources through drilling, to determine metallurgical processes to extract the metal from the ore and to construct mining and processing facilities. During the time required to establish resources, determine suitable metallurgical processes and construct such mining and processing facilities, the economic feasibility of production may change because of fluctuating prices.

METAL PRICE RISK: The Company's portfolio of properties has exposure to predominantly silver and lead. The prices of these metals, especially silver, greatly affect the value of the Company and the potential value of its properties and investments.

FINANCIAL MARKETS RISK: The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

POLITICAL RISK: Exploration is presently carried out in Argentina. This exposes the Company to risks that may not otherwise be experienced if all operations were domestic. Political risks may adversely affect the Company's existing assets and operations. Real and perceived political risk in some countries may also affect the Company's ability to finance exploration programs and attract joint venture partners, and future mine development opportunities.

CURRENCY RISK: Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

ENVIRONMENTAL RISK: The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.

PROJECT DELAY RISK: The Company's minerals business is subject to the risk of unanticipated delays in permitting its projects. Such delays may be caused by fluctuations in commodity prices, mining risks, difficulty in arranging needed financing, unanticipated permitting requirements or legal obstruction in the permitting process by project opponents. In addition to adding to project capital costs (and possibly operating costs), such delays, if protracted, could result in a write-off of all or a portion of the carrying value of the delayed project.

PRICE FLUCTUATIONS AND SHARE PRICE VOLATILITY: In recent years the securities markets in Canada have experienced a high level of price and volume volatility and the market price of securities of many companies, particularly junior mineral exploration companies, like the Company, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, the per share price of the Company's common shares on the TSX Venture Exchange (the "TSX-V") fluctuated from a high of \$3.96 to a low of \$0.49 during the 12-month period ending December 31, 2006. There can be no assurance that continual fluctuations in price will not occur.

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OPERATING HAZARDS AND RISKS: Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration for metals, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage. Although the Company maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed

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policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial condition.

INSURABLE RISKS AND LIMITATIONS OF INSURANCE: The Company maintains certain insurance, however, such insurance is subject to numerous exclusions and limitations. The Company maintains a Total Office Policy in Canadian dollars on its principal offices. Generally, the Total Office Policy provides All Risk Replacement Cost Coverage on office contents, up to \$300,000, with a \$500 deductible. In addition, the policy provides Commercial General Liability coverage of up to \$5,000,000 for Third Party Bodily Injury or Property Damage, per occurrence and \$2,000,000 for Tenants Legal Liability for any one leased premises, with a \$500 deductible. The Company also has insurance coverage of up to \$5,000,000 for non-owned automobile liability.

The Company maintains a Foreign Commercial General Liability policy in U.S. dollars which provides US\$5,000,000 coverage for bodily injury or property damage per occurrence and coverage up to US\$5,000,000 per offence for personal injury or advertising injury (libel, slander, etc.). The policy has a general aggregate limit for all claims during each consecutive policy period, except for those resulting from product hazards or completed operations hazards, of US\$5,000,000. The policy has a US\$5,000,000 aggregate limit for each consecutive policy period, for bodily injury or property damage liability arising out of completed operations and products. In addition, the Foreign Commercial General Liability policy provides for coverage of up to US\$10,000 in medical expenses, per person, with a US\$10,000 limit per accident, and up to US\$100,000 for each occurrence of tenants' fire legal liability. The policy does not apply to injury or damages occurring within Canada, the United States (including its territories and possessions), Puerto Rico, any countries or territories against which the United States has an embargo, sanction or ban in effect, territorial waters of any of the foregoing, the Gulf of Mexico, or international waters or airspace when an injury or damage occurs in the course of travel or transportation to any country or place included in the foregoing. The policy also does not cover asbestos related claims or liability for bodily injury or property damages arising out of the discharge, dispersal, release or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon land, the atmosphere, or any water-course or body of water. The policy also contains a professional liability exclusion which applies to bodily injury or property damage arising out of defects in maps, plans, designs or specifications prepared, acquired or used by the Company or arising out of any act of negligence, error, mistake or omission in rendering or failing to render professional consulting or engineering services, whether performed by the Company or other for whom the Company is responsible.

The Company maintains a Foreign Commercial Automobile Liability Insurance policy on owned, leased, hired and non-owned automobiles with the following liability

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limitations:

- o \$5,000,000 bodily injury liability for each person.
- o \$5,000,000 bodily injury liability for each occurrence.
- o \$5,000,000 property damage liability for each occurrence.
- o \$10,000 medical expense coverage, per person.
- o \$10,000 medical expense coverage, per accident.

The foregoing descriptions of the Company's insurance policies do not purport to be complete and does not cover all of the exclusions to such policies.

The Company has an Executive and Organization Liability insurance policy for the benefit of directors and officers. The aggregate limit of liability is \$5 million. The policy is renewable on a yearly basis.

MANAGEMENT: The Company is dependent on the services of Joseph Grosso, the President and a director of the Company. The loss of Mr. Grosso could have an adverse affect on the Company. Joseph Grosso provides his services to the Company through Oxbow International Marketing Corp. ("Oxbow"). The Company has entered into a consulting agreement with Oxbow.

All of the Company's other officers are employed by Grosso Group Management Ltd. ("Grosso Group"). See "Item 6. Directors, Senior Management and Employees - Directors and Senior Management - Conflicts of Interest". The Company does not maintain "key-man" insurance in respect of any of its principals.

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DEPENDENCE UPON OTHERS: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including: (i) the ability of the Company to regain its direct ownership of the Navidad Project through the appeal process; (ii) the ability to enter into strategic alliances through a combination of one or more joint ventures, mergers or acquisition transactions; (iii) the ability to discover and produce minerals; (iv) the ability to attract and retain additional key personnel in investor relations, marketing, technical support, and finance; and (v) the ability and the operating resources to develop and maintain the properties held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company. There can be no assurance of success with any or all of these factors on which the Company's operations will depend.

CONFLICTS OF INTEREST: Several of the Company's directors are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk that the Company may enter into a transaction on terms which could place the Company in a worse position than if no conflict existed. The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interest which they many have in any project or opportunity of the Company. However, each director has a similar obligation to other companies for which such director serves as an officer or director. The Company has no specific internal policy governing conflicts of interest. See "Item 6. Directors, Senior Management and Employees - Directors and Senior Management - Conflicts of Interest".

FOREIGN COUNTRIES AND REGULATORY REQUIREMENTS: The projects in which the Company has an interest are located in Argentina. Mineral exploration and mining activities in Argentina may be affected in varying degrees by political instability and government regulations relating to the mining industry. Any

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changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. The Company does not maintain and does not intend to purchase political risk insurance. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriations of property, environmental legislation and mine safety. The status of Argentina as a developing country may make it more difficult for the Company to obtain any required exploration financing for its projects. The effect of all of these factors cannot be accurately predicted.

Argentina has recently experienced some economic and political instability. Management believes the new democratic elected government is making progress in the domestic economy and it is improving the image of the country internationally. Additionally, management believes the economic crisis of December 2001 has been overcome, and although the country had defaulted on its loans, it has repaid its debt to the International Monetary Fund in December 2005. The Company maintains the majority of its funds in Canada and only forwards sufficient funds to meet current obligations and overhead in Argentina. The Company does not believe that any current currency restrictions which may be imposed in Argentina will have any immediate impact on the Company's exploration activities.

IMPACT OF GOVERNMENT REGULATIONS ON THE COMPANY'S BUSINESS: The projects in which the Company has an interest are located in Argentina.

ARGENTINA

MINING INDUSTRY

Mineral companies are subject to various federal and provincial laws and regulations including specific mining and environmental rules. The Company believes it is in material compliance with all applicable legislation.

THE RIGHT TO EXPLORE A PROPERTY (A "CATEO") AND THE RIGHT TO EXPLOIT (A "MINA") ARE GRANTED BY ADMINISTRATIVE OR JUDICIAL AUTHORITIES VIA CONCESSIONS. FOREIGN INDIVIDUALS AND CORPORATIONS MAY APPLY FOR AND HOLD CATEOS AND MINAS, AT THE SAME LEVEL AS LOCAL INVESTORS WITHOUT DIFFERENCES OF ANY NATURE. CATEOS AND MINAS ARE FREELY TRANSFERABLE UPON REGISTRATION WITH THE PROVINCIAL MINING REGISTRY WHERE TITLE TO THE CATEO OR MINA WAS FIRST REGISTERED. UPON THE GRANT OF A LEGAL CONCESSION OF A CATEO OR A MINE, PARTIES HAVE THE RIGHT TO EXPLORE THE LAND OR TO OWN THE MINE AND THE RESOURCES EXTRACTED THEREFROM.

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REGULATORY ENVIRONMENT

Management believes the present government is committed to opening up the economy and there has been progress in reducing import duties and export taxes. For decades local industry has been protected and the transition to greater international competitiveness will take some time.

Importers and exporters must be registered with Argentinean Customs office. Except for a limited list of items requiring the previous approval of the authorities there are no import restrictions. Import of pharmaceuticals, drugs, foodstuffs, defense material and some other items require the approval of the applicable government authority. Import duties are being progressively reduced in accordance with the free enterprise and free-trade policy being implemented by the government in order to achieve greater international competitiveness. To illustrate, duties currently range between zero and 20 percent. Restrictions on

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exports are not generally imposed, although there are export taxes currently in place including mineral products.

POLITICAL ENVIRONMENT AND ECONOMY

In recent years Argentina has experienced a number of changes to its government. The current president, Nestor Kirchner, came to power in May 2003. The economic performance of the country has been troubled and uncertain since the late 1990's. Management believes there are positive indications that the economic situation continues to improve.

ENVIRONMENTAL REGULATIONS: The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. At present, the Company does not believe that compliance with environmental legislation and regulations will have a material affect on the Company's operations; however, any changes in environmental legislation or regulations, or in the Company's business, may cause compliance with such legislation and/or regulation to have a material impact on the Company's operations. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to ensure that it complies fully with all environmental regulations relating to its operations in Argentina.

The provincial government of Chubut Province, Argentina, has enacted certain anti-mining laws banning the use of cyanide in metallic mineral extraction in the Province of Chubut and open-pit mining is subject to, a yet to be defined, zoning process. The provincial legislation is more restrictive than current federal Argentinean mining laws. Certain authorities believe that the provincial legislation may be unconstitutional. However, there can be no assurance that the provincial legislation will be repealed.

CURRENCY FLUCTUATIONS: The Company's operations in Argentina and Canada make it subject to foreign currency fluctuations and such fluctuation may adversely affect the Company's financial position and results. Certain of the Company's expenses are denominated in U.S. dollars. As such, the Company's principal foreign exchange exposure is related to the conversion of the Canadian dollar into U.S. dollars. The Canadian dollar varies under market conditions. Continued fluctuation of the Canadian dollar against the U.S. dollar will continue to affect the Company's operations and financial position. The Company's foreign subsidiaries comprise a direct and integral extension of the Company's operations. These subsidiaries are also entirely reliant upon the Company to provide financing in order for them to continue their activities. Consequently, the functional currency of these subsidiaries is considered by management to be the Canadian dollar and accordingly exchange gains and losses are included in net income. Management does not believe the Company is subject to material exchange rate exposure from any fluctuation of the Argentine currency. The Company does not engage in hedging activities. See "Item 5. Operating and Financial Review and Prospects".

NO DIVIDENDS: The Company has not paid out any cash dividends to date and has no plans to do so in the immediate future.

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PENNY STOCK REGULATION: The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in "penny stocks". Generally, penny stocks are equity securities with a price of less than US\$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system). Since the Company's shares are traded for less than US\$5.00 per share, the shares are subject to the SEC's penny stock rules. The Company's shares will be subject to the penny stock rules until such time as (1) the issuer's net tangible assets exceed US\$5,000,000 during the issuer's first three years of continuous operations or US\$2,000,000 after the issuer's first three years of continuous operations; or (2) the issuer has had average revenue of at least US\$6,000,000 for three years. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prescribed by the SEC that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer must obtain a written acknowledgement from the purchaser that the purchaser has received the disclosure document. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. Such rules and regulations may make it difficult for holders to sell the common stock of the Company, and they may be forced to hold it indefinitely.

ENFORCEMENT OF LEGAL PROCESS: It may be difficult to bring and enforce suits against the Company. The Company is incorporated in British Columbia, Canada. Only one of the Company's directors is a resident of the United States and all, or a substantial portion, of the other directors' assets are located outside of the United States. As a result, it may be difficult for U.S. holders of the Company's common shares to effect service of process on these persons within the United States or to enforce judgments obtained in the U.S. based on the civil liability provisions of the U.S. federal securities laws against the Company or their officers and directors. In addition, a shareholder should not assume that the courts of Canada (i) would enforce judgments of U.S. courts obtained in actions against the Company or their officers or directors predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States, or (ii) would enforce, in original actions, liabilities against the Company or their officers or directors predicated upon the U.S. federal securities laws or other laws of the United States.

However, U.S. laws would generally be enforced by a Canadian court provided that those laws are not contrary to Canadian public policy, are not foreign penal laws or laws that deal with taxation or the taking of property by a foreign government and provided that they are in compliance with applicable Canadian legislation regarding the limitation of actions. Also, a judgment obtained in a U.S. court would generally be recognized by a Canadian court except, for example:

1. where the U.S. court where the judgment was rendered had no jurisdiction according to applicable Canadian law;

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2. the judgment was subject to ordinary remedy (appeal, judicial review and any other judicial proceeding which renders the judgment not final, conclusive or enforceable under the laws of the applicable state) or not final, conclusive or enforceable under the laws of the applicable state;
3. the judgment was obtained by fraud or in any manner contrary to natural justice or rendered in contravention of fundamental principles of procedure;
4. a dispute between the same parties, based on the same subject matter has given rise to a judgment rendered in a Canadian court or has been decided in a third country and the judgment meets the necessary conditions for recognition in a Canadian court;
5. the outcome of the judgment of the U.S. court was inconsistent with Canadian public policy;
6. the judgment enforces obligations arising from foreign penal laws or laws that deal with taxation or the taking of property by a foreign government; or
7. there has not been compliance with applicable Canadian law dealing with the limitation of actions.

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ITEM 4. INFORMATION ON THE COMPANY.

HISTORY AND DEVELOPMENT OF THE COMPANY

Since 1996, the Company has been engaged, through its subsidiaries, in the acquisition and exploration of mineral properties, with a primary focus in Argentina and Peru. The Company was incorporated in British Columbia under the COMPANY ACT (British Columbia, Canada) (the "Company Act") on September 17, 1979, as Gold Star Resources Ltd. On May 1, 1990, the Company filed an Altered Memorandum to reflect its name change to EEC Marketing Corp. On January 13, 1992, the Company filed an Altered Memorandum to reflect its name change to Amera Industries Corp. From its date of inception to January 31, 1992, the Company was inactive. Between January 31, 1992 and August 31, 1994, the Company was involved in the eyewear and optical products industry. Subsequently, the Company again became inactive and began seeking a new business opportunity. The Company filed another Altered Memorandum on February 9, 1995, to reflect its name change to International Amera Industries Corp. On February 20, 1996, the Company filed an Altered Memorandum, changing its name to IMA Resource Corporation, and became engaged in the acquisition and exploration of mineral properties.

In September of 1995 the Company formed IMPSA Resources Corporation ("IMPSA") in order to pursue opportunities in Peru. At that time, exploration efforts by other companies in Peru were beginning in earnest. Management believed Peru was a favorable country for mineral exploration due to the country's geology and strong mining culture. In addition, management believed that Peru was under-explored.

Management believed the amount of capital necessary to fully exploit opportunities in Peru was greater than what the Company sought to invest. Since the Company had an ongoing exploration program in Argentina, the Company initially limited the funding of its Peruvian projects to \$250,000. The Company established IMPSA and used the Company's \$250,000 capital contribution to establish an infrastructure and initiate property reviews. A number of consultants were retained and detailed property assessments were initiated. The Company determined that in order to further develop IMPSA, additional funding

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would be required.

The Company initially received 500,000 common shares, or 30.76%, of the then issued and outstanding common shares of IMPSA, for its \$250,000 capital contribution. As a result of issuing 375,000 shares to IMPSA's management and key employees, and the completion of two private placements (resulting in the issuance of a total of 1,528,000 common shares of IMPSA), the Company's initial investment in IMPSA was diluted to 20.76%. However, in order to assure the Company an ongoing interest in the assets of IMPSA, the Company retained a 20% participating interest in IMPSA (BVI) and retained the right to maintain a 20% ownership interest in IMPSA. During fiscal 1998, the Company increased its investment in IMPSA by purchasing 990,963 shares, which increased the Company's percentage ownership of IMPSA from 20.76% to 43.81%. In January 1999, the Company acquired an additional 6,500,000 common shares of IMPSA, increasing its equity interest from 43.81% to 80.69%. During 2001, the Company completed the reorganization of its corporate structure to continue the funding of the Company's Peruvian exploration activities. On August 20, 2001, the Company entered into an agreement with IMPSA, its 80.69% owned subsidiary, to acquire IMPSA's 80% interest in IMPSA (BVI) and IMPSA's advances to IMPSA (BVI) of approximately US\$1.536 million, in exchange for \$850,000 plus a 2% fee on any net revenue or proceeds from the disposition of certain properties held by IMPSA (BVI). See "Item 4. Information on the Company - Organizational Structure." The fee is limited to a maximum of \$1,400,000. This transaction was approved by IMPSA's shareholders on September 4, 2001. IMPSA used the cash proceeds to retire its debt to the Company. Rio Tabaconas (formerly known as Tamborapa), IMPSA's principal property, is for the most part an early stage exploration property and involves a high degree of risk.

On April 3, 1996, the Company acquired IMA Holdings Corp. ("IHC"), a British Columbia company. The acquisition of IHC by the Company resulted in the former shareholders of IHC acquiring control of the Company. At the time of the acquisition, the Company had two common directors with IHC. Generally accepted accounting principles required the transaction to be treated for accounting purposes as a reverse-takeover. In accounting for this transaction:

- (i) IHC was deemed to be the purchaser and parent company for accounting purposes. Accordingly, its net assets are included in the Company's consolidated balance sheet at their historical book value; and

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- (ii) control of the net assets and business of the Company was acquired effective April 3, 1996. The transaction was accounted for as a purchase of the assets and liabilities of the Company by IHC at their fair values.

IHC's primary asset was a 50% joint venture interest in Minas Argentinas (Barbados) Inc. ("Minas Barbados"). Oro Belle Resources Corporation ("Oro Belle"), a third party, held the remaining 50% interest in Minas Barbados. The sole asset of Minas Barbados is its 100% interest in Minas Argentinas S.A. ("MASA"). MASA is an Argentine company whose main activity is exploration of mineral properties in Argentina. During 1998, the Company held discussions with Oro Belle and its majority shareholder, Viceroy Resource Corporation ("Viceroy"), to restructure the arrangement and facilitate the funding of future financial requirements of MASA.

In May 1998, the Company entered into an arrangement (the "Plan of Arrangement")

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with Viceroy whereby the Company agreed to exchange its 50% interest in Minas Barbados for 2,200,000 common shares of Viceroy (the "Viceroy Shares"), at a price of \$2.25 per Viceroy Share (being the market value of the Viceroy Shares on the date of the transaction), a 1% net smelter returns royalty interest (the "MASA NSR") in the mineral property interests held by MASA, and the extinguishment of all debts owing by the Company to MASA. No value was ascribed to the MASA NSR for the purpose of calculating the total consideration received at the date of exchange.

The Company also restructured its share capital to facilitate the distribution of 1,540,000 Viceroy Common Shares to the Company's shareholders. The transaction was accomplished as follows:

- i) each issued and outstanding common share of the Company was exchanged for one Class A common share and one Class B preferred share (the "Preferred Shares") of the Company;
- ii) the holders of the Preferred Shares received 1,540,000 Viceroy Common Shares, directly from Viceroy, in exchange for all of the Preferred Shares;
- iii) the Company relinquished its ownership interest in Minas Barbados to Viceroy in exchange for the Preferred Shares, the MASA NSR, the extinguishment of all debts to MASA and 660,000 Viceroy Shares. The Preferred Shares were then canceled by the Company; and
- iv) all options and warrants to purchase common shares of the Company became exercisable to purchase Class A common shares on the same basis as the common shares.

The transaction became effective July 7, 1998, upon filing an Altered Memorandum, and the Company changed its name to IMA Exploration Inc. As a result of the transaction, the Company consolidated its share capital on the basis of four old shares for one new share.

On June 30, 1999, the shareholders of the Company passed a Special Resolution approving a redesignation of the Class A Common Shares to common shares.

In August 1999, the Company completed a private placement with Barrick Gold Corporation ("Barrick"). Barrick was granted an option to earn an interest in either the Potrerillos or Rio de Taguas property. The funds were spent on the drilling program on the Potrerillos property. Proceeds were spent on further exploration of the Company's properties in the Valle de Cura region of San Juan Province, Argentina from October 2000 to March 2001. As a result of the private placement Barrick became the Company's largest shareholder. During September 2003 Barrick reduced its shareholding to 1,000,000 shares.

The Company agreed to spend a minimum of \$1,125,000 on its Valle de Cura properties out of the proceeds from the Barrick private placement. As of December 31, 2003 this requirement had been met. On December 15, 2003, Barrick served notice that it would not be exercising the option and the Company has begun pursuing other partners for the continued exploration of these drill ready projects.

In 2002, the Company began to acquire properties in Chubut Province, Argentina. In 2003, the Company significantly increased its focus on activities in the Chubut region. The Company has entered into a number of joint venture agreements which resulted in the farm-out of several of its non-core properties.

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In early 2003, the Company focused its efforts on its Navidad property in Chubut Province located in southern Argentina. The preliminary results of its initial exploration efforts were very encouraging. The first phase of a drill program commenced in late 2003. The Company continued its exploration and development program until mid 2006.

On March 29, 2004, the new British Columbia BUSINESS CORPORATIONS ACT (the "BCBCA") came into force in British Columbia and replaced the former Company Act, which is the statute that previously governed the Company. See "Item 10. Additional Information - Memorandum and Articles of Association."

On May 3, 2004, the Company announced its intention to proceed with a reorganization of the Company which had the result of dividing its present mineral resource assets between two separate public companies. Under the reorganization, the Company's most advanced project, the Navidad silver-lead-copper project and certain other Navidad area properties in central Chubut Province, Argentina (the "Navidad Properties") continued to be owned by the Company, while the Company's non-Navidad mineral properties along with \$750,000 of operating cash and the joint venture agreements (including the marketable securities) relating to the transferred properties (collectively the "Transferred Assets") were transferred to Golden Arrow, a new public company formed to effect the reorganization. The Company retained the Navidad project and focused on:

1. a significantly expanded drill program on the numerous targets within Navidad;
2. more detailed regional exploration for Navidad style targets;
3. pursuing a listing on major U.S. and Canadian stock exchanges;
4. completing a bankable feasibility study on the Navidad project in a timely fashion; and
5. exploring the Navidad related properties directly or through joint ventures.

However, there are no assurances that the Company will be able to successfully complete any of the foregoing.

The reorganization was implemented by a Plan of Arrangement under the BCBCA. The Company's shareholders and optionholders approved the Plan of Arrangement at the Company's Annual General Meeting that was held on June 22, 2004. All other approvals were subsequently received.

The common shares of Golden Arrow were distributed to shareholders of the Company in proportion to their shareholdings in the Company on July 7, 2004 and on the basis of one Golden Arrow share for every 10 shares of the Company held. The reorganization was intended to enhance shareholder value by enabling each company to focus on the development of its own properties, and by allowing shareholders to hold an interest in Golden Arrow which reflects the value of the Company's portfolio of exploration projects.

In March 2004, Aquiline commenced an action against the Company seeking a constructive trust over the Navidad properties and damages. The trial was held in Vancouver, British Columbia commencing in October 2005, and continuing until mid-December 2005.

On July 14, 2006 the Supreme Court of British Columbia released its judgment in Aquiline's lawsuit against the Company. The Company was not successful in its defense and the court found in Aquiline's favour.

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The Order reads in part:

- "(a) that Inversiones Mineras Argentinas SA ("IMA SA") transfer the Navidad Claims and any assets related thereto to Minera Aquiline or its nominee within 60 days of this order;
- (b) that IMA take any and all steps required to cause IMA SA to comply with the terms of this order;
- (c) that the transfer of the Navidad Claims and any assets related thereto is subject to the payment to IMA SA of all reasonable amounts expended by IMA SA for the acquisition and development of the Navidad Claims to date; and
- (d) any accounting necessary to determine the reasonableness of the expenditures referred to in (c) above shall be by reference to the Registrar of this court."

The Company has filed an appeal of this judgment which is scheduled to be heard by the British Columbia Court of Appeal on April 10, 2007. While the Company is confident of a favourable result from its appeal it recognizes that

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this could take a substantial period of time and the costs will be significant, with no guarantee of a successful outcome for the Company.

On October 18, 2006, the Company and Aquiline reached a definitive agreement for the orderly conduct of the Navidad Project pending the determination of the appeal. The transactions outlined in the Interim Agreement will constitute due compliance by both parties with the Order. Control of the Navidad Project was transferred to Aquiline in trust for the ultimately successful party in the appeal, on November 16, 2006.

As a condition of the reorganization Golden Arrow became a party to the Aquiline action. The Company has provided an indemnity to Golden Arrow for any costs or losses that might be incurred by Golden Arrow in connection with this matter.

ACQUISITION AND DISPOSITION OF MINERAL PROPERTY INTERESTS DURING THE THREE PRIOR FISCAL YEARS

The Company has made additions to mineral properties and deferred costs of \$2,731,414 and capital assets of \$Nil, \$8,480,509 and \$Nil, \$5,082,572 and \$93,650 for the fiscal years ended December 31, 2006, 2006 and 2004, respectively. As at December 31, 2006, the Company's mineral properties and deferred costs had been reclassified as a component of the Navidad interest balance of \$17,949,521, comprised of mineral properties and deferred costs of \$17,763,521 and marketable securities of \$186,000 which are subject to transfer to Aquiline under the terms of the Interim Agreement.

The Company has not made any write down to the value of its Navidad interest or mineral properties and deferred costs. The Company and Aquiline have agreed to the costs spent developing the Navidad Project in the amount of \$18,500,000. Aquiline has paid \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions of the Interim Agreement. In the event that the Company is unsuccessful on appeal, the Company will be paid the \$18,500,000, less legal costs Aquiline would be entitled to in relation to the trial and the appeal.

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PLANNED EXPLORATION EXPENDITURES AND PROPERTY PAYMENTS

The Company considers that it has adequate resources to maintain its ongoing operations but currently may not have sufficient working capital to fund exploration and development work in the event it regains operational control over the Navidad Project. The Company will continue to rely on successfully completing additional equity financing and/or conducting joint venture arrangements to conduct further exploration on its properties. There can be no assurance that the Company will be successful in obtaining the required financing or negotiating joint venture agreements. The failure to obtain such financing or joint venture agreements could result in the loss of, or substantial dilution of the Company's interest in its properties. See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Properties - Argentinean Properties and "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

BUSINESS OVERVIEW

The Company is a natural resource company engaged in the business of acquisition, exploration and development of mineral properties in Argentina. At present, the Company has no producing properties and consequently has no current operating income or cash flow. As of the date of this annual report, the Company is an exploration stage company and has not generated any revenues from mining operations. There is no assurance that a commercially viable mineral deposit exists on any of the Company's properties. Further exploration and evaluation will be required before a final determination as to the economic and legal feasibility of any of the properties is determined.

GOVERNMENT REGULATIONS

The Company's operations are subject to certain governmental laws and regulations. See "Item 3. Key Information - Risk Factors - Foreign Countries and Regulatory Requirements", "Item 3. Key Information - Risk Factors - Impact of Government Regulations on the Company's Business" and "Item 3. Key Information - Risk Factors - Environmental Regulations."

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ORGANIZATIONAL STRUCTURE

The Company has one direct wholly-owned subsidiary, IMA Holdings Corp. ("IHC").

IHC has a direct wholly-owned subsidiary, IMA Latin America Inc. ("IMA Latin America"), a British Virgin Islands company.

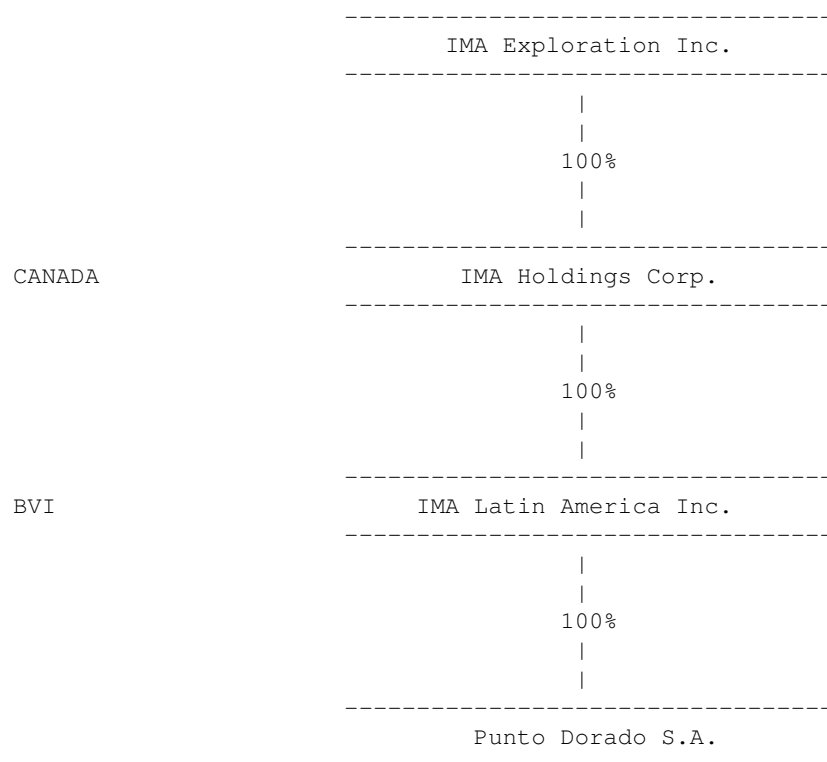
IMA Latin America has one direct wholly-owned subsidiary, Punto Dorado SA, an Argentine company.

The Company's current corporate structure is depicted below. See "Item 4. Information on the Company - History and Development of the Company."

Unless otherwise indicated herein, the term "Company" means collectively the Company and its subsidiaries.

CORPORATE STRUCTURE

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PROPERTIES, PLANTS AND EQUIPMENT

The Company's principal business is the acquisition and exploration of mineral properties. As of the date of this annual report, all of the Company's properties are without known reserves and the Company's operations are exploratory in nature. See "Item 4. Navidad Property - Estimated Resources."

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PRINCIPAL PROPERTIES

ARGENTINEAN PROPERTIES

During the fiscal years ending December 31, 2006, 2005 and 2004 the Company had capitalized and expensed costs on all of its properties as follows:

| Fiscal Year Ending | Amount Capitalized | General Exploration Expensed in Fiscal Year(a) | Aggregate Amount Written-off In Fiscal Year |
|--------------------|--------------------|--|---|
| December 31, 2004 | \$6,551,598 | \$228,961 | \$ Nil |
| December 31, 2005 | \$15,032,107 | \$55,914 | \$ Nil |
| December 31, 2006 | \$17,763,521 | \$498,921 | \$ Nil |

(a) In fiscal 2006, this amount includes \$312,349 in Navidad holding costs which is comprised of:

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- (i) costs incurred in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline; and
- (ii) costs incurred in the period between the date of the judgment and the transfer of control of the Navidad project to Aquiline that would normally have been included in mineral properties and deferred costs.

PRINCIPAL OFFICE

The Company's principal office is located at #709 - 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6. On January 1, 2005 the Company engaged the Grosso Group to provide office facilities and management services. Until December 31, 2006, the Company leased a portion of its office space from Beauregard Holdings Corp. ("Beauregard"), which was sub-leased to Grosso Group. See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS.

The following discussion of the results of operations of the Company for the fiscal years ended December 31, 2006, 2005 and 2004 should be read in conjunction with the consolidated financial statements of the Company and related notes included therein.

CRITICAL ACCOUNTING POLICIES

Reference should be made to significant accounting policies contained in Note 3 of the December 31, 2006 consolidated financial statements of the Company attached hereto. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

LEGAL PROCEEDINGS

On March 5, 2004, Aquiline Resources Inc. ("Aquiline"), through its subsidiary, Minera Aquiline Argentina SA, filed a claim in the Supreme Court of British Columbia against the Company seeking a constructive trust over the Navidad properties and damages. The trial was held in Vancouver British Columbia commencing in October 2005 and ended on December 12, 2005.

On July 14, 2006 the court released its judgment on the claim. The Company was not successful in its defense and the court found in Aquiline's favour.

The Order reads in part:

- "(a) that Inversiones Mineras Argentinas SA ("IMA SA") transfer the Navidad Claims and any assets related thereto to Minera Aquiline or its nominee within 60 days of this order;
- (b) that IMA take any and all steps required to cause IMA SA to comply with the terms of this order;

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- (c) that the transfer of the Navidad Claims and any assets related thereto is subject to the payment to IMA SA of all reasonable

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amounts expended by IMA SA for the acquisition and development of the Navidad Claims to date; and

- (d) any accounting necessary to determine the reasonableness of the expenditures referred to in (c) above shall be by reference to the Registrar of this court."

On October 18, 2006, the Company and Aquiline reached a definitive agreement for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The parties have agreed that the transactions outlined in the agreement are in satisfaction of the Order referenced above. The principal terms and conditions of the agreement are as follows:

- (i) control of the Navidad Project will be transferred to Aquiline in trust for the ultimately successful party in the appeal;
- (ii) the Company and Aquiline have agreed to the costs spent to date developing the Navidad Project in the amount of \$18,500,000. Upon transfer of control of the Navidad Project, Aquiline will pay \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions;
- (iii) in the event that the Company is unsuccessful on appeal, the Company will be paid such \$18,500,000 amount, less legal costs Aquiline would be entitled to in relation to the trial and the appeal.
- (iv) in the event that the Company's appeal is successful, it will pay Aquiline's qualifying costs expended on developing the Navidad Project during the period of the appeal, less legal costs the Company would be entitled to in relation to the trial and the appeal, and control of the Navidad Project will then revert to the Company; and
- (v) pending the finalization of the appeal process, neither party will attempt a hostile takeover of the other.

The effective date of the transfer of the Navidad project was November 16, 2006. A copy of the agreement has been posted on the SEDAR website as one of the Company's public documents and is titled "Interim Project Development Agreement".

The Company has filed an appeal of this judgment. The appeal is scheduled to be heard by the British Columbia Court of Appeal on April 10, 2007. While the Company is confident of a favourable result from its appeal it recognizes that this will take a substantial period of time and the costs will be significant, with no guarantee of a successful outcome for the Company. The Company has not provided for any future legal costs and will expense the legal costs of the appeal as they occur

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of environmental obligations and impairment of mineral properties and deferred costs. Actual results may differ from these estimates.

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MINERAL PROPERTIES AND DEFERRED COSTS

Consistent with the Company's accounting policy disclosed in Note 3 of the consolidated financial statements attached hereto, direct costs related to the acquisition and exploration of mineral properties held or controlled by it have been capitalized on an individual property basis. It is the Company's policy to expense any exploration associated costs not related to specific projects or properties. Management periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the costs are written-off, or if its carrying value has been impaired, then the costs are written down

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to fair value. In respect to the Navidad project and the related Aquiline litigation, at the current time the Company is unable to determine with any degree of certainty what the final outcome of the appeal process may be. Accordingly, the Company has not made any adjustments to the carrying value of the Navidad project at December 31, 2006.

The carrying value of the components of the Navidad project will be reviewed in subsequent periods and adjusted if circumstances suggest that the full amount may not be recoverable and an appropriate amount expensed for impairment when such amounts can be reasonably determined. Additionally, in 2005 no impairment of long-lived assets was identified.

The Company's operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. See "Item 3. Key Information - Risk Factors."

The Company's consolidated financial statements were prepared on a going concern basis which assumes that it will be able to realize assets and discharge liabilities in the normal course of business.

The Company's consolidated financial statements are in Canadian dollars (CDN\$) and are prepared in accordance with Canadian GAAP, the application of which, in the case of the Company, conforms in all material respects for the periods presented with U.S. GAAP except for the measurement differences referred to in Note 10 of the consolidated financial statements of the Company included herein. The effects of inflation and price changes have not had a material impact on the Company's income or net sales revenues during the past three years.

The Company and its subsidiaries' functional currency is the Canadian dollar. The majority of the Company's cash deposits and accounts are in Canadian funds. The Canadian dollar varies under market conditions, the continued fluctuation of the Canadian dollar against the U.S. dollar will continue to affect the Company's operations and financial position. See "Item 3. Key Information - Risk Factors - Currency Fluctuations".

OVERVIEW

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The Company is a natural resource company engaged in the business of acquisition, exploration and development of mineral properties in Argentina. At this stage the Company has no producing properties and, consequently, has no current operating income or cash flow.

The Company's accounting policy under Canadian GAAP is to defer all direct costs related to the acquisition, exploration and development of mineral properties held or controlled by the Company on an individual property basis until viability of a property is determined. Under US GAAP, the costs would be expensed. General exploration costs are expensed as incurred. When a property is placed in commercial production, such deferred costs are depleted using the units-of-production method. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the costs are written-off, or if its carrying value has been impaired, then the costs are written down to fair value. At December 31, 2006, the Company had capitalized \$17,763,521 (2005 - \$15,032,107, 2004 - \$6,551,598) on its Argentine properties (In 2006 the mineral properties and deferred costs balance was classified as a component of the Navidad interest balance).

During the year ended December 31, 2004, the Company completed a brokered private placement of 1,500,000 units at \$3.10 per unit, for proceeds of \$4,307,500 net of costs of \$411,237. Each unit consisted of one common share and one half common share purchase warrant. Each full warrant entitled the holder to purchase one additional common share for one year at \$3.70 per share. Underwriters were paid a commission of 6% cash and 200,000 compensation options. The compensation options were exercisable at a price of \$3.25 per compensation option, for a period of twelve months, into one share and one half warrant with the warrants having the same terms as described above. The underwriters' compensation options were exercisable for a period of twelve months. This financing closed February 23, 2004.

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During the year ended December 31, 2005, the Company completed a brokered private placement of 3,333,340 units at \$3.00 per unit, for proceeds of \$9,263,283 net of \$600,001 agent's commission and \$136,736 of related issue costs. Each unit consisted of one common share and one half common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$3.45 per share until September 14, 2009. In addition to the cash commission the underwriters were paid a commission of 7% (233,334) underwriter's warrants. Each underwriter's warrant is exercisable for one share at a price of \$3.25, for a period of twenty four months, expiring on September 12, 2007. The financing closed on September 12, 2005.

During the year ended December 31, 2005, the Company issued 1,663,517 common shares on the exercise of options, warrants and agents warrants for \$4,361,011. As of December 31, 2005, the Company had reserved 1,900,004 common shares for issuance upon the exercise of outstanding warrants. As of December 31, 2004, the Company had reserved 1,422,017 common shares for issuance upon the exercise of outstanding warrants.

During the year ended December 31, 2006, Company completed a syndicated brokered private placement financing of 2,865,000 special warrants at \$3.50 per warrant for gross proceeds of \$10,027,500. Each special warrant entitled the holder to

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acquire one unit consisting of one common share and one half common share purchase warrant without payment of any additional consideration. All special warrants were converted into common shares and common share purchase warrants on May 25, 2006. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$3.80 per share until March 21, 2010. In addition to a cash commission of 6% the underwriters were granted 171,900 agents' warrants, representing 6% of the number of special warrants issued. Each agents' warrant is exercisable for one share at a price of \$3.80, for a period of twenty four months, expiring on March 21, 2008. As of February 28, 2007 no common share purchase warrants or agents' warrants had been exercised. During the year ended December 31, 2006, 335,000 common shares were issued on exercise of options for proceeds of \$280,950.

Cash on hand at February 28, 2007 was approximately \$8,400,000.

RESULTS OF OPERATIONS

The following discussion of the results of operations of the Company for the fiscal years ended December 31, 2006, 2005 and 2004 should be read in conjunction with the consolidated financial statements of the Company attached hereto and related notes included therein.

YEAR ENDED DECEMBER 31, 2006 COMPARED TO YEAR ENDED DECEMBER 31, 2005

For the year ended December 31, 2006, the Company reported a consolidated loss of \$3,581,360 (\$0.07 per share), a decrease of \$2,183,514 from the loss of \$5,764,874 (\$0.12 per share) for the year ended December 31, 2005. The decrease in the loss in 2006, compared to 2005 amount, can primarily be attributed to a \$2,196,370 decrease in operating expenses.

The Company's operating expenses for the year ended December 31, 2006 were \$3,951,504 an decrease of \$2,196,370 from \$6,148,234 in 2005.

Professional fees decreased \$1,088,046 to \$1,124,144 in 2006, as the Company incurred significant legal costs incurred in connection with the Aquiline legal action during and preceding the initial trial in 2005. The Company's 2006 legal fees primarily consist of costs incurred in preparing and proceeding with the appeal of the Aquiline judgment and costs relating to the establishment of the Interim Project Development Agreement. In 2006 the Company recorded non-cash stock based compensation of \$393,120 compared to \$2,380,000 in 2005, for stock options granted to its employees, consultants and directors, of which \$393,120 is included in expenses in 2006 compared to \$1,800,000 in 2005. In 2006 \$Nil compared to \$580,000 in 2005 is included in capitalized mineral property expenditures.

Other notable changes in the operating expenses are:

- (i) Administrative and management services increased by \$166,725 primarily as a result of increased fees paid for the services of the president of the Company (see discussion on related party transactions below).
- (ii) Corporate development and investor relations decreased by \$167,759 primarily as a result of the Company's termination of its third-party investor relation contracts in 2006.
- (iii) General exploration increased \$130,658 as a result of higher activity levels of evaluating potential exploration projects.

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- (iv) Travel and accommodation decreased \$162,643 due to decreased Navidad Project related travel by Company staff subsequent to the Aquiline judgment.
- (v) Salaries increased \$66,970 due to higher staff costs in the year.
- (vi) Navidad holding costs of \$312,349 were incurred in 2006 compared to \$Nil in 2005 as a result of:
 - a) costs incurred in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline; and
 - b) costs incurred in the period between the date of the judgment and the transfer of control of the Navidad project to Aquiline that would normally have been included in mineral properties and deferred costs.

In 2006 the Company recorded interest income of \$373,009 compared to \$150,406 in 2005, primarily as a result of increase of funds on deposit. A loss of \$2,865 for foreign exchange was recorded in 2006 compared to gain of \$232,954 in 2005. The small foreign exchange adjustment in 2006 is a result of the relatively flat exchange rate between the Canadian and US dollars during the year. In 2005, the large gain was a result of strengthening of the Canadian dollar compared to US dollar and due to the exchange movements between expenses being incurred in US\$ and amounts exchanged to settle such payables.

YEAR ENDED DECEMBER 31, 2005 COMPARED TO YEAR ENDED DECEMBER 31, 2004

For the year ended December 31, 2005, the Company reported a consolidated loss of \$5,764,874 (\$0.12 per share), an increase of \$1,109,811 from the loss of \$4,655,063 (\$0.11 per share) for the year ended December 31, 2004. The increase in the loss in 2005, compared to 2004 amount, was due to a number of factors of which \$1,835,618 can be attributed to increases in operating expenses and \$725,807 decrease in other items.

The Company's prior period financial statements have been reclassified in accordance with Canadian GAAP. The net assets transferred to Golden Arrow were described as "Spin-Off Assets Transferred" and the allocated expenses are described as "Loss Allocated to Spin-Off Assets" in the consolidated financial statements. This reclassification did not change previously reported total losses. The allocation of expenses was calculated on the basis of the ratio of the specific assets transferred to assets retained. A loss of \$131,231 was allocated to spin-off assets in the 2004 period.

The Company's operating expenses for the year ended December 31, 2005 were \$6,148,234 an increase of \$1,835,618 from \$4,312,616 in 2004. \$339,516 of the 2004 operating expenses had been reclassified as "Loss Allocated to Spin-Off Assets" which relate to the assets transferred to Golden Arrow. The allocation was calculated on the basis of the ratio of the specific assets transferred to assets retained. Certain "Other Income and Expense" items have been allocated to spin-off assets on a cost specific basis.

Professional fees increased \$1,432,498 to \$2,327,278 in 2005, primarily due to legal costs incurred in connection with the Aquiline legal action as well as increased costs of compliance. In 2005 the Company recorded non-cash stock based compensation of \$2,380,000 compared to \$1,972,860 in 2004, for stock options granted to its employees, consultants and directors, of which \$1,800,000 is included in expenses in 2005 compared to \$1,972,860 in 2004 and \$580,000 in 2005 compared to \$Nil in 2004 is included in capitalized mineral property expenditures. Other notable changes in the operating expenses are: (i) Salaries increased \$272,151 due to staff increases (salaries in 2005 are a portion of the monthly fee charged for services by the Grosso Group while in 2004 the Company

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directly employed its staff); (ii) Administrative and management services decreased by \$89,744 due to some of the services provided by consultants in 2004 were provided by employees of the Grosso Group during 2005 and are included in salaries (iii) there are no cost recoveries (for shared administrative costs and rent) from Amera or Golden Arrow in 2005; (iv) Corporate development and investor relations increased \$207,951, as the Company has made its shareholders and others more aware of its Navidad project and its potential, (v) Office and Sundry

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increased \$40,337 mainly due to the increase in insurance premiums and an increase in activity, (vi) Transfer agent and regulatory fees increased \$141,972 mainly due to the costs of the Company's listing on the American Stock Exchange, (vii) General exploration decreased by \$173,047 as the Company's focus is on Navidad property for which costs are included in capitalized mineral property expenditures, (viii) Travel increased \$52,444 due to travel related to conferences and investor presentations as well as to South America.

In 2005 the Company recorded interest income of \$150,406 compared to \$101,589 in 2004, primarily as a result of increase of funds on deposit. In 2005 there were no reorganization costs recorded by the Company, in 2004 reorganization costs of \$346,103 were recorded. There was no gain on the optioning of properties to other mining exploration companies, in 2004 a gain of \$328,346 was recognized. No write down for the carrying value of marketable securities in 2005 was recognized while a \$99,762 write down for the carrying value of marketable securities was recorded in 2004. A gain of \$232,954 for foreign exchange was recorded in 2005 compared to loss of \$195,285 in 2004. The foreign exchange adjustment in 2005 is a result of a continued strengthening of the Canadian dollar compared to US dollar and due to the exchange movements between expenses being incurred in US\$ and amounts exchanged to settle such payables. No gain or loss was allocated to spin-off assets in 2005, in 2004 a loss of \$131,232 was recorded.

YEAR ENDED DECEMBER 31, 2004 COMPARED TO YEAR ENDED DECEMBER 31, 2003

The Company reported a consolidated loss of \$4,655,063 (\$0.11 per share) in 2004, an increase of \$1,236,645 from the loss of \$3,418,418 (\$0.11 per share) in 2003. The increase in the loss in 2004, compared to 2003, was due to a number of factors of which \$1,148,400 can be attributed to operating expenses and \$88,245 to other expense items.

The Company's prior period financial statements have been reclassified to reflect the reorganization in accordance with Canadian GAAP. The net assets transferred to Golden Arrow are described as "Spin-Off Assets Transferred" and the allocated expenses are described as "Loss Allocated to Spin-Off Assets" in the consolidated financial statements. This reclassification did not change previously reported total losses. The allocation of certain expenses was calculated on the basis of the ratio of the specific assets transferred to assets retained. The following discussion of the 2004 expenses compared to the 2003 expenses is based on expenses as originally reported.

The Company's 2004 operating expenses were \$4,312,616 an increase of \$1,148,400 from the \$3,164,216 originally reported for 2003. \$661,175 of the 2003 operating expense has been reclassified as "Loss Allocated to Spin-Off Assets" which relate to the assets transferred to Golden Arrow. In 2004, \$131,232 was allocated to the Loss from Spin-Off Assets compared to \$969,175 in 2003. The allocation was calculated on the basis of the ratio of the specific assets

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transferred to assets retained. Certain "Other Income and Expense" items have been allocated to spin-off assets on the basis of the nature of the income or expense. In 2004 expenses increased as a result of increased activity at the Navidad project and the support required at the corporate office.

Professional fees increased \$597,017 to \$894,780 in 2004, primarily due to legal costs incurred in connection with the Aquiline legal action as well as increased costs of compliance. During 2004 the Company recorded a non-cash expense of \$1,972,860 for stock based compensation for stock options granted to its employees and directors, an increase of \$485,625 from 2003. Other notable changes in the operating expenses are: (i) Salaries increased \$113,998 due to staff increases (in 2004 the Company had an average of seven people on its payroll compared to three in 2003); (ii) Travel increased \$97,641 due to travel to conferences as well as to South America; (iii) Cost recoveries (for shared administrative costs and rent) from Amera and Golden Arrow increased by \$114,161; (iv) Corporate development and investor relations decreased \$62,026, as 2003 was a more active year in which the Company developed investor awareness.

In 2004 the Company recorded a gain of \$328,346 on the optioning of certain properties to other mining exploration companies (plus \$433,960 of gains relating to the Spin-Off Assets) compared to \$481,779 in total in 2003. In 2004 a write-down of \$99,762 (2003 - \$nil) for the carrying value of marketable securities was recognized. Reorganization costs of \$346,103 were recorded in 2004. An expense of \$195,285 for foreign exchange was recorded in 2004 compared to \$25,916 in 2003. The foreign exchange adjustment is as a result of the continued strengthening of the Canadian dollar compared to the US dollar and due to the exchange movements between the date of recognition of expenses incurred in US\$ and the date of settlement. Interest and other income was \$101,589 in 2004, an increase of \$35,028 from 2003, primarily as a result of an increase of funds on deposit.

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On March 5, 2004 Minera Aquiline Argentina SA, a subsidiary of Aquiline Resources Inc. commenced an action against the Company seeking damages and a constructive trust over the Navidad Area Properties. See "Item 8. Financial Information - Legal Proceedings."

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at December 31, 2006 was \$391,420, an increase of \$240,025 from December 31, 2005. Short-term investments increased \$920,000 to \$8,500,000 at December 31, 2006 from \$7,580,000 at December 31, 2005. Total assets increased to \$27,246,146 at December 31, 2006 from \$23,497,994 at December 31, 2005. This increase is mainly due to the increase in Navidad carrying value and in cash balance.

During fiscal 2006, Company completed a syndicated brokered private placement financing of 2,865,000 special warrants at \$3.50 per warrant for gross proceeds of \$10,027,500. Each special warrant entitled the holder to acquire one unit consisting of one common share and one half common share purchase warrant. All special warrants were converted into common shares on May 25, 2006. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$3.80 per share until March 21, 2010. In addition to a cash commission of 6% the underwriters were granted 171,900 agents' warrants, representing 6% of the number of special warrants issued. Each agent's warrant is exercisable for one share at a price of \$3.80, for a period of twenty four months, expiring on March 21, 2008. At December 31, 2006, no

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common share purchase warrants or agent's warrants had been exercised.

Stock options were exercised which resulted in cash proceeds of \$280,950 during 2006. No warrants were exercised in 2006.

The Company has received \$Nil from the exercise of options and warrants from January 1 to February 28, 2007. As at February 28, 2007, the Company had working capital of approximately \$8,500,000.

The Company considers that it has adequate resources to maintain its core operations for the next fiscal year. The Company will continue to rely on successfully completing additional equity financing to further exploration and development of mineral exploration projects. There can be no assurance that the Company will be successful in obtaining the required financing.

Except as disclosed the Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the exploration programs and by the final outcome of the Company's appeal of the judgment of the Aquiline litigation.

The Company does not now and does not expect to engage in currency hedging to offset any risk of currency fluctuations.

The Company's management may elect to acquire new projects, at which time additional equity financing may be required to fund overhead and maintain its interests in current projects, or may decide to relinquish certain of its properties. These decisions will be based on the results of ongoing exploration programs and the response of equity markets to the projects and business plan.

Except as otherwise disclosed, the Company knows of no other contractual obligations during the period from January 1, 2007 through December 31, 2007.

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OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any material off balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

| | Payments Due by Period | | | |
|-------------------------|------------------------|-----------|---------|----|
| Total | Less than 1 Year | 1-3 Years | 3-5 Yea | \$ |
| Contractual Obligations | \$Nil | \$Nil | \$Nil | \$ |

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| | | | | |
|---|-------|-------|-------|----|
| Long-term Debt Obligations | \$Nil | \$Nil | \$Nil | \$ |
| Capital (Finance) Lease Obligations | \$Nil | \$Nil | \$Nil | \$ |
| Operating Lease Obligations | \$Nil | \$Nil | \$Nil | \$ |
| Purchase Obligations | \$Nil | \$Nil | \$Nil | \$ |
| Other Long-Term Liabilities Reflected in the Company's Balance Sheet under the GAAP of the Primary Financial Statements | \$Nil | \$Nil | \$Nil | \$ |
| Total | \$Nil | \$Nil | \$Nil | \$ |

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.

DIRECTORS AND SENIOR MANAGEMENT

The name, positions held with the Company and principal occupation of each director, officer and executive officer of the Company within the five years preceding the date of this annual report are as follows:

| NAME, AGE AND POSITION(1) | PRINCIPAL OCCUPATION DURING PAST FIVE YEARS | PERIOD OF DIRECT |
|--|---|--|
| GERALD G. CARLSON Chairman and Director Age 61 | President and Director of Copper Ridge Exploration Inc., a public British Columbia mineral exploration company from March 1999 to present. President of Nevada Star Resources Corp, from March 2002 to September 2004. President of Golden Aria Corp. from March 2005 to present. | Chairman a 1999 to pr |
| JOSEPH GROSSO President, Chief Executive Officer and Director Age 69 | Director, President and CEO of the Company since February 1990. | Director, February 1 |
| ARTHUR LANG Chief Financial Officer, Corporate Secretary and Director Age 63 | CFO of the Company since April 2, 2004. Consultant providing financial management services to various clients from 1999 to April 2004 through ArthurG Lang Inc., a private BC company. | Director, since Apri Corporate 2005 to pr |

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| NAME, AGE AND POSITION(1) | PRINCIPAL OCCUPATION DURING PAST FIVE YEARS | PERIOD OF DIRECT |
|---|---|---|
| NIKOLAOS CACOS Vice President Age 40 | President, CEO and director of Amera Resources Corporation, a public British Columbia company, since April 2000. | Vice President present. Corporate January 20 |
| SEAN HURD Vice President, Corporate Communications Age 40 | Corporate Communications Manager for the Grosso Group since 2005 and for the Company from February 1999 to present. | Vice President Communications present. Director S 2004. |
| ROBERT STUART (TOOKIE) ANGUS Director Age 58 | Independent Business Adviser to the mining industry since January 2006. Managing Director, Mergers and Acquisitions, Endeavour Financial Ltd., November 2003 to December 2005. Partner in law firm, Fasken Martineau DuMoulin LLP from February 2001 to October 2003. | Director s |
| CHET IDZISZEK Director Age 59 | President, CEO and director of Madison Minerals Inc. from 1993 to present. Director of Lund Gold Ltd. from May 1997 to present, President and CEO since December 1998 to present. President and CEO of Oromin Explorations Ltd. from June 1999 to present. | Director |
| DAVID TERRY Director, Vice President, Exploration Age 41 | Vice President for the Company since June 2004 to present. Vice President, Exploration for the Grosso Group from January 2005 to present. Regional geologist with the British Columbia Ministry of Energy and Mines in Cranbrook, British Columbia from May | Director s Vice President June 2004 |

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2001 to March 2004.

DAVID HORTON
Director
Age 70

Senior Vice-President and Director of
Canaccord Capital Corporation from
1996 to present.

Director s

LEONARD HARRIS
Director
Age 79

Retired Mining Consultant since 1995.

Director s
present.

CARLOS D'AMICO
President (of subsidiary)
Age 49

President of Punto Dorado S.A. since
November 2006 to present. President
since February 2005 and General
Manager since 2003 to November
2006 of Inversiones Mineras
Argentinas S.A., a former subsidiary
of the Company, 2000-2003 President
of Independent Construction Company.

President
present.
2005 to No
subsidiary

-
- (1) Officers and Directors of the Company may also serve as directors of other companies. See "Conflicts of Interest" below.

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There are no family relationships between any directors or executive officers of the Company. There are no known arrangements or understandings with any major shareholders, customers, suppliers or others, pursuant to which any of the Company's officers or directors was selected as an officer or director of the Company. See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

CONFLICTS OF INTEREST

There are no existing or potential conflicts of interest among the Company, its directors, officers or promoters as a result of their outside business interests with the exception that certain of the Company's directors, officers and promoters serve as directors, officers and promoters of other companies, and, therefore, it is possible that a conflict may arise between their duties as a director, officer or promoter of the Company and their duties as a director or officer of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBCA, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them

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by law.

All of the Company's directors are also directors, officers or shareholders of other companies that are engaged in the business of acquiring, developing and exploiting natural resource properties including properties in countries where the Company is conducting its operations. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk that the Company may enter into a transaction on terms which place the Company in a worse position than if no conflict existed. The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interest which they may have in any project or opportunity of the Company. However, each director has a similar obligation to other companies for which such director serves as an officer or director. The Company has no specific internal policy governing conflicts of interest.

The following table identifies the name of each director of the Company and any company, which is a reporting issuer in Canada or the United States, and for which such director currently serves as an officer or director:

| NAME OF DIRECTOR | NAME OF COMPANY | POSITION | TER |
|-------------------|------------------------------------|-------------------------------------|-----|
| Gerald G. Carlson | Copper Ridge Explorations | President/Director | Mar |
| | Golden Aria Corp | President/Director | Mar |
| | Almaden Minerals Ltd. | Director | Jul |
| | Amera Resources Corporation | Director | Nov |
| Arthur Lang | Golden Arrow Resources Corporation | Director, CFO ,VP | Jul |
| | Amera Resources Corporation | CFO & Secretary | Mar |
| | Astral Mining Corporation | CFO | Feb |
| Joseph Grosso | Amera Resources Corporation | Chairman/Director | Feb |
| | Golden Arrow Resources Corporation | Chairman/President/ CEO/Director | Jul |
| | Gold Point Energy Corp. | Chairman/Director | Apr |

(Table continued on next page)

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| NAME OF DIRECTOR | NAME OF COMPANY | POSITION | TER |
|------------------------------|-------------------------------|----------|-----|
| Robert Stuart (Tookie) Angus | Wildcat Silver Corporation | Director | May |
| | Uranium North Resources Corp. | Director | May |

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| | | | |
|--------------------|------------------------------------|-----------------|----------|
| | United Bolero Development Corp | Director | Mar |
| | Crescent Gold Limited | Director | Nov |
| | Tsodilo Resources Limited | Director | Sep |
| | CMQ Resources Inc. | Director | Dec |
| | Nevsun Resources Ltd. | Director | Jan |
| | Plutonic Power Corporation | Director | Jun |
| | Blackstone Ventures Inc. | Director | Sep |
| | Dynasty Gold Corp. | Director | Jan |
| | | Chairman | Oct |
| | Polaris Minerals Corporation | Director | Sep |
| ----- | | | |
| Chet Idziszek | Madison Minerals Inc. | Director | Nov |
| | | President | Nov |
| | | CEO | to |
| | | Chairman | Apr |
| | | | Nov |
| | | Lund Gold Ltd. | Director |
| | | CEO & President | Dec |
| | Oromin Explorations Ltd. | Director | Feb |
| | | President | May |
| | | | Rea |
| | | | to |
| | Surge Global Energy Inc. | Director | Aug |
| | Yukon Gold Corporation, Inc. | Director | Nov |
| ----- | | | |
| David Terry | Amera Resources Corporation | VP Exploration | Mar |
| | Golden Arrow Resources Corporation | Director & | Jul |
| | | VP Exploration | |
| | Astral Mining Corporation | Director | Mar |
| ----- | | | |
| David Horton | Golden Arrow Resources Corporation | Director | Jul |
| ----- | | | |
| Leonard Harris | Solitario Resources Corp. | Director | Jun |
| | Cardero Resource Corp. | Director | Feb |
| | Canarc Resource Corp. | Director | Jun |
| | Sulliden Exploration Inc. | Director | Sep |
| | Endeavour Silver Corp. | Director | Jul |
| | Alamos Gold Inc. | Director | Nov |
| | Morgain Minerals Inc. | Director | Jun |
| | Indico Technologies Ltd. | Director | Apr |
| Aztec Metals Corp. | Director | Feb | |
| ----- | | | |

COMPENSATION

During the fiscal year ended December 31, 2006, the directors and officers of the Company, as a group, had received or charged the Company a total of \$533,917 (2005-\$241,088; 2004-\$476,226) for services rendered by the directors and officers or companies owned by the individuals.

The Company is required, under applicable securities legislation in Canada, to disclose to its shareholders details of compensation paid to its directors and

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officers. The following fairly reflects all material information regarding

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compensation paid by the Company to its directors and officers, which information has been disclosed to the Company's shareholders in accordance with applicable Canadian law.

EXECUTIVE COMPENSATION

"Named Executive Officers" means the Chief Executive Officer and Chief Financial Officer of the Company, regardless of the amount of compensation of that individual, and each of the Company's four most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, who were serving as executive officers at the end of the most recent fiscal year and whose total salary and bonus amounted to \$150,000 or more. In addition, disclosure is also required for any individual whose total salary and bonus during the most recent fiscal year was at least \$150,000, whether or not they were an executive officer at the end of the most recent fiscal year.

During the year ended December 31, 2006, the Company had two Named Executive Officers: Joseph Grosso, President and Chief Executive Officer and Arthur Lang, Chief Financial Officer (the "Named Executive Officers"). The following table sets forth all annual and long-term compensation awarded, paid to or earned by the Company's Named Executive Officers during the financial years ended December 31, 2004, 2005 and 2006.

SUMMARY COMPENSATION TABLE

| NAME AND PRINCIPAL POSITION | YEAR (1) | ANNUAL COMPENSATION | | | LONG TERM COMPENSATION | |
|--|----------|---------------------|---------------|--|---|---|
| | | SALARY (\$) | BONUS (\$) | OTHER ANNUAL COMPEN- SATION (\$) | SECURITIES UNDER OPTIONS/ SARS GRANTED (#) (2) | RESTRICTED SHARES OR RESTRICTED SHARE UNITS (#) |
| Joseph Grosso (3) President and Chief Executive Officer | 2006 | \$200,667 | \$150,000 | - | 48,000 | - |
| | 2005 | \$102,000 | - | - | 150,000 | - |
| | 2004 | \$102,000 | - | - | 150,000 | - |
| Arthur Lang, Chief Financial Officer | 2006 | \$59,400 (4) | \$50,000 (4) | - | 35,000 | - |
| | 2005 | \$68,927 (5) | - | - | 100,000 | - |
| | 2004 | \$58,671 | - | - | 50,000 | - |

(1) Fiscal years ended December 31, 2006, 2005 and 2004.

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- (2) See "Options and Stock Appreciation Rights".
- (3) See description of termination payment for Mr. Grosso in Item 6, agreement dated July 1, 1999 with Oxbow International Marketing Corp.
- (4) During the year ended December 31, 2006 Mr. Lang's total compensation from the Grosso Group was \$134,000, of which \$59,400 was allocated to the Company as part of the Grosso Group fees for the year. Additionally, during the year ended December 31, 2006 a bonus of \$50,000 was paid to Mr. Lang directly by the Company.
- (5) During the year ended December 31, 2005 Mr. Lang's total compensation from the Grosso Group was \$94,667, of which \$68,927 was allocated to the Company as part of the Grosso Group fees for the year.

LONG TERM INCENTIVE PLAN AWARDS

Long Term Incentive Plan Awards ("LTIP") means any plan providing compensation intended to serve as an incentive for performance to occur over a period longer than one fiscal year whether performance is measured by reference to financial performance of the Company or an affiliate of the Company, or the price of shares of the Company but does not include option or stock appreciation rights plans or plans for compensation through restricted shares or units. The Company has not granted any LTIP's to the Named Executive Officers during the most recently completed fiscal year.

OPTIONS AND STOCK APPRECIATION RIGHTS

Stock Appreciation Rights ("SAR's") means a right, granted by an issuer or any of its subsidiaries as compensation for services rendered or in connection with office or employment, to receive a payment of cash or an issue or

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transfer of securities based wholly or in part on changes in the trading price of the shares of the Company. No SAR's were granted to or exercised by the Named Executive Officers or directors during the most recently completed fiscal year.

OPTION GRANTS

The following table sets forth stock options granted by the Company during the financial year ended December 31, 2006 to the Named Executive Officers of the Company:

| Name | Securities Under Options Granted (#) | % of Total Options Granted in Financial Year(1) | Exercise or Base Price(2) (\$/Security) | Market Value of Securities Underlying Options on Date of Grant (\$/Security) |
|---------------|--|---|---|--|
| Joseph Grosso | 48,000 | 17.6% | \$3.21 | \$3.21 |
| Arthur Lang | 35,000 | 12.8% | \$3.21 | \$3.21 |

(1) Percentage of all options granted during the financial year.

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(2) The exercise price of stock options was set according to the rules of the TSX-V. The exercise price of stock options may only be adjusted in the event that specified events cause dilution of the Company's share capital.

AGGREGATED OPTION EXERCISES AND OPTION VALUES

The following table sets forth details of all exercises of stock options by the Named Executive Officers during the most recently completed fiscal year and the fiscal year-end value of unexercised options on an aggregated basis:

| Name | Securities Acquired on Exercise(1) (#) | Aggregate Value Realized(2) (\$) | Unexercised Options at Fiscal Year-End Exercisable/Unexercisable (#) | Va In- F Exer |
|---------------|---|--|---|------------------------|
| Joseph Grosso | Nil | Nil | 592,500 / Nil | |
| Arthur Lang | Nil | Nil | 150,000 / Nil | |

- (1) All options are exercisable to acquire the Company's Common Shares.
 (2) Value of unexercised in-the-money options calculated using the closing price of the Company's Common Shares on the TSX-V on December 31, 2006, \$0.60 less the exercise price per share of in-the-money stock options.

PENSION PLAN

The Company does not provide retirement benefits for directors or executive officers.

TERMINATION OF EMPLOYMENT, CHANGES IN RESPONSIBILITY AND EMPLOYMENT CONTRACTS

The Company has no plans or arrangements in respect of remuneration received or that may be received by the Named Executive Officers in the Company's most recently completed fiscal year or current fiscal year in respect of compensating such officers in the event of termination of employment (as a result of resignation, retirement, change of control, etc.) or a change in responsibilities following a change of control, where the value of such compensation exceeds \$100,000, except as disclosed in "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

COMPENSATION OF DIRECTORS

There are no arrangements under which directors were compensated by the Company during the most recently completed financial year ended December 31, 2006 for their services in their capacity as directors.

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During the last completed financial year ending December 31, 2006, the Company paid directly \$133,250 and indirectly \$57,400 (as part of the allocated Grosso Group monthly fees) to its directors who are not Named Executive Officers, as a group, for salaries and professional services rendered. See also "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

OPTION GRANTS

The following table sets forth information concerning stock options granted to directors, as a group, who are not Named Executive Officers during the most recently completed fiscal year:

| Name | Securities Under Options Granted(1) (#) | % of Total Options Granted in Financial Year(2) | Exercise or Base Price(3) (\$/Security) | Market Value of Securities Underlying Options on Date of Grant (\$/Security) |
|---|--|--|---|--|
| Directors as a group who are not Named Executive Officers | 120,000 | 44% | \$3.21 | \$3.21 |

(1) All options are for the Company's Common Shares.

(2) Percentage of all options granted in the year.

(3) The exercise price of the option is set at not less than the market value of the Company's Common Shares on the date of grant, less a discount allowed by the TSX-V. The exercise price may be adjusted under certain circumstances, subject to regulatory acceptance.

AGGREGATED OPTION EXERCISES AND OPTION VALUES

The following table sets forth details of all securities acquired, the aggregate value realized and the fiscal year end number and value of unexercised options/SARs held by directors, as a group, who are not Named Executive Officers:

| Name | Securities Acquired on Exercise(1) (#) | Aggregate Value Realized (\$) | Unexercised Options at Fiscal Year-End Exercisable/Unexercisable (#) | Va In-t F Exer |
|--|---|-------------------------------------|---|-------------------------|
| Directors, as a group, who are not Named Executive Officers | Nil | Nil | 1,260,000 / N/A | |

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- (1) All options are exercisable to acquire the Company Common Shares.
- (2) Value of unexercised in-the-money options calculated using the closing price of the Company's Common Shares on the TSX-V on December 31, 2006 \$0.60, less the exercise price per share of in-the-money stock options.

PROPOSED COMPENSATION

The Company has no bonus, profit sharing or similar plans in place pursuant to which cash or non-cash compensation is proposed to be paid or distributed to the Named Executive Officers in the current or subsequent fiscal years other than as disclosed herein.

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MANAGEMENT CONTRACTS

GROSSO GROUP MANAGEMENT LTD.

Effective January 1, 2005, the Company engaged Grosso Group to provide services and facilities to the Company. On May 6, 2005, an Administration Services Agreement was finalized and executed by the Company and the Grosso Group. The Grosso Group is a private company which is owned by the Company, Golden Arrow, Amera, Astral Mining Corporation ("Astral"), Gold Point Energy Corp. ("Gold Point"), and Blue Sky Uranium Corp. ("Blue Sky") each of which own one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The Grosso Group staff is available to the shareholder companies on a cost recovery basis without the expense of full time personnel. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a reasonable pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During fiscal 2006, the Company incurred fees of \$724,902 (2005 - \$730,802) to the Grosso Group. In addition, included in the accounts receivable, prepaids and deposits is a \$205,000 (2005 - \$205,000) deposit to the Grosso Group. The deposits from the member companies were used for the purchase of equipment and leasehold improvements and for operating working capital.

The Administration Services Agreement may be terminated by a shareholder company after January 1, 2007, upon 30 days written notice to the Grosso Group.

It is anticipated that upon termination of the Administration Services Agreement, each of the shareholder companies will agree to resell its common share back to the Grosso Group for \$1.00 and the shareholder companies will not be able to sell, transfer or otherwise dispose of or encumber such share during the term of the Administration Services Agreement.

The Grosso Group's areas of experience encompass financing, marketing, property acquisition, community relations, socioeconomic issues, regulatory compliance, government relations, property exploration and investor relations. Additionally the Grosso Group has a number of other support staff at its corporate office and arrangements with contract providers of accounting and administrative services at the country operations' offices in Argentina and Peru.

The members of the board of directors of the Grosso Group are appointed by the shareholder companies, with each shareholder company appointing one of its

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directors to serve as a director of the Grosso Group. As of February 28, 2007, the directors of the Grosso Group are Nikolaos Cacos, Joseph Grosso, Arthur Lang, Manfred Kurschner, Nick DeMare and Sean Hurd. Messrs. Lang and Grosso are officers and directors of the Company. Mr. Lang is an officer and director of Golden Arrow and an officer of Amera and Astral. Mr. Grosso is an officer and director of Golden Arrow and of Amera and director of Gold Point. Mr. Cacos is an officer of IMA, a director and officer of Golden Arrow and Amera and a director of Blue Sky. Mr. Kurschner is an officer and director of Astral and a director of Golden Arrow and Mr. DeMare is an officer and director of Gold Point and Blue Sky. Mr. DeMare indirectly owns 100% of Chase Management Ltd., a company which provides consulting services to the Company and other Grosso Group shareholder companies. Mr. Hurd is an officer of IMA and President and Director of Blue Sky.

Each of the public company shareholders of the Grosso Group will have its own separate board of directors (whose members may include persons employed by the Grosso Group); however, some directors will serve on multiple boards and on the board of directors of companies which are not shareholders of the Grosso Group.

In connection with the formation and establishment of the Grosso Group, Mr. Nick DeMare was issued the initial share of the Grosso Group and acted as the President, Secretary and sole director of the Grosso Group. Effective February 6, 2004, Mr. DeMare transferred the sole outstanding share of the Grosso Group to Joseph Grosso, the Chairman and a director and principal shareholder of the Company. Mr. DeMare also resigned as a director and the President and Secretary of the Grosso Group effective February 6, 2004 and Mr. Grosso was appointed as a director and the President and Secretary of the Grosso Group. Mr. Grosso returned the sole outstanding share of the Grosso Group to the Grosso Group for cancellation and one share was issued to the Company.

The Board of Directors of the Company approved the Administration Services Agreement.

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JOSEPH GROSSO

By agreement, made effective as of July 1, 1999, Oxbow International Marketing Corp., a private company owned by Joseph Grosso, was paid a consulting fee of \$8,500 per month for making available the services of Joseph Grosso as President and Chief Executive Officer of the Company. During the fiscal year ended December 31, 2006 Oxbow was paid \$350,667 (2005 - \$102,000). On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase the monthly consulting fee effective May 1, 2006 to \$20,833 (\$250,000 per annum) and to pay a bonus of \$150,000.

Pursuant to the terms of the agreement, in the event the agreement is terminated by the Company as a result of Mr. Grosso's death or permanent disability while providing services to the Company, or by Mr. Grosso as a result of a material breach or default by the Company, Oxbow is entitled to a bonus payment in the amount of \$461,500.

In the event the agreement is terminated by the Company without cause or as a result of a change of control, Oxbow is entitled to (i) any monthly compensation due to the date of termination, (ii) options as determined by the board of directors, (iii) three years of Mr. Grosso's monthly compensation (which may be adjusted annually), and (iv) a bonus payment of \$461,500.

NIKOLAOS CACOS

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By agreement dated January 1, 1996, as amended January 5, 2004, Mr. Cacos was paid a fee paid of \$1,375 per month. Mr. Cacos resigned as a director of the Company in October 2004. During fiscal 2006, Mr. Cacos was paid directly by the Company \$Nil (2005 - nil, 2004 - \$17,600). On January 1, 2005 Mr. Cacos's contract with the Company was cancelled and replaced with a contract with the Grosso Group. During the year ended December 31, 2006, Mr. Cacos's total compensation from the Grosso Group was \$22,500, of which \$9,225 was allocated to the Company as part of the Grosso Group fees for the year.

SEAN HURD

By agreement dated June 11, 2001, as extended, Mr. Hurd, a former director of the Company, was paid \$4,000 per month for professional services rendered. During the fiscal year ended December 31, 2006, Mr. Hurd was paid directly by the Company \$Nil (2005 - nil, 2004 - \$73,800). Mr. Hurd resigned as a director in October 2004. In January 2005, Mr. Hurd became an employee of the Grosso Group. During the year ended December 31, 2006, Mr. Hurd's total compensation from the Grosso Group was \$112,000, of which \$45,920 was allocated to the Company as part of the Grosso Group fees for the year. the year.

ARTHUR LANG

By agreement dated April 23, 2004, Arthur Lang, the Chief Financial Officer and a director of the Company, was paid a salary of \$80,000 per year for professional services rendered. Mr. Lang is also reimbursed for certain monthly club dues. During the fiscal year ended December 31, 2004, Mr. Lang was paid \$58,671. Mr. Lang became an employee of the Grosso Group in January 2005. Effective May 1, 2005 Mr. Lang's annual salary was increased to \$102,000. During the year ended December 31, 2005, Mr. Lang's total compensation from the Grosso Group was \$94,667, of which \$68,927 was allocated to the Company as part of the Grosso Group fees for the year. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase Mr. Lang's annual salary to \$150,000 effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006, Mr. Lang's total compensation from the Company was \$109,400 of which \$59,400 was allocated to the Company as part of the Grosso Group fees and \$50,000 was paid directly as a bonus. Mr. Lang's total compensation from the Grosso Group was \$134,000.

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DAVID TERRY

Mr. Terry, an officer and a director of the Company, had a consulting agreement with Amera dated February 16, 2004, amended June 1, 2004, which called for monthly payments of \$10,000. The Company had agreed to reimburse Amera for 50% of these fees. In the fiscal year ended December 31, 2004 the Company paid \$43,000 as a result of this arrangement. On January 1, 2005 Mr. Terry's agreement with Amera was replaced by a similar agreement with the Grosso Group. During the year ended December 31, 2005, Mr. Terry's total compensation from the Grosso Group was \$120,000, of which \$63,600 was allocated to the Company as part of the Grosso Group fees during the year. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to \$12,500 (\$150,000 annually) effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006, Mr. Terry's total compensation from the Company was \$107,400 of which \$57,400 was allocated to the Company as part of the Grosso Group fees and \$50,000 was paid directly as a

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bonus. Mr. Terry's total compensation from the Grosso Group was \$140,000.

CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

Other than as disclosed herein, no director or officer of the Company is or has been, within the preceding 10 years, a director or officer of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade order or similar order or an order that denied the other issuer access to any exemptions for a period of more than 30 consecutive days, or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

PENALTIES OR SANCTIONS

No director or officer of the Company is or has, within the past 10 years:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority, or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

INDIVIDUAL BANKRUPTCIES

No director or officer of the Company is or has, within the preceding 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

BOARD PRACTICES

COMPENSATION COMMITTEE

The board of directors of the Company has adopted procedures to ensure that all employment, consulting or other compensation agreements between the Company and any director or senior officer of the Company or between any associate or affiliate of the Company and any director or senior officer are considered and approved by the disinterested members of the board of directors or a committee of independent directors.

The Company's Compensation Committee must be comprised of at least two independent directors, who are not employees, control persons or members of the management of the Company or any of its associates or affiliates. As of the date of this report, Messrs. Horton and Angus are members of the Compensation Committee. The board of directors

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of the Company, after each annual shareholder's meeting must appoint or re-appoint a compensation committee.

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TERMS OF REFERENCE FOR THE COMPENSATION COMMITTEE

GENERAL

The Compensation Committee is a committee of the Board to which the Board has delegated its responsibility for oversight of the Corporation's overall human resources policies and procedures. This includes reviewing the adequacy and form of the compensation paid to the Corporation's executives and key employees to ensure that such compensation realistically reflects the responsibilities and risks of such positions.

The Compensation Committee's objectives are to assist the Board in meeting its responsibilities in respect of overall human resources policies and procedures including recruitment, performance management, compensation, benefit programs, resignation/terminations, training and development, succession planning and organizational planning and design, to ensure a broad plan of executive compensation is established that is competitive and motivating in order to attract, retain and inspire executive management and other key employees and to review all compensation and benefit proposals for the Corporation's executives and make recommendations to the Board.

COMPOSITION AND PROCESS

1. The Compensation Committee will be comprised of a minimum of two directors, all of whom will be independent.
2. Compensation Committee members will be appointed by the Board on an annual basis for a one-year term and may serve any number of consecutive terms, which are encouraged to ensure continuity of experience.
3. The Chair of the Compensation Committee will be appointed by its members on an annual basis for a one-year term and may serve any number of consecutive terms. The Compensation Committee Chair will arrange for an alternate chair for a specific meeting if he or she is planning to be absent.
4. The Compensation Committee Chair will establish the agenda for Compensation Committee meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for review prior to the meeting.
5. The Compensation Committee will meet at least twice per year and may call special meetings as required. A quorum at meetings of the Compensation Committee will be one of its members. The Compensation Committee may hold its meetings, and members of the Compensation Committee may attend meetings, by telephone conference call.
6. At all meetings of the Compensation Committee every question will be decided by a majority of the votes cast. In case of an equality of votes, the Compensation Committee Chair will forward the matter to the Board of Directors for resolution.
7. The minutes of Compensation Committee meetings will document the date and time of the meetings.
8. The Compensation Committee will have the authority to retain (or terminate) any outside counsel, advisors or consultants it determines necessary to assist it in discharging its functions, independently of the Board, Chair or CEO. The Compensation Committee will be provided with the necessary funding to compensate any counsel, advisors or consultants it retains.
9. The CEO may attend and participate in meetings of the Compensation

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Committee, except when his compensation is the subject matter.

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RESPONSIBILITIES

1. The Compensation Committee will review management prepared policies and make recommendations to the Board regarding the following matters:
2. Compensation, philosophy, policies and guidelines for senior officers, as well as supervisory and management personnel of the Corporation and any subsidiary companies.
3. Corporate benefits for senior management (i.e. car insurance, life insurance, retirement plan, expense accounts, etc.).
4. Incentive plans, along with global payment information as it applies to senior management bonus and discretionary bonus plans.
5. Review and approval of Corporate goals and objectives relevant to CEO and other senior management compensation.
6. Evaluation of the performance of the CEO and other senior management in light of corporate goals and objectives and making recommendations with respect to compensation levels based on such evaluations.
7. Policies regarding the Corporation's Incentive Stock Option Plan and the granting of stock options to Directors, management and employees of the Corporation.
8. Policies regarding the development and implementation of incentive compensation plans and equity based compensation plans.
9. Compensation levels for directors and committee members, including the compensation of the Chair and the Chair of any Board committees, to ensure compensation realistically reflects the responsibilities and risk involved in being an effective director. Compensation should be commensurate with the time spent by directors in meeting their obligations and should be transparent and easy for shareholders to understand.
10. Succession plan for the CEO and other executives and key employees of the Corporation, in conjunction with the CEO.
11. Any material changes in human resources policy, procedure, remuneration and benefits.
12. Review of executive compensation disclosure in all public disclosure documents.
13. The Compensation Committee will review and assess its effectiveness, contribution and these Terms of Reference annually and recommend any proposed changes thereto to the Board.
14. Perform any other activities consistent with these Terms of Reference, as the Compensation Committee or the Board deems necessary or appropriate.
15. The Compensation Committee will have the authority to delegate any specific tasks to individual Compensation Committee members.

AUDIT COMMITTEE

The Company's Audit Committee must be comprised of at least three directors, who are not employees, control persons or members of the management of the Company or any of its associates or affiliates. As of the date of this report, Messrs. Horton, Angus, Idziszek are members of the Audit Committee. The board of directors of the Company, after each annual shareholder's meeting must appoint or re-appoint an audit committee.

The Audit Committee must review the annual financial statements of the Company before they are approved by the board of directors of the Company. The board of directors of the Company must review, and if considered appropriate, approve the annual financial statements of the Company before presentation to the shareholders of the Company. In addition, the Audit Committee is responsible

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for:

- retaining the external auditors and communicating to them that they are ultimately accountable to the Committee and the Board as the representatives of the shareholders;
- reviewing the external audit plan and the results of the audit, approves all audit engagement fees and terms and pre-approves all non-audit services to be performed by the external auditor;
- reviewing the Company's financial statements and related management's discussion and analysis of financial and operating results; and
- having direct communication channels with the Company's auditors.

The Audit Committee's mandate requires that all of the members be financially literate and at least one member have accounting or related financial management expertise. The mandate of the Committee empowers it to retain legal, accounting and other advisors.

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The Audit Committee's Charter is attached as an Exhibit.

EMPLOYEES

As of December 31, 2006, the Company uses the services of the Grosso Group, which had twenty-four full-time employees in the area of management and administration compared with twenty full-time employees that the Company employed directly in the areas of management and administration at December 31, 2005 compared to nine full-time employees and three part-time employees in the area of management and administration at December 31, 2004. Exploration activities are conducted by consultants, laborers and technicians hired for the duration of the exploration program.

SHARE OWNERSHIP

As of February 28, 2007, the Company had 52,013,065 shares outstanding. The following table sets forth details of all employee share ownership and includes information regarding the date of expiration or any options or warrants held by each employee; the exercise price of the particular option or warrant held; the total number of options and warrants held by each employee; the total number of shares held by each employee; and each employee's percentage of ownership:

The following table sets forth certain information regarding ownership of the Company's shares by the Company's officers and directors as of February 28, 2007.

| TITLE OF CLASS | NAME | SHARES AND RIGHTS | |
|----------------|----------------|--------------------------------------|-----------------------------|
| | | BENEFICIALLY OWNED OR CONTROLLED (1) | PERCENTAGE OF OWNERSHIP (2) |
| Common Stock | Joseph Grosso | 1,641,167 | (2) |
| Common Stock | Nikolaos Cacos | 188,151 | (3) |
| Common Stock | Sean Hurd | 310,000 | (4) |

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| | | |
|--------------|---|----------------|
| Common Stock | Gerald Carlson | 291,000 (5) |
| Common Stock | David Terry | 202,000 (6) |
| Common Stock | Chet Idziszek | 245,000 (7) |
| Common Stock | Robert Stuart (Tookie) Angus | 260,000 (8) |
| Common Stock | Arthur Lang | 185,000 (9) |
| Common Stock | David Horton | 160,000 (10) |
| Common Stock | Leonard Harris | 105,000 (11) |
| | | |
| Common Stock | Officers and Directors (as a group, 10 persons) | 3,587,318 (12) |
| | | |

- (1) Where persons listed on this table have the right to obtain additional shares of common stock through the exercise of outstanding options, these additional shares are deemed to be outstanding for the purpose of computing the percentage of common stock owned by such persons, but are not deemed to be outstanding for the purpose of computing the percentage owned by any other person. Based on 52,013,065 shares of common stock outstanding as of February 28, 2007.
- (2) Includes the following shares, options and warrants held by Mr. Grosso, Evelyn Grosso (Mr. Grosso's wife) and Mr. Grosso's private companies:
 - (a) 585,543 shares held by Mr. Grosso;
 - (b) 7,500 shares held by Beauregard (50%);
 - (c) 27,564 shares held by Mr. Grosso's wife (50%);
 - (d) 348,448 shares held by Oxbow (50%);
 - (e) 9,612 shares held by Threadco (50%);
 - (f) 592,500 Options held by Mr. Grosso to acquire 592,500 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."; and
 - (g) 70,000 shares held in Mr. Grosso's RRSP account.
- (3) Includes 13,151 shares held by Mr. Cacos and 175,000 options held by Mr. Cacos to acquire an additional 175,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (4) Includes 310,000 options held by Mr. Hurd to acquire an additional 310,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (5) Includes 88,500 shares held by Mr. Carlson and 47,500 shares held by KGE Management Ltd., a private company owned by Mr. Carlson and options held by Mr. Carlson to acquire an additional 155,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."

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- (6) Includes 2,000 shares held by Mr. Terry and options held by Mr. Terry to acquire an additional 200,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (7) Mr. Idziszek holds 245,000 options to acquire 245,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (8) 260,000 options held by Mr. Angus to acquire 260,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (9) Includes 10,000 shares and 185,000 options held by Mr. Lang to acquire 185,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (10) Includes options held by Mr. Horton to acquire 160,000 shares. See "Item 6.

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Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."

- (11) Includes 5,000 shares and options held by Mr. Harris to acquire 100,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (12) Includes the shares, options, and warrants set forth in footnotes 2 through 11 above. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."

OPTIONS, WARRANTS AND OTHER RIGHTS TO ACQUIRE SECURITIES

As of February 28, 2007, the Company had granted a number of stock options, issued a number of warrants and entered into a number of agreements pursuant to which up to 8,123,404 common shares of the Company may be issued. The following is a brief summary of these stock options and warrants currently outstanding and agreements.

STOCK OPTIONS

The TSX-V requires all TSX-V listed companies to adopt stock options plans, and such plans must contain certain provisions. At the annual and extraordinary general meeting of shareholders of the Company held on June 26, 2003, the shareholders approved the Company's stock option plan (the "Stock Option Plan"). At the annual and extraordinary general meetings of shareholders of the Company held on June 24, 2004, June 23, 2005 and June 14, 2006 shareholders approved and ratified by ordinary resolution the 2003 Stock Option Plan to make a total of up to 10% of the issued and outstanding shares of IMA available for issuance. The purpose of the Stock Option Plan is to provide incentive to the Company's employees, officers, directors, and consultants responsible for the continued success of the Company. The following is a summary of the Stock Option Plan.

ADMINISTRATION OF THE STOCK OPTION PLAN

The Stock Option Plan provides that it will be administered by the Company's board of directors (the "Board"), or by the Compensation Committee (the "Committee") of the Company's Board consisting of not less than two of its members. The Stock Option Plan is currently administered by the Committee.

DESCRIPTION OF STOCK OPTION PLAN

The effective date (the "Effective Date") of the Stock Option Plan is June 2, 2003, the date the Board of Directors approved the Stock Option Plan, and it will terminate ten years from the Effective Date.

The Stock Option Plan provides that options may be granted to any employee, officer, director or consultant of the Company or a subsidiary of the Company.

The options issued pursuant to the Stock Option Plan will be exercisable at a price not less than the market value of the Company's common shares at the time the option is granted. "Market Value" means:

- (a) for each organized trading facility on which the common shares are listed, Market Value will be the closing trading price of the common shares on the day immediately preceding the grant date less any discounts permitted by the applicable regulatory authorities;
- (b) if the Company's common shares are listed on more than one organized trading facility, the Market Value shall be the Market Value as determined in accordance with subparagraph (a) above for the primary organized trading facility on which the common shares are listed, as determined by the Board (or a committee thereof), subject to any adjustments as may be required to secure all necessary regulatory approvals;

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- (c) if the Company's common shares are listed on one or more organized trading facilities but have not traded during the ten trading days immediately preceding the grant date, then the Market Value will be determined

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- by the Board (or a committee thereof), subject to any adjustments as may be required to secure all necessary regulatory approvals; and
- (d) if the Company's common shares are not listed for trading on a stock exchange or over the counter market, the value which is determined by the Board (or a committee thereof) to be the fair value of the Company's common shares, taking into consideration all factors that the Board (or a committee thereof) deems appropriate, including, without limitation, recent sale and offer prices of the Company shares in private transactions negotiated at arms' length.

Options under the Stock Option Plan will be granted for a term not to exceed 10 years from the date of their grant, provided that if the Company is then a "Tier 2" company listed on the TSX-V, the term of the option will be not more than five years.

Options under the Stock Option Plan will be subject to such vesting schedule as the Committee may determine. In the event that an option is to be terminated prior to expiry of its term due to certain corporate events, all options then outstanding shall become immediately exercisable for 10 days after notice thereof, notwithstanding the original vesting schedule.

Options will also be non-assignable and non-transferable, provided that they will be exercisable by an optionee's legal heirs, personal representatives or guardians for up to 12 months following the death or termination of an optionee due to disability, or up to 12 months following the death of an employee if the employee dies within 12 months of termination due to disability. All such options will continue to vest in accordance with their original vesting schedule.

The maximum number of common shares to be reserved for issuance under the Stock Option Plan, including options currently outstanding, will not exceed 10% of the number of common shares of the Company issued and outstanding on the applicable date of grant.

If a material alteration in the capital structure of the Company occurs as a result of a recapitalization, stock split, reverse stock split, stock dividend, or otherwise, the Committee shall make adjustments to the Stock Option Plan and to the options then outstanding under it as the Committee determines to be appropriate and equitable under the circumstances, unless the Committee determines that it is not practical or feasible to do so, in which event the options granted under the Stock Option Plan will terminate as set forth above.

The TSX-V requires all TSX-V listed companies who have adopted stock option plans which reserve a maximum of 10% of the number of common shares of the Company issued and outstanding on the applicable date of grant, to obtain shareholder approval to the Stock Option Plan on an annual basis.

As of February 28, 2007, the Company has issued 4,619,000 non-transferable incentive stock options to purchase common shares outstanding to the following persons:

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| OPTIONEE | NATURE OF OPTION(1) | NUMBER OF SHARES | EXERCISE PRICE | EXPIRATION DATE |
|-----------|---------------------|------------------|----------------|-----------------|
| N. Cacos | Officer | 110,000 | \$3.10 | Mar. 24/09 |
| | | 50,000 | \$4.16 | Mar. 16/10 |
| | | 15,000 | \$2.92 | Nov. 16/10 |
| J. Grosso | Director | 47,500 | \$0.50 | Sept. 23/07 |
| | | 200,000 | \$1.87 | Aug. 27/08 |
| | | 150,000 | \$3.10 | Mar. 24/09 |
| | | 150,000 | \$4.16 | Mar. 16/10 |
| | | 48,000 | \$3.21 | Jun. 22/11 |
| S. Hurd | Officer | 100,000 | \$1.87 | Aug. 27/08 |
| | | 130,000 | \$3.10 | Mar. 24/09 |
| | | 60,000 | \$4.16 | Mar. 16/10 |
| | | 20,000 | \$2.92 | Nov. 16/10 |

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| OPTIONEE | NATURE OF OPTION(1) | NUMBER OF SHARES | EXERCISE PRICE | EXPIRATION DATE |
|--------------|---------------------|------------------|----------------|-----------------|
| G. Carlson | Director | 50,000 | \$1.87 | Aug. 27/08 |
| | | 85,000 | \$3.10 | Mar. 24/09 |
| | | 20,000 | \$4.16 | Mar. 16/10 |
| N. DeMare | Consultant | 25,000 | \$0.84 | Mar. 07/08 |
| | | 50,000 | \$1.87 | Aug. 27/08 |
| | | 50,000 | \$3.10 | Mar. 24/09 |
| | | 30,000 | \$4.16 | Mar. 16/10 |
| E. Grosso(2) | Consultant | 67,500 | \$0.50 | Sept. 23/07 |
| | | 75,000 | \$3.10 | Mar. 24/09 |
| K. Patterson | Consultant | 25,000 | \$3.10 | Mar. 24/09 |
| | | 25,000 | \$2.92 | Nov. 16/10 |
| D. Terry | Director | 50,000 | \$3.10 | Mar. 24/09 |
| | | 80,000 | \$4.16 | Mar. 16/10 |
| | | 70,000 | \$2.92 | Nov. 16/10 |
| C. Idziszek | Director | 150,000 | \$0.90 | May 30/08 |

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| | | | | | |
|----------------|--|--|---------|--------|------------|
| | | | 75,000 | \$3.10 | Mar. 24/09 |
| | | | 20,000 | \$4.16 | Mar. 16/10 |
| J. C. Berretta | Consultant | | 25,000 | \$3.10 | Mar. 24/09 |
| | | | 75,000 | \$4.16 | Mar. 16/10 |
| W. Lee(3) | Consultant | | 75,000 | \$1.87 | Aug. 27/08 |
| | | | 30,000 | \$3.10 | Mar. 24/09 |
| R. Angus | Director | | 150,000 | \$0.90 | May 30/08 |
| | | | 40,000 | \$3.10 | Mar. 24/09 |
| | | | 30,000 | \$4.16 | Mar. 16/10 |
| | | | 40,000 | \$3.21 | Jun. 22/11 |
| D. Dorval | Consultant | | 60,000 | \$3.10 | Mar. 24/09 |
| | | | 30,000 | \$4.16 | Mar. 16/10 |
| J. Denee | Employee | | 10,000 | \$3.10 | Mar. 24/09 |
| | | | 5,000 | \$4.16 | Mar. 16/10 |
| C. Sandoval | Employee | | 10,000 | \$3.10 | Mar. 24/09 |
| | | | 15,000 | \$4.16 | Mar. 16/10 |
| | | | 5,000 | \$3.21 | Jun. 22/11 |
| C. D'Amico(5) | Director (of subsidiary-exempted from reporting) | | 220,000 | \$1.87 | Aug. 27/08 |
| | | | 75,000 | \$3.10 | Mar. 24/09 |
| C. Timossi | Consultant | | 75,000 | \$3.10 | Mar. 24/09 |
| S. Phillips | Consultant | | 300,000 | \$1.87 | Aug. 27/08 |
| | | | 50,000 | \$3.10 | Mar. 24/09 |
| J. Faccin | Consultant | | 10,000 | \$3.10 | Mar. 24/09 |

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| OPTIONEE | NATURE OF OPTION(1) | NUMBER OF SHARES | EXERCISE PRICE | EXPIRATION DATE |
|----------------|--|------------------|----------------|-----------------|
| M. De Simone | Director (of subsidiary-exempted from reporting) | 59,500 | \$0.50 | May 02/07 |
| | | 80,000 | \$3.10 | Mar. 24/09 |
| I. Chiarantano | Consultant | 59,500 | \$0.50 | May 02/07 |
| D. Horton | Director | 100,000 | \$3.10 | Mar. 24/09 |
| | | 30,000 | \$4.16 | Mar. 16/10 |
| | | 30,000 | \$3.21 | Jun. 22/11 |

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| | | | | |
|---|------------|-----------|--------|------------|
| A. Lang | Director | 50,000 | \$3.10 | Mar. 24/09 |
| | | 75,000 | \$4.16 | Mar. 16/10 |
| | | 25,000 | \$2.92 | Nov. 16/10 |
| | | 35,000 | \$3.21 | Jun. 22/11 |
| ----- | | | | |
| G. James | Consultant | 7,000 | \$3.10 | Mar. 24/09 |
| ----- | | | | |
| A. Colucci | Consultant | 120,000 | \$1.87 | Aug. 27/08 |
| ----- | | | | |
| P. Hedblom | Consultant | 30,000 | \$1.87 | Aug. 27/08 |
| | | 20,000 | \$2.92 | Nov. 16/10 |
| ----- | | | | |
| J. Wong | Consultant | 25,000 | \$1.87 | Aug. 27/08 |
| ----- | | | | |
| D. Tindale | Employee | 5,000 | \$4.16 | Mar. 16/10 |
| ----- | | | | |
| F. Riedl | Consultant | 30,000 | \$4.16 | Mar. 16/10 |
| ----- | | | | |
| A. Beartl | Consultant | 150,000 | \$4.16 | Mar. 16/10 |
| | | 150,000 | \$2.92 | Nov. 16/10 |
| ----- | | | | |
| I. Thomson | Consultant | 10,000 | \$4.16 | Mar. 16/10 |
| ----- | | | | |
| L. Harris | Director | 50,000 | \$2.92 | Nov. 16/10 |
| | | 50,000 | \$3.21 | Jun. 22/11 |
| ----- | | | | |
| C. Smyth | Consultant | 5,000 | \$2.92 | Nov. 16/10 |
| ----- | | | | |
| L. McClusky | Employee | 10,000 | \$3.21 | Jun. 22/11 |
| ----- | | | | |
| B. Dubowska | Employee | 5,000 | \$3.21 | Jun. 22/11 |
| ----- | | | | |
| L. Carter | Employee | 25,000 | \$3.21 | Jun. 22/11 |
| ----- | | | | |
| J. Barnes | Employee | 25,000 | \$3.21 | Jun. 22/11 |
| ----- | | | | |
| TOTAL | | 4,619,000 | | |
| ----- | | | | |
| Officers and directors, as a group (10 persons) (4) | | 2,528,000 | | |
| ----- | | | | |

- (1) Pursuant to the rules of the TSX-V, the Company has issued stock options to employees, directors, officers and consultants. "Employee" refers to the employees of the Grosso Group providing administrative and management services to the Company.
- (2) Evelyn Grosso is the wife of Joseph Grosso.
- (3) The Company granted Mr. Lee options to acquire common shares during his tenure as director. Mr. Lee resigned as an officer and director of the Company effective April 2, 2004 and currently remains as a consultant to the Company.
- (4) Includes options held by Joseph Grosso's wife, Evelyn Grosso.
- (5) The Company granted Mr. D'Amico options to acquire common shares during his tenure as director of a subsidiary.

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WARRANTS AND OTHER COMMITMENTS

As of February 28, 2007, there were 3,504,404 non-transferable common share purchase warrants exercisable.

As of February 28, 2007, the Company's officers and directors, as a group, including entities controlled or under significant influence of officers and directors of the Company, did not hold any warrants to purchase the Company's common shares.

There are no assurances that the options, warrants or other rights described above will be exercised in whole or in part.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.

PRINCIPAL HOLDERS OF VOTING SECURITIES

To the best of the Company's knowledge there are no persons who beneficially own, directly or indirectly, or exercise control or direction, over more than 5% of the issued and outstanding common shares of the Company other than that which is described below.

CHANGES IN OWNERSHIP BY MAJOR SHAREHOLDERS

In August 1999 Barrick Gold Corporation ("Barrick") acquired, through a private placement, 1.5 million units at a price of \$1.00 per unit. Each unit consists of one common share in the capital stock of the Company and one non-transferable share purchase warrant, entitling Barrick to purchase an additional common share for a period of one year at a price of \$1.50 per share. On April 19, 2000, Barrick exercised warrants at \$1.50 to purchase an additional 350,000 shares of the Company. On August 16, 2000, Barrick exercised its remaining warrants to buy 1,150,000 common shares of the Company. As of April 30, 2003 Barrick owned 3,000,000 common shares of the Company (9.22%). To the best of the Company's knowledge, subsequent to April 30, 2003, Barrick sold common shares of the Company and is no longer a major shareholder.

On April 28, 2003, Prudent Bear Funds, Inc. advised the Company that it had acquired control and direction, through Prudent Bear Fund, a mutual fund controlled by it, over 818,500 of the Company's common shares. This resulted in Prudent Bear Funds, Inc. having ownership of and control over a total of 3,209,637 common shares together with warrants to purchase an additional 754,137 common shares. As of April 30, 2003, if such warrants were exercised Prudent Bear Funds, Inc. would have control and direction of 3,963,774 common shares of the Company (12.18%). To the best of the Company's knowledge, as of December 31, 2006, Prudent Bear Funds Inc. is no longer a major shareholder of the Company.

SHARES HELD IN THE UNITED STATES

As of February 28, 2007, there were approximately 189 registered holders of the Company's shares in the United States, with combined holdings of 7,354,240 shares (14.14% of the 52,013,065 outstanding shares at February 28, 2007).

CHANGE OF CONTROL

As of February 28, 2007, there were no arrangements known to the Company which may, at a subsequent date, result in a change of control of the Company.

CONTROL BY OTHERS

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To the best of the Company's knowledge, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

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RELATED PARTY TRANSACTIONS

Other than as disclosed below, from January 1, 2004 through February 28, 2007, the Company did not enter into any transactions or loans between the Company and any (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close members of any such individual's family; (d) key management personnel and close members of such individuals' families; or (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly by any person described in (c) or (d) or over which such a person is able to exercise significant influence.

1. Effective January 1, 2005, the Company engaged Grosso Group to provide services and facilities to the Company. On May 6, 2005, an Administrative Services Agreement was finalized and executed by the Company and the Grosso Group. The Grosso Group is a private company which is owned by the Company, Golden Arrow, Amera, Astral and Gold Point Energy., each of which own one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The Grosso Group staff is available to the shareholder companies on a cost recovery basis without the expense of full time personnel. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a reasonable pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During fiscal 2006, the Company incurred fees of \$724,902 (2005 - \$730,802) to the Grosso Group. In addition, included in the Accounts receivable, prepaids and deposits is a \$205,000 (2005 - \$205,000) deposit to the Grosso Group. The deposits from the member companies were used for the purchase of equipment and leasehold improvements and for operating working capital.

The Administration Services Agreement may be terminated by a shareholder company after January 1, 2007, upon 30 days written notice to the Grosso Group.

2. Prior to the signing of the Administrative Services Agreement with the Grosso Group in 2005 the Company shared office facilities, capital assets and personnel with Amera. Joseph Grosso, Nikolaos Cacos, Arthur Lang and David Terry, officers and/or directors of the Company, are officers, directors and/or employees of Amera. During the fiscal year ended December 31, 2006 the Company received \$Nil (2005 - \$Nil, 2004 - \$66,390) from Amera for reimbursement of expenses.
3. The Company leased a portion of its office space from Beauregard, a private company owned by Mr. Grosso's wife, Mrs. Evelina Grosso and subleased these premises to the Grosso Group in 2005 for the balance of the existing lease term. Effective January 1, 2007 Beauregard and Grosso Group executed a lease for the office premises. During the

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fiscal year ended December 31, 2006, the Company paid rent to Beaugard in the amount of \$141,203 (2005 - \$128,722, 2004 - \$74,870). The Company subleases the premises to the Grosso Group and recovered the 2006 and 2005 rent it had paid. - See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Office".

4. The Company executed an agreement with Oxbow, pursuant to which Mr. Grosso, an officer and director of the Company, provides services to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts". During the fiscal year ended December 31, 2006, Oxbow was paid \$350,667 (2005 - \$102,000, 2004 - \$102,000).
5. The Company's officers and directors have been granted incentive stock options enabling them to purchase common shares of the Company. See "Item 6. Directors, Senior Management and Employees - Share Ownership".
6. By agreement dated April 1, 2004, between the Company and KGE Management Ltd. ("KGE"), a private company owned by Mr. Carlson, Chairman of the board of directors of the Company, this new agreement, which replaced a prior agreement, provided for a monthly retainer of \$2,000 per month plus a fee of \$600 per day for additional days in excess of 3 days per month. This agreement expired March 31, 2005 and was renewed for six months with the same terms. Effective January 1, 2006 the Company agreed to pay KGE a

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fee of \$600 per day if services were required and the former agreement was not renewed. During the fiscal year ended December 31, 2006, the Company paid \$3,300 to KGE (2005 - \$24,000 2004 - \$34,749).

7. On December 16, 2003 and November 16, 2004, the Company entered into an agreement with Endeavour Financial Ltd. a company of which Mr. Angus, a director of the Company, was a shareholder. A monthly fee of US\$5,000 for services was payable under this agreement for a minimum period of one year. On July 4, 2005, the agreement was amended to increase the monthly fee to US\$10,000 per month effective June 1, 2005. The agreement includes a provision for a nominee from Endeavour to be nominated to the board and for fees to be paid to Endeavour, in addition to the monthly fee, in the event of certain specified transactions. Effective December 31, 2005 Mr. Angus retired from Endeavour and the monthly fee was reduced to US\$5,000 per month. The agreement was terminated by mutual consent effective February 28, 2006. During the fiscal year ended December 31, 2006, Endeavour was paid \$11,600 (2005 - \$115,088, 2004 - \$78,637).
8. On February 14, 2006 and effective January 1, 2006, the Company has entered into an agreement with RSA Holdings Ltd., pursuant to which Mr. Angus, a director of the Company, provides advisory services including participation on various committees of the Company. A monthly fee of US\$5,000 for services is payable under this agreement for a minimum period of six months. The Company paid RSA \$68,350 in 2006.
9. Mr. Terry had a consulting agreement with Amera dated February 16, 2004, amended June 1, 2004, which called for monthly payments of \$10,000. The Company had agreed to reimburse Amera for 50% of these fees. In the fiscal year ended December 31, 2004 the Company paid \$43,000 as a result of this arrangement. On January 1, 2005 Mr. Terry's

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agreement with Amera was replaced by a similar agreement with the Grosso Group. During the year ended December 31, 2005, Mr. Terry's total compensation from the Grosso Group was \$120,000, of which \$63,600 was allocated to the Company as part of the Grosso Group fees during the year. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to \$12,500 (\$150,000 annually) effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006 Mr. Terry's total compensation from the Grosso Group was \$140,000, of which \$57,400 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

10. The Company has entered into an agreement dated April 23, 2004, with Mr. Lang, Chief Financial Officer and a director of the Company, pursuant to which Mr. Lang provides services to the Company. By agreement dated April 23, 2004, Arthur Lang, the Chief Financial Officer and a director of the Company, is paid a salary of \$80,000 per year for professional services rendered. Mr. Lang is also reimbursed for certain monthly club dues. During the fiscal year ended December 31, 2004, Mr. Lang was paid \$58,671. Mr. Lang became an employee of the Grosso Group in January 2005. Effective May 1, 2005 Mr. Lang's annual salary was increased to \$102,000. During the year ended December 31, 2005, Mr. Lang's total compensation from the Grosso Group was \$94,667, of which \$68,927 was allocated to the Company as part of the Grosso Group fees for the year. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase Mr. Lang's annual salary to \$150,000 effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006 Mr. Lang's total compensation from the Grosso Group was \$134,000 of which \$54,940 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."
11. The Company entered into an Arrangement Agreement with Golden Arrow pursuant to which the Company transferred certain assets to Golden Arrow as part of a reorganization of the Company completed in 2004. See "Item 4. Information on the Company - History and Development of the Company." The Company entered into an indemnity agreement, for any costs or losses incurred by Golden Arrow in respect of the legal action commenced by a Minera Aquiline Argentina S.A. against the Company. See "Item 8. Financial Information - Legal Proceedings."

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ITEM 8. FINANCIAL INFORMATION.

CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

FINANCIAL STATEMENTS

| DESCRIPTION | PAGE |
|--|------------|
| ----- | ---- |
| Consolidated Financial Statements for the Years Ended December 31, 2006, 2005 and 2004. | F-1 - F-27 |

SIGNIFICANT CHANGES

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There are no significant changes to report between the year end December 31, 2006 and the date of this annual report.

LEGAL PROCEEDINGS

On March 5, 2004, Aquiline Resources Inc. ("Aquiline"), through its subsidiary, Minera Aquiline Argentina SA, filed a claim in the Supreme Court of British Columbia against the Company seeking a constructive trust over the Navidad properties and damages. The trial was held in Vancouver British Columbia commencing in October 2005 and ended on December 12, 2005.

On July 14, 2006 the court released its judgment on the claim. The Company was not successful in its defense and the court found in Aquiline's favour.

The Order reads in part:

- " (a) that Inversiones Mineras Argentinas SA ("IMA SA") transfer the Navidad Claims and any assets related thereto to Minera Aquiline or its nominee within 60 days of this order;
- (b) that IMA take any and all steps required to cause IMA SA to comply with the terms of this order;
- (c) that the transfer of the Navidad Claims and any assets related thereto is subject to the payment to IMA SA of all reasonable amounts expended by IMA SA for the acquisition and development of the Navidad Claims to date; and
- (d) any accounting necessary to determine the reasonableness of the expenditures referred to in (c) above shall be by reference to the Registrar of this court."

The Company has filed an appeal of this judgment which is scheduled to be heard by the British Columbia Court of Appeal on April 10, 2007. While the Company is confident of a favourable result from its appeal it recognizes that this could take a substantial period of time and the costs will be significant, with no guarantee of a successful outcome for the Company.

On October 18, 2006, the Company and Aquiline reached a definitive agreement for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The parties have agreed that the transactions outlined in the agreement are in satisfaction of the Order referenced above. The principal terms and conditions of the agreement are as follows:

- (a) control of the Navidad project will be transferred to Aquiline in trust for the ultimately successful party in the appeal;
- (b) the Company and Aquiline have agreed to the costs spent to date developing the Navidad Project in the amount of \$18,500,000. Upon transfer of control of the Navidad project, Aquiline paid \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions;

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- (c) in the event that the Company is unsuccessful on appeal, the Company will be paid such \$18,500,000 amount, less legal costs Aquiline would be entitled to in relation to the trial and the appeal.
- (d) in the event that the Company's appeal is successful, it will pay Aquiline's qualifying costs expended on developing the Navidad Project during the period of the appeal, less legal costs the Company would be entitled to in relation to the trial and the appeal, and control of the Navidad Project will then revert to the Company; and
- (e) pending the finalization of the appeal process, neither party will attempt a hostile takeover of the other.

The effective date of the transfer of the Navidad project was November 16, 2006. A copy of the agreement has been posted on the SEDAR website as one of the Company's public documents and is titled "Interim Project Development Agreement".

As a condition of the reorganization Golden Arrow became a party to the Aquiline action. The Company has provided an indemnity to Golden Arrow for any costs or losses that might be incurred by Golden Arrow in connection with this matter.

DIVIDEND POLICY

The Company has not paid any dividends on its common shares and does not intend to pay dividends on its common shares in the immediate future. Any decision to pay dividends on its common shares in the future will be made by the board of directors on the Company on the basis of earnings, financial requirements and other such conditions that may exist at that time.

ITEM 9. THE OFFER AND LISTING

PRICE HISTORY

The Company's common shares are listed on the TSX-V. From April 15, 1996 to November 28, 1999, the Company's shares were listed on the Vancouver Stock Exchange (the "VSE"). Effective November 29, 1999, the VSE and the Alberta Stock Exchange (the "ASE") merged and began operations as the Canadian Venture Exchange or CDNX. On August 1, 2001, the CDNX was acquired by the Toronto Stock Exchange and became known as the TSX-V. The Company is classified as a Tier I company on the TSX-V and trades under the symbol "IMR". Companies which satisfy the minimum initial listing requirements of the TSX-V are designated as Tier II companies and are subject to listing requirements which are stricter than those for companies which are designated as Tier I companies.

The following table lists the volume of trading and high and low sales prices on the TSX-V (or predecessor), for shares of the Company's common stock for the last five fiscal years, each quarterly period during the last two fiscal years and each month from September 2006 through February 2007.

TSX VENTURE EXCHANGE (OR PREDECESSOR) STOCK TRADING ACTIVITY

| YEAR ENDED | VOLUME | SALES PRICE | |
|-------------------|------------|-------------|--------|
| | | HIGH | LOW |
| December 31, 2006 | 52,243,300 | \$3.96 | \$0.49 |

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| | | | |
|-------------------|------------|--------|--------|
| December 31, 2005 | 18,584,000 | \$4.45 | \$2.56 |
| December 31, 2004 | 37,199,200 | \$4.80 | \$1.73 |
| December 31, 2003 | 50,625,400 | \$2.54 | \$0.49 |
| December 31, 2002 | 17,609,200 | \$0.94 | \$0.34 |

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| QUARTER ENDED | VOLUME | SALES PRICE | |
|--------------------|------------|-------------|--------|
| | | HIGH | LOW |
| December 31, 2006 | 15,052,600 | \$0.66 | \$0.49 |
| September 30, 2006 | 22,456,700 | \$3.49 | \$0.50 |
| June 30, 2006 | 5,606,400 | \$3.75 | \$2.86 |
| March 31, 2006 | 9,127,600 | \$3.96 | \$2.84 |
| December 31, 2005 | 5,453,800 | \$3.96 | \$2.56 |
| September 30, 2005 | 3,780,700 | \$3.95 | \$2.65 |
| June 30, 2005 | 2,949,100 | \$4.00 | \$2.61 |
| March 31, 2005 | 6,400,400 | \$4.45 | \$3.40 |

| MONTH ENDED | VOLUME | SALES PRICE | |
|--------------------|------------|-------------|--------|
| | | HIGH | LOW |
| February 28, 2007 | 1,499,300 | \$0.95 | \$0.70 |
| January 31, 2007 | 1,546,900 | \$0.72 | \$0.57 |
| December 31, 2006 | 2,541,300 | \$0.66 | \$0.56 |
| November 30, 2006 | 10,470,500 | \$0.62 | \$0.49 |
| October 31, 2006 | 2,040,800 | \$0.64 | \$0.49 |
| September 30, 2006 | 3,483,400 | \$0.72 | \$0.61 |

AMERICAN STOCK EXCHANGE AND OVER-THE-COUNTER BULLETIN BOARD STOCK
TRADING ACTIVITY

As of July 6, 2005, the Company's shares started to trade on the American Stock Exchange ("AMEX"). Prior to that the Company's shares were trading on the OTC Bulletin Board operated by the National Association of Securities Dealers in the United States from October 8, 2002. The Company currently trades on the AMEX under the symbol "IMR". The following tables set forth the market price ranges and the aggregate volume of trading of the common shares of the Company on the AMEX or the OTC Bulletin Board system for the periods indicated:

| YEAR ENDED | VOLUME | SALES PRICE (US\$) | |
|-------------------|------------|--------------------|--------|
| | | HIGH | LOW |
| December 31, 2006 | 26,580,100 | \$3.48 | \$0.43 |
| December 31, 2005 | 13,245,000 | \$3.68 | \$2.00 |
| December 31, 2004 | 20,134,200 | \$4.05 | \$1.31 |
| December 31, 2003 | 6,974,500 | \$1.89 | \$0.36 |
| December 31, 2002 | 97,497 | \$0.36 | \$0.22 |

SALES PRICE (US\$)

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| QUARTER ENDED | VOLUME | HIGH | LOW |
|--------------------|-----------|--------|--------|
| December 31, 2006 | 4,592,600 | \$0.59 | \$0.43 |
| September 30, 2006 | 9,104,900 | \$3.10 | \$0.44 |
| June 30, 2006 | 5,606,700 | \$3.44 | \$2.57 |
| March 31, 2006 | 7,275,900 | \$3.48 | \$2.43 |
| December 31, 2005 | 4,024,400 | \$3.39 | \$2.16 |
| September 30, 2005 | 3,003,500 | \$3.48 | \$2.00 |
| June 30, 2005 | 2,150,800 | \$3.23 | \$2.05 |
| March 31, 2005 | 4,066,300 | \$3.68 | \$2.72 |

| MONTH ENDED | VOLUME | SALES PRICE (US\$) | |
|--------------------|-----------|--------------------|--------|
| | | HIGH | LOW |
| February 28, 2007 | 1,158,000 | \$0.83 | \$0.58 |
| January 31, 2007 | 1,424,600 | \$0.63 | \$0.48 |
| December 31, 2006 | 1,591,300 | \$0.59 | \$0.49 |
| November 30, 2006 | 1,959,200 | \$0.55 | \$0.43 |
| October 31, 2006 | 1,042,100 | \$0.58 | \$0.44 |
| September 30, 2006 | 1,330,900 | \$0.63 | \$0.55 |

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ITEM 10. ADDITIONAL INFORMATION.

MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company was incorporated under the COMPANY ACT (British Columbia) on September 17, 1979, as Gold Star Resources Ltd. The Company's Incorporation Number is 197061. On May 1, 1990, the Company filed an Altered Memorandum to reflect its name change to EEC Marketing Corp. On January 13, 1992, the Company filed an Altered Memorandum to reflect its name change to Amera Industries Corp. On February 9, 1995, the Company filed an Altered Memorandum to reflect its name change to International Amera Industries Corp. On February 20, 1996, the Company filed an Altered Memorandum to reflect its name change to IMA Resource Corporation. Effective July 7, 1998, the Company underwent a statutory plan of arrangement (the "Arrangement") with Viceroy Resource Corporation ("Viceroy"), changed its name to IMA Exploration Inc., consolidated its share capital on the basis of four old shares for one new share and filed an Altered Memorandum to give effect to the foregoing. See "Item 4. Information on the Company".

The Company's objects and purposes are not set forth in or prescribed by its Articles or Memorandum. The Company is in the business of the acquisition, exploration and development of mineral properties, mainly in Argentina.

AMENDMENT OF NOTICE OF ARTICLES

On March 29, 2004, the new British Columbia Business Corporations Act came into force in British Columbia (the "BCBCA"). The Board of Directors of the Company approved the Transition of the Company and the Company filed a transition application with the Registrar of Companies British Columbia and completed the Transition on May 4, 2004.

In order to bring the Company's Articles in line with the BCBCA, the Company deleted and replaced its Articles in their entirety. Accordingly, the shareholders passed a special resolution removing the application of the

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Pre-Existing Company Provisions at a meeting held on June 24, 2004.

BORROWING POWERS

Under the BCBCA, companies are now permitted, without restriction, to guarantee repayment of money by any other person or the performance of any obligation of any other person. This change reflects the modernization of corporate legislation to effectively respond to increasingly complex financial transactions that companies may enter into in the course of their business. As a result, the New Articles state that the Company is able to guarantee the repayment of money by any other person or the performance of any obligation of any other person. Management believes that it is in the best interests of the Company to allow for such a guarantee to permit the Company the maximum flexibility in possible future financial transactions, recognizing the duties directors have to ensure that the guarantee must always be in the best interest of the Company and its shareholders.

DIRECTORS AUTHORITY TO SET AUDITOR'S REMUNERATION

Under the BCBCA, the Company has, subject to shareholder approval, given authorization for the directors to set the remuneration paid to the auditors of the Company. Historically, shareholders of the Company have always authorized the directors to appoint the auditors and to set the auditor's remuneration and the Articles merely codify existing practice. More importantly, however, this change also codifies new corporate governance rules and regulations relating to audit committees and the appointment and remuneration of auditors.

SPECIAL MAJORITY FOR RESOLUTIONS

Under the BCBCA, the Company is authorized to determine whether a special resolution requires two-thirds or three-quarters of the votes cast on a resolution. The Company Articles propose that a special resolution require a majority of two-thirds of the votes cast on a resolution. This threshold is consistent with the threshold in most other Canadian corporate law statutes such as the Canada Business Corporations Act.

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SHARE ISSUANCES

Under the BCBCA the Company is, subject to shareholder approval, permitted to avoid setting a numerical maximum for a discount or commission payable on the issuance of a share but rather limit any discount or commission by a test of reasonableness. The Articles provide that the Company be permitted to pay or offer the commission or discount as permitted in the BCBCA. Management of the Company believes that the 25% maximum limit should not be set out in the New Articles as such a limit does not consider factual circumstances nor apply a test of reasonableness. By limiting the discount or commission amounts payable by the test of reasonableness, exercised by directors with a duty to act in the best interest of the Company, the Company is provided greater flexibility in possible future transactions. In addition, since the Company is a public company, it is subject to the requirements of the TSX-V on share issuances and discounts and commissions, which requirements are generally far more stringent than the Former Act provisions.

The following are changes to the provisions contained in the BCBCA which have an effect on provisions contained in the Existing Articles:

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OFFICERS

The BCBCA no longer requires that the President and Secretary be separate individuals and as a result, the Company Articles do not have these requirements. Management and the board of directors believe that the Company is better able to meet its corporate governance obligations as to membership of the board of directors.

PUBLICATION OF ADVANCE NOTICE OF MEETING

Under the BCBCA, the Company is no longer required to publish notice of general meetings, and recent changes to securities legislation in Canada requires that all public companies, including the Company, post advance notice of a general meeting on WWW.SEDAR.COM in advance of the record date for the meeting.

SHARE CERTIFICATES

Under the BCBCA, a shareholder is entitled to a share certificate representing the number of shares of the Company he or she holds or a written acknowledgement of the shareholder's right to obtain such a share certificate. The Articles have been amended to provide for this additional right.

DISCLOSURE OF INTEREST OF DIRECTORS

Under the BCBCA, the provisions relating to the disclosure of interests by directors have been revised and updated and the Articles have deleted reference to the old disclosure of interest provisions and refer to the provisions contained in the BCBCA.

INDEMNITY PROVISION

Under the BCBCA, the Company is now permitted to indemnify a past or present director or officer of the Company without obtaining prior court approval in respect of an "eligible proceeding". An "eligible proceeding" includes any legal proceeding relating to the activities of the individual as a director or officer of the Company. However, under the BCBCA, the Company will be prohibited from paying an indemnity if:

- (a) the party did not act honestly and in good faith with a view to the best interests of the Company;
- (b) the proceeding was not a civil proceeding and the party did not have reasonable grounds for believing that his or her conduct was lawful; and
- (c) the proceeding is brought against the party by the Company or an associated corporation.

As a result, the Company Articles allow the Company to indemnify directors, officers, employees and agents, subject to the limits imposed under the BCBCA. Management believes that it is in the best interests of the Company to allow the indemnification of directors, officers, employees and agents, subject to the limits and conditions of the BCBCA.

The directors, officers, employees and agents have entered into Indemnity

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Agreements, as allowed under the Articles of the Company.

AUTHORIZED SHARE CAPITAL

Under the BCBCA there are no maximum number restrictions and, due to the elimination of the memorandum under the BCBCA, such authorized share capital must be contained in a company's Notice of Articles. In order to provide the Company with greater flexibility to proceed with equity financings, management altered its authorized share capital from 200,000,000 shares divided into 100,000,000 common shares and 100,000,000 preferred shares to an unlimited number of common shares and 100,000,000 preferred shares.

HOLDING OF ANNUAL MEETINGS

The BCBCA allows for annual meetings to be held once in each calendar year and not more than 15 months after the last annual meeting and accordingly, the Company's Articles reflect this provision.

QUORUM FOR SHAREHOLDER MEETING

The current Articles allow for quorum to be two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least five percent (5%) of the issued shares entitled to be voted at the meeting.

ALTERATIONS TO CONSTATING DOCUMENT

In accordance with the BCBCA, the Articles list the type of alterations that can be made to the Company's constating documents, and disclose the type of resolution that is required to make such amendments.

SUMMARY OF MATERIAL PROVISIONS

The following is a summary of certain material provisions of the Company's Articles of Association and Memorandum:

A. DIRECTOR'S POWER TO VOTE ON A PROPOSAL, ARRANGEMENT OR CONTRACT IN WHICH THE DIRECTOR IS MATERIALLY INTERESTED.

Under the BCBCA, subject to certain exceptions, a director or senior officer of the Company must disclose any material interest that he personally has, or that he as a director or senior officer of another corporation has in a contract or transaction that is material to the Company and which the Company has entered into or proposes to enter into.

A director or senior officer of the Company does not hold a disclosable interest in a contract or transaction if:

1. the situation that would otherwise constitute a disclosable interest arose before the coming into force of the BCBCA, or the interest was disclosed and approved under, or was not required to be disclosed under legislation that applied to the Company before the coming into effect of the BCBCA;
2. both the Company and the other party to the contract or transaction are wholly owned subsidiaries of the same corporation;
3. the Company is a wholly owned subsidiary of the other party to the contract or transaction;
4. the other party to the contract or transaction is a wholly owned subsidiary of the Company ; or

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5. the director or senior officer is the sole shareholder of the Company or of a corporation of which the Company is a wholly owned subsidiary.

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A director or senior officer of the Company does not hold a disclosable interest in a contract or transaction merely because:

1. the contract or transaction is an arrangement by way of a security granted by the Company for money loaned to, or obligations undertaken by, the director or senior officer, or a person in whom the director or senior officer has a material interest, for the benefit of the Company or an affiliate of the Company;
2. the contract or transaction relates to an indemnity or insurance under the BCBCA;
3. the contract or transaction relates to the remuneration of the director or senior officer, or a person in whom the director or senior officer, employee or agent of the Company or of an affiliate of the Company;
4. the contract or transaction relates to a loan to the Company, and the director or senior officer, or a person in whom the director or senior officer has a material interest, is or is to be a guarantor of some or all of the loan; or
5. the contract or transaction has been or will be made with or for the benefit of a corporation that is affiliated with the Company and the director or senior officer is also a director or senior officer of that corporation or an affiliate of that corporation.

A director or senior officer who holds such a material interest must disclose such interest in writing. The disclosure must be evidenced in writing in a consent resolution, the minutes of a meeting or any other record deposited with the Company's record office. A director who has a disclosable interest in a contract or transaction is not entitled to vote of any directors' resolution to approve that contract or transaction, but may be counted in the quorum at the directors' meeting at which such vote is taken.

- B. DIRECTOR'S POWER, IN THE ABSENCE OF AN INDEPENDENT QUORUM, TO VOTE COMPENSATION TO THEMSELVES OR ANY MEMBERS OF THEIR BODY.

The compensation of the directors is decided by the directors unless the Board of Directors requests approval of the compensation from the shareholders. If the issuance of compensation to the directors is decided by the directors, a quorum is the majority of the directors in office.

- C. BORROWING POWERS EXERCISABLE BY THE DIRECTORS AND HOW SUCH BORROWING POWERS MAY BE VARIED.

The Company, if authorized by the directors, may:

1. borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;
2. issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the

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- Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
3. guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
 4. mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

The borrowing powers may be varied by amendment to the Articles of the Company which requires approval of the shareholders of the Company by special resolution.

D. RETIREMENT AND NON-RETIREMENT OF DIRECTORS UNDER AN AGE LIMIT REQUIREMENT.

There are no such provisions applicable to the Company under the Notice of Articles, Articles (as existing or the new proposed Articles) or the BCBCA.

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E. NUMBER OF SHARES REQUIRED FOR A DIRECTOR'S QUALIFICATION.

A director of the Company is not required to hold a share in the capital of the Company as qualification for his office.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of common shares without par value and 100,000,000 Preferred shares without par value, of which 18,283,053 have been designated as Preferred Shares, Series I.

COMMON SHARES

A total of 52,013,064 common shares were issued and outstanding as of February 28, 2007. All of the common shares are fully paid and not subject to any future call or assessment. All of the common shares of the Company rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and the entitlement to dividends. The holders of the common shares are entitled to receive notice of all shareholder meetings and to attend and vote at such meetings. Each common share carries with it the right to one vote. The common shares do not have preemptive or conversion rights. In addition, there are no sinking fund or redemption provisions applicable to the common shares or any provisions discriminating against any existing or prospective holders of such securities as a result of a shareholder owning a substantial number of shares.

PREFERRED SHARES

The Company is authorized to issue up to 100,000,000 preferred shares in one or more series of which 18,283,053 have been designated as Preferred Shares, Series I. The preferred shares are entitled to priority over the common shares with respect to the payment of dividends and distribution in the event of the dissolution, liquidation or winding-up of the Company. The holders of preferred shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Company, other than at a meeting of holders of Preferred Shares. As of March 31, 2007 there were no

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issued or outstanding preferred shares.

CHANGES TO RIGHTS AND RESTRICTIONS OF SHARES

If the Company wishes to change the rights and restrictions of the common shares or the preferred shares, the Company must obtain the approval of a special resolution by 2/3 of the holders of the common shares, or 2/3 of the holders of the preferred shares.

DIVIDEND RECORD

The Company has not paid any dividends on its common shares and has no policy with respect to the payment of dividends.

OWNERSHIP OF SECURITIES AND CHANGE OF CONTROL

There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by foreign law or by the constituent documents of the Company.

Any person who beneficially owns or controls, directly or indirectly, more than 10% of the Company's voting shares is considered an insider, and must file an insider report with the British Columbia, Alberta and Ontario Securities Commissions within ten days of becoming an insider disclosing any direct or indirect beneficial ownership of, or control over direction over securities of the Company. In addition, if the Company itself holds any of its own securities, the Company must disclose such ownership.

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There are no provisions in the Company's Memorandum and Articles of Association or Bylaws that would have an effect of delaying, deferring or preventing a change in control of the Company operating only with respect to a merger, acquisition or corporate restructuring involving the Company or its subsidiaries.

MEETINGS OF THE SHAREHOLDERS

ANNUAL AND GENERAL MEETINGS

Under BCBCA and the Company's Articles, the Company's annual general meeting is to be held once in each calendar year and not more than 15 months after the previous meeting. No advance notice will be required to be published at a meeting where directors are to be elected. The Company must give shareholders not less than 21 days notice of any general meeting of the shareholders.

The Directors may fix in advance a date, which is no fewer than 35 days or no more than 60 days prior to the date of the meeting. All the holders of common shares as at that date are entitled to attend and vote at a general meeting.

DIFFERENCES FROM REQUIREMENTS IN THE UNITED STATES

Except for the Company's quorum requirements, certain requirements related to related party transactions and the requirement for notice of shareholder meetings, discussed above, there are no significant differences in the law applicable to the Company, in the areas outlined above, in Canada versus the United States. In most states in the United States, a quorum must consist of a

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majority of the shares entitled to vote. Some states allow for a reduction of the quorum requirements to less than a majority of the shares entitled to vote. Having a lower quorum threshold may allow a minority of the shareholders to make decisions about the Company, its management and operations. In addition, most states in the United States require that a notice of meeting be mailed to shareholders prior to the meeting date. Additionally, in the United States, a director may not be able to vote on the approval of any transaction in which the director has a interest.

MATERIAL CONTRACTS

The following are material contracts to which the Company is a party:

1. Effective January 1, 2005, the Company engaged Grosso Group to provide services and facilities to the Company. On May 6, 2005, an Administrative Services Agreement was finalized and executed by the Company and the Grosso Group. The Grosso Group is a private company which is owned by the Company, Golden Arrow, Amera, Astral Mining Corporation and Gold Point Energy Corp., each of which own one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The Grosso Group staff is available to the shareholder companies on a cost recovery basis without the expense of full time personnel. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a reasonable pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During fiscal 2006, the Company incurred fees of \$724,902 (2005 - \$730,802) to the Grosso Group. In addition, included in the Accounts receivable, prepaids and deposits is a \$205,000 (2005 - \$205,000) deposit to the Grosso Group. The deposits from the member companies were used for the purchase of equipment and leasehold improvements and for operating working capital.

The Administration Services Agreement may be terminated by a shareholder company after January 1, 2007, upon 30 days written notice to the Grosso Group.

2. The Company leased a portion of its office space from Beauregard, a private company owned by Mr. Grosso's wife, Mrs. Evelina Grosso and subleased these premises to the Grosso Group in 2005 for the balance of the existing lease term. Effective January 1, 2007 Beauregard and Grosso Group executed a lease for the office premises. During the fiscal year ended December 31, 2006, the Company paid rent to Beauregard in the amount of \$141,203 (2005 - \$128,722, 2004 - \$74,870). The Company subleases the premises to the Grosso Group and recovered the 2006 and 2005 rent it had paid. - See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Office".

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3. The Company executed an agreement with Oxbow, pursuant to which Mr. Grosso, an officer and director of the Company, provides services to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts". During the fiscal year ended December 31, 2006, Oxbow was paid \$350,667 (2005 - \$102,000, 2004 - \$102,000).
4. By agreement dated April 1, 2004, between the Company and KGE

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Management Ltd. ("KGE"), a private company owned by Mr. Carlson, Chairman of the board of directors of the Company, this new agreement, which replaced a prior agreement, provided for a monthly retainer of \$2,000 per month plus a fee of \$600 per day for additional days in excess of 3 days per month. This agreement expired March 31, 2005 and was renewed for six months with the same terms. Effective January 1, 2006 the Company agreed to pay KGE a fee of \$600 per day if services were required and the former agreement was not renewed. During the fiscal year ended December 31, 2006, the Company paid \$3,300 to KGE (2005 - \$24,000 2004 - \$34,749).

5. On December 16, 2003 and November 16, 2004, the Company entered into an agreement with Endeavour Financial Ltd. a company of which Mr. Angus, a director of the Company, was a shareholder. A monthly fee of US\$5,000 for services was payable under this agreement for a minimum period of one year. On July 4, 2005, the agreement was amended to increase the monthly fee to US\$10,000 per month effective June 1, 2005. The agreement includes a provision for a nominee from Endeavour to be nominated to the board and for fees to be paid to Endeavour, in addition to the monthly fee, in the event of certain specified transactions. Effective December 31, 2005 Mr. Angus retired from Endeavour and the monthly fee was reduced to US\$5,000 per month. The agreement was terminated by mutual consent effective February 28, 2006. During the fiscal year ended December 31, 2006, Endeavour was paid \$11,600 (2005 - \$115,088, 2004 - \$78,637).
6. On February 14, 2006 and effective January 1, 2006, the Company has entered into an agreement with RSA Holdings Ltd., pursuant to which Mr. Angus, a director of the Company, provides advisory services including participation on various committees of the Company. A monthly fee of US\$5,000 for services is payable under this agreement for a minimum period of six months. The Company paid RSA \$68,350 in 2006.
7. Mr. Terry had a consulting agreement with Amera dated February 16, 2004, amended June 1, 2004, which called for monthly payments of \$10,000. The Company had agreed to reimburse Amera for 50% of these fees. In the fiscal year ended December 31, 2004 the Company paid \$43,000 as a result of this arrangement. On January 1, 2005 Mr. Terry's agreement with Amera was replaced by a similar agreement with the Grosso Group. During the year ended December 31, 2005, Mr. Terry's total compensation from the Grosso Group was \$120,000, of which \$63,600 was allocated to the Company as part of the Grosso Group fees during the year. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to \$12,500 (\$150,000 annually) effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006 Mr. Terry's total compensation from the Grosso Group was \$140,000, of which \$57,400 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."
8. The Company has entered into an agreement dated April 23, 2004, with Mr. Lang, Chief Financial Officer and a director of the Company, pursuant to which Mr. Lang provides services to the Company. By agreement dated April 23, 2004, Arthur Lang, the Chief Financial Officer and a director of the Company, is paid a salary of \$80,000 per year for professional services rendered. Mr. Lang is also reimbursed for certain monthly club dues. During the fiscal year ended December 31, 2004, Mr. Lang was paid \$58,671. Mr. Lang became an employee of the Grosso Group in January 2005. Effective May 1, 2005 Mr. Lang's annual salary was increased to \$102,000. During the year ended December 31, 2005, Mr. Lang's total compensation from the Grosso Group was \$94,667, of which \$68,927 was allocated to the Company as part of the Grosso

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Group fees for the year. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase Mr. Lang's annual salary to \$150,000 effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006 Mr. Lang's total compensation from the Grosso Group was \$134,000 of which \$54,940 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

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9. The Company entered into an Arrangement Agreement with Golden Arrow pursuant to which the Company transferred certain assets to Golden Arrow as part of a reorganization of the Company completed in 2004. See "Item 4. Information on the Company - History and Development of the Company." The Company entered into an indemnity agreement, for any costs or losses incurred by Golden Arrow in respect of the legal action commenced by a Minera Aquiline Argentina S.A. against the Company. See "Item 8. Financial Information - Legal Proceedings."
10. The Company entered into a Management Services Agreement dated March 22, 2005 with IMA Latin America Inc., the Company's wholly owned BVI subsidiary and Gestora de Negocios E Inversiones S.A. ("Gestora") to retain Gestora to provide certain management, consulting and advisory services of Mr. Augusto Baertl ("Baertl") for the development of the Navidad project. A Confidentiality Agreement between the Grosso Group Management Ltd. and Gestora was also entered into. A Director/Officer Agreement between IMA Latin America Inc. and Baertl was also entered into as well as an Indemnity Agreement between the Company and Baertl. Baertl and Gestora gave notice of termination of the Management Services Agreement and the Director/Officer Agreement effective September 30, 2006.
11. On October 18, 2006, the Company and Aquiline reached a definitive agreement (the Interim Agreement) for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The transactions outlined in the agreement will constitute due compliance by both parties with the July 14, 2006 Supreme Court of British Columbia judgment in respect of the Navidad project. The principal terms and conditions of the Interim Agreement are as follows:
 - (a) control of the Navidad project will be transferred to Aquiline in trust for the ultimately successful party in the appeal;
 - (b) the Company and Aquiline have agreed to the costs spent to date developing the Navidad Project in the amount of \$18,500,000. Upon transfer of control of the Navidad project, Aquiline paid \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions;
 - (c) in the event that the Company is unsuccessful on appeal, the Company will be paid such \$18,500,000 amount, less legal costs Aquiline would be entitled to in relation to the trial and the appeal.
 - (d) in the event that the Company's appeal is successful, it will

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pay Aquiline's qualifying costs expended on developing the Navidad Project during the period of the appeal, less legal costs the Company would be entitled to in relation to the trial and the appeal, and control of the Navidad Project will then revert to the Company; and

- (e) pending the finalization of the appeal process, neither party will attempt a hostile takeover of the other.

EXCHANGE CONTROLS

There are no governmental laws, decrees, or regulations in Canada relating to restrictions on the export or import of capital, or affecting the remittance of interest, dividends, or other payments to non-resident holders of the Company's Common Stock. Any remittances of dividends to United States residents are, however, subject to a 15% withholding tax (10% if the shareholder is a corporation owning at least 10% of the outstanding Common Stock of the Company) pursuant to Article X of the reciprocal tax treaty between Canada and the United States. See "Item 10. Additional Information - Taxation".

Except as provided in the Investment Canada Act (the "Act"), there are no limitations specific to the rights of non-Canadians to hold or vote the Common Stock of the Company under the laws of Canada or the Province of British Columbia or in the charter documents of the Company.

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Management of the Company considers that the following general summary is materially complete and fairly describes those provisions of the Act pertinent to an investment by an American investor in the Company.

The Act requires a non-Canadian making an investment which would result in the acquisition of control of a Canadian business, the gross value of the assets of which exceed certain threshold levels or the business activity of which is related to Canada's cultural heritage or national identity, to either notify, or file an application for review with, Investment Canada, the federal agency created by the Investment Canada Act.

The notification procedure involves a brief statement of information about the investment of a prescribed form which is required to be filed with Investment Canada by the investor at any time up to 30 days following implementation of the investment. It is intended that investments requiring only notification will proceed without government intervention unless the investment is in a specific type of business activity related to Canada's cultural heritage and national identity.

If an investment is reviewable under the Act, an application for review in the form prescribed is normally required to be filed with Investment Canada prior to the investment taking place and the investment may not be implemented until the review has been completed and the Minister responsible for Investment Canada is satisfied that the investment is likely to be of net benefit to Canada. If the Minister is not satisfied that the investment is likely to be of net benefit to Canada, the non-Canadian must not implement the investment or, if the investment has been implemented, may be required to divest himself of control of the business that is the subject of the investment.

The following investments by non-Canadians are subject to notification under the

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Act:

- (a) an investment to establish a new Canadian business; and
- (b) an investment to acquire control of a Canadian business that is not reviewable pursuant to the Act.

An investment is reviewable under the Act if there is an acquisition by a non-Canadian of a Canadian business and the asset value of the Canadian business being acquired equals or exceeds the following thresholds:

- (a) for non-WTO Investors, the threshold is \$5,000,000 for a direct acquisition and over \$50,000,000 for an indirect acquisition. The \$5,000,000 threshold will apply however for an indirect acquisition of the asset value of the Canadian business being acquired exceeds 50% of the asset value of the global transaction;
- (b) except as specified in paragraph (c) below, a threshold is calculated for reviewable direct acquisitions by or from WTO Investors. The threshold for 2005 is \$250,000,000. Pursuant to Canada's international commitments, indirect acquisitions by or from WTO Investors are not reviewable; and
- (c) the limits set out in paragraph (a) apply to all investors for acquisitions of a Canadian business that:
 - (i) engages in the production of uranium and owns an interest in a producing uranium property in Canada;
 - (ii) provides any financial services;
 - (iii) provides any transportation service; or
 - (iv) is a cultural business.

WTO Investor as defined in the Act means:

- (a) an individual, other than a Canadian, who is a national of a WTO Member or who has the right of permanent residence in relation to that WTO Member;
- (b) a government of a WTO Member, whether federal, state or local, or an agency thereof;
- (c) an entity that is not a Canadian-controlled entity, and that is a WTO investor-controlled entity, as determined in accordance with the Act;
- (d) a corporation or limited partnership:

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- (i) that is not a Canadian-controlled entity, as determined pursuant to the Act;
- (ii) that is not a WTO investor within the meaning of the Act;
- (iii) of which less than a majority of its voting interests are owned by WTO investors;
- (iv) that is not controlled in fact through the ownership of its voting interests; and
- (v) of which two thirds of the members of its board of directors, or of which two thirds of its general partners, as the case may be, are any combination of Canadians and WTO investors;

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- (e) a trust:
 - (i) that is not a Canadian-controlled entity, as determined pursuant to the Act;
 - (ii) that is not a WTO investor within the meaning of the Act;
 - (iii) that is not controlled in fact through the ownership of its voting interests, and
 - (iv) of which two thirds of its trustees are any combination of Canadians and WTO investors, or
- (f) any other form of business organization specified by the regulations that is controlled by a WTO investor.

WTO Member as defined in the Act means a member of the World Trade Organization.

Generally speaking, an acquisition is direct if it involves the acquisition of control of the Canadian business or of its Canadian parent or grandparent and an acquisition is indirect if it involves the acquisition of control of a non-Canadian parent or grandparent of an entity carrying on the Canadian business. Control may be acquired through the acquisition of actual or de jure voting control of a Canadian corporation or through the acquisition of substantially all of the assets of the Canadian business. No change of voting control will be deemed to have occurred if less than one-third of the voting control of a Canadian corporation is acquired by an investor.

The Act specifically exempts certain transactions from either notification or review. Included among the category of transactions is the acquisition of voting shares or other voting interests by any person in the ordinary course of that person's business as a trader or dealer in securities.

TAXATION

MATERIAL CANADIAN FEDERAL INCOME TAX CONSEQUENCES

Management of the Company considers that the following discussion describes the material Canadian federal income tax consequences applicable to a holder of Common Stock of the Company who is a resident of the United States and who is not a resident of Canada and who does not use or hold, and is not deemed to use or hold, his shares of Common Stock of the Company in connection with carrying on a business in Canada (a "non-resident shareholder").

This summary is based upon the current provisions of the Income Tax Act (Canada) (the "ITA"), the regulations thereunder (the "Regulations"), the current publicly announced administrative and assessing policies of Revenue Canada, Taxation and all specific proposals (the "Tax Proposals") to amend the ITA and Regulations announced by the Minister of Finance (Canada) prior to the date hereof. This description is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action.

DIVIDENDS

Dividends paid on the common stock of the Company to a non-resident will be subject to withholding tax. The Canada-U.S. Income Tax Convention (1980) provides that the normal 25% withholding tax rate is reduced to 15% on dividends paid on shares of a corporation resident in Canada (such as the Company) to residents of the United States, and also provides for a further reduction of this rate to 5% where the beneficial owner of the dividends is a corporation which is a resident of the United States which owns at least 10% of the voting shares of the corporation paying the dividend. In the event of the Company

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declaring and paying dividends it would withhold any applicable taxes.

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CAPITAL GAINS

In general, a non-resident of Canada is not subject to tax under the ITA with respect to a capital gain realized upon the disposition of a share of a corporation resident in Canada that is listed on a prescribed stock exchange. For purposes of the ITA, the Company is listed on a prescribed stock exchange. Non-residents of Canada who dispose of shares of the Company will be subject to income tax in Canada with respect to capital gains if:

- (a) the non-resident holder;
- (b) persons with whom the non-resident holder did not deal at arm's length; or
- (c) the non-resident holder and persons with whom the non-resident holder did not deal with at arm's length,

owned not less than 25% of the issued shares of any class or series of the Company at any time during the five-year period preceding the disposition. In the case of a non-resident holder to whom shares of the Company represent taxable Canadian property and who is resident in the United States, no Canadian taxes will be payable on a capital gain realized on such shares by reason of the Canada-U.S. Income Tax Convention (1980) (the "Treaty") unless the value of such shares is derived principally from real property situated in Canada. However, in such a case, certain transitional relief under the Treaty may be available.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes the material United States federal income tax consequences, under current law, applicable to a U.S. Holder (as defined below) of the Company's common stock. This discussion does not address consequences peculiar to persons subject to special provisions of federal income tax law, such as tax-exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, nonresident alien individuals or foreign corporations, or shareholders owning common stock representing 10% of the vote and value of the Company. In addition, this discussion does not cover any state, local or foreign tax consequences.

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, published Internal Revenue Service ("IRS") rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. In addition, this discussion does not consider the potential effects, both adverse and beneficial of recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. Holders and prospective holders of the Company's Common Stock should consult their own tax advisors about the federal, state, local and foreign tax consequences of purchasing, owning and disposing of shares of Common Stock of the Company.

U.S. HOLDERS

As used herein, a "U.S. Holder" is defined as (i) citizens or residents of the U.S., or any state thereof, (ii) a corporation or other entity created or organized under the laws of the U.S., or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income tax

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regardless of source or that is otherwise subject to U.S. federal income tax on a net income basis in respect of the common stock, or (iv) a trust whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. fiduciaries who have the authority to control all substantial decisions of the trust, whose ownership of common stock is not effectively connected with the conduct of a trade or business in the United States and shareholders who acquired their stock through the exercise of employee stock options or otherwise as compensation.

DISTRIBUTIONS ON SHARES OF COMMON STOCK

U.S. Holders receiving dividend distributions (including constructive dividends) with respect to the Company's common stock are required to include in gross income for United States federal income tax purposes the gross amount of such distributions to the extent that the Company has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's United States federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder's United States federal taxable income by those who

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itemize deductions. (See more detailed discussion at "Foreign Tax Credit" below.) To the extent that distributions exceed current or accumulated earnings and profits of the Company, they will be treated first as a return of capital up to the U.S. Holder's adjusted basis in the common stock and thereafter as gain from the sale or exchange of such shares. Preferential tax rates for long-term capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation. Dividends paid on the Company's common stock will not generally be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations.

FOREIGN TAX CREDIT

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of the Company's common stock may be entitled, at the option of the U.S. Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. Subject to certain limitations, Canadian taxes withheld will be eligible for credit against the U.S. Holder's United States federal income taxes. Under the Code, the limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Dividends paid by the Company generally will be either "passive" income or "financial services" income, depending on the particular U.S. Holder's circumstances. Foreign tax credits allowable with respect to each class of income cannot exceed the U.S. federal income tax otherwise payable with respect to such class of income. The consequences of the separate limitations will depend on the nature and sources of each U.S. Holder's income and the deductions appropriately allocated or apportioned thereto. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific and holders and prospective holders of common stock should consult their own tax advisors regarding their individual circumstances.

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DISPOSITION OF SHARES OF COMMON STOCK

A U.S. Holder will recognize gain or loss upon the sale of shares of common stock equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received; and (ii) the shareholder's tax basis in the common stock. This gain or loss will be capital gain or loss if the shares are a capital asset in the hands of the U.S. Holder, and such gain or loss will be long-term capital gain or loss if the U.S. Holder has held the common stock for more than one year. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders who are individuals, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders which are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

OTHER CONSIDERATIONS

The Company has not determined whether it meets the definition of a "passive foreign investment company" (a "PFIC"). It is unlikely that the Company meets the definition of a "foreign personal holding company" (a "FPHC") or a "controlled foreign corporation" (a "CFC") under current U.S. law.

If more than 50% of the voting power or value of the Company were owned (actually or constructively) by U.S. Holders who each owned (actually or constructively) 10% or more of the voting power of the Company's common shares ("10% Shareholders"), then the Company would become a CFC and each 10% Shareholder would be required to include in its taxable income as a constructive dividend an amount equal to its share of certain undistributed income of the Company. If (1) more than 50% of the voting power or value of the Company's common shares were owned (actually or constructively) by five or fewer individuals who are citizens or residents of the United States and (2) 60% or more of the Company's income consisted of certain interest, dividend or other enumerated types of income, then the Company would be a FPHC. If the Company were a FPHC, then each U.S. Holder (regardless of the amount of the Company's Common Shares owned by such U.S. Holder) would be required to include in its taxable income as a constructive dividend its share of the Company's undistributed income of specific types.

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If 75% or more of the Company's annual gross income has ever consisted of, or ever consists of, "passive" income or if 50% or more of the average value of the Company's assets in any year has ever consisted of, or ever consists of, assets that produce, or are held for the production of, such "passive" income, then the Company would be or would become a PFIC. The Company has not provided assurances that it has not been and does not expect to become a PFIC. Please note that the application of the PFIC provisions of the Code to mining companies is somewhat unclear.

If the Company were to be a PFIC, then a U.S. Holder would be required to pay an interest charge together with tax calculated at maximum tax rates on certain "excess distributions" (defined to include gain on the sale of stock) unless such U.S. Holder made an election either to (1) include in his or her taxable income certain undistributed amounts of the Company's income or (2) mark to

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market his or her Company common shares at the end of each taxable year as set forth in Section 1296 of the Internal Revenue Code of 1986, as amended. The elections require certain conditions be met such as filing on or before the due date, as extended, for filing the shareholder's income tax return for the first taxable year to which the election will apply.

INFORMATION REPORTING AND BACKUP WITHHOLDING

U.S. information reporting requirements may apply with respect to the payment of dividends to U.S. Holders of the Company's shares. Under Treasury regulations currently in effect, non-corporate holders may be subject to backup withholding at a 31% rate with respect to dividends when such holder (1) fails to furnish or certify a correct taxpayer identification number to the payor in the required manner, (2) is notified by the IRS that it has failed to report payments of interest or dividends properly or (3) fails, under certain circumstances, to certify that it has been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments.

DOCUMENTS ON DISPLAY

Documents concerning the Company and referred to in this report may be inspected at the COMPANY'S principal office, located at #709 - 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As of the date of this report, the Company does not have any material market risk sensitive financial instruments.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS.

Not applicable.

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ITEM 15. CONTROLS AND PROCEDURES.

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An evaluation was performed under the supervision and with the participation of the Company's management, including Mr. Grosso, the Company's Chief Executive Officer, and Mr. Lang, the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15(b) and 15d-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act") as of December 31, 2005. Based upon that evaluation, Messrs. Grosso and Lang, concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

During the fiscal year ended December 31, 2006, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.

The Board of Directors has determined that the Company has at least one audit committee financial expert, Mr. David Horton, an independent director, serves on the Company's audit committee.

ITEM 16B. CODE OF BUSINESS CONDUCT AND ETHICS.

CODE OF BUSINESS CONDUCT AND ETHICS

The Board of Directors of IMA Exploration Inc. (the "Company") has adopted a Code of Business Conduct and Ethics that outlines the Company's values and its commitment to ethical business practices in every business transaction. This code applies to all directors, officers, and employees of the Company and its subsidiaries and affiliates. A copy of the Company's Code of Business Conduct and Ethics is available on the Company's website at www.imaexploration.com/s/CorporateGovernance.asp.

HONEST AND ETHICAL CONDUCT

The Company expects a high level of personal integrity for each employee, officer and director when interacting with investors, business partners, shareholders, suppliers, consultants and other employees.

CONFLICT OF INTEREST

When possible, conflicts of interest between personal and professional relationships should be avoided, however, unavoidable conflict of interest will be handled in accordance with the Company's ethical standards.

A director, officer or employee may not represent the Company in any transaction with a person or an entity in which the director, officer or employee has a direct or indirect interest or from which the director, officer or employee may derive personal benefit.

ACCURATE AND TIMELY DISCLOSURE

Full, fair, accurate, timely and understandable disclosure in reports or documents submitted to the Securities and Exchange Commission and other

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securities commissions across Canada as well as all public communications. Employees and officers who prepare financial and other reports will exercise diligence in ensuring that there are no false or misleading statements.

COMPLIANCE WITH APPLICABLE GOVERNMENTAL LAWS, RULES AND REGULATIONS

The Company is committed to compliance with all laws, rules and regulations, including laws and regulations applicable to the Company's securities, as well as any rules promulgated by any exchange on which the Company's shares are listed.

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PROMPT INTERNAL REPORTING OF VIOLATIONS

Employees and officers are responsible for the prompt internal reporting of any violations of the Code to the Company's Compliance Officer.

PROTECTION AND PROPER USE OF COMPANY ASSETS AND OPPORTUNITIES

All employees have an obligation to protect the Company's assets and to ensure that all opportunities available to the Company are brought to the attention of the relevant officer or employee.

CONFIDENTIALITY OF COMPANY INFORMATION

It is the Company's policy that business affairs of the Company are confidential and should not be discussed outside the Company except for information that has already been made available to the public.

INSIDER TRADING

Management, employees, members of the Board of Directors and others who are in a "special relationship" with the Company from time to time become aware of corporate developments or plans which may affect the value of the Company's shares (inside information) before these developments or plans are made public. Company directors, officers and employees are prohibited from using inside information themselves or disclosing this inside information to others who may use the information to trade Company stock.

FAIR DEALING

Each employee should endeavour to respect the rights of, and deal fairly with, our shareholders, investors, business partners, suppliers, competitors and employees. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair business practice.

REPORTING UNETHICAL AND ILLEGAL CONDUCT/ETHICS QUESTIONS

The Company is committed to taking prompt action against violations of the Code of Business Conduct and Ethics and it is the responsibility of all directors, officers and employees to comply with the Code and to report violations or suspected violations to the Company's Compliance Officer. Employees may also discuss their concerns with their supervisor who will then report suspected violations to the Compliance Officer.

The Compliance Officer is appointed by the Board of Directors and is responsible for investigating and resolving all reported complaints and allegations and

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shall advise the President and CEO, the CFO and/or the Audit Committee.

The Compliance Officer can be reached via telephone at 1-866-921-6714 or via the internet site located at <http://www.whistleblowersecurity.com>.

VIOLATIONS AND WAIVERS

The Compliance Officer will report suspected fraud or securities law violations for review by the Audit Committee. The Audit Committee will report all violations reviewed by the Committee to the Board of Directors.

The Compliance Officer will report regularly to the Board of Directors on the results and resolution of complaints and allegations concerning violations of the Code.

No waivers of any provision of this Code of Business Conduct and Ethics may be made except by the Board of Directors. Any waiver or amendment shall be reported as required by law or regulation.

Only the Audit Committee may amend this Code of Business Conduct and Ethics.

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ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

AUDIT FEES

For the fiscal year ended December 31, 2006, the Company's auditor billed approximately \$28,500, and for the fiscal year ended December 31, 2005, the Company's auditor billed approximately \$42,000 for the audit of the Company's annual financial statements or services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements for those fiscal years.

AUDIT RELATED FEES

For the fiscal years ended December 31, 2006 and 2005, the Company's auditors billed \$58,303 and billed \$32,015, respectively, for assurance and related services that were reasonably related to the performance of the audit or review of the Company's financial statements outside of those fees disclosed above under "Audit Fees"

TAX FEES

For the fiscal years ended December 31, 2006 and 2005, the Company's auditor billed \$10,232 and billed \$17,703, respectively, for tax compliance, tax advice and tax planning services.

PRE-APPROVAL POLICIES AND PROCEDURES

Generally, in the past, prior to engaging the Company's auditors to perform a particular service, the Company's audit committee has, when possible, obtained an estimate for the services to be performed. The audit committee in accordance with procedures for the Company approved all of the services described above.

Additionally, the auditors have been engaged to perform services by non-independent directors of the Company pursuant to pre-approval policies and procedures established by the audit committee (which are detailed as to the

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particular service) and the audit committee has been informed of any such engagement and service.

Since January 1, 2005, the Company's auditors have not billed the Company for audit related services in connection with the reorganization.

Beginning July 1, 2004, the Company's audit committee obtained estimates for services to be performed, prior to engaging the Company's auditor to perform any audit or non-audit related services, including those set forth above. The audit committee also allowed the engagement of the auditor, by a non-independent member of the board of directors, to render services pursuant to pre-approval policies and procedures established by the audit committee (which are detailed as to the particular service), provided the audit committee is informed of any such engagement and service. The audit committee may delegate to one of its members, who is also an independent director of the Company, the ability to approve such services on behalf of the audit committee. Any approval by such director shall be ratified by the audit committee at its next scheduled meeting.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES.

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PERSONS.

Not applicable.

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PART III

ITEM 17. FINANCIAL STATEMENTS.

See pages F-1 through F-27.

ITEM 18. FINANCIAL STATEMENTS.

Not applicable.

ITEM 19. EXHIBITS.

| EXHIBIT NUMBER | DESCRIPTION |
|-------------------|-------------|
|-------------------|-------------|

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| | |
|------|--|
| 1.1 | Notice of Articles (8) |
| 1.2 | Articles |
| 4.1 | Share Purchase Agreement Between Shareholders and 389863 B.C. Ltd. (1) |
| 4.2 | Arrangement Agreement Between Viceroy Resource Corporation and IMA Resource Corporation (1) |
| 4.3 | Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation (1) |
| 4.4 | Employment Agreement with William Lee (1) |
| 4.5 | Consulting Services Agreement Between Nikolaos Cacos and IMA Resource Corporation (1) |
| 4.6 | Consulting Agreement Between KGE Management Ltd. and IMA Exploration Inc. dated April 1, 2004 (8) |
| 4.7 | Consulting Agreement Between Lindsay R. Bottomer and IMA Exploration Inc. (1) |
| 4.8 | Exploration and Option Agreement with Barrick Exploraciones Argentina S.A. (1) |
| 4.9 | Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Construcciones S.R.L. (1) |
| 4.10 | Option Agreement with Lirio and Lir-Fer Construcciones S.R.L. (1) |
| 4.11 | Option Agreement with Oscar Garcia and others (1) |
| 4.12 | Purchase Agreement with Modesto Enrique Arasena (1) |
| 4.13 | Option Agreement with Hugo Arturo Bosque (1) |
| 4.14 | Option Agreement with Guillermo Munoz, Lydia Gonzalez, Ricardo Sanchez and Anton |
| 4.15 | Option Agreement with Jorge Ernesto Rodriguez and Gerardo Javier Rodriguez (1) |
| 4.16 | Option Agreement with Jorge Ernesto Rodriguez and Raul Alberto Garcia (1) |
| 4.17 | Purchase Agreement with Victor Ronchietto (1) |
| 4.18 | Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura (1) |
| 4.19 | Amendment to Option Agreement with Hugo Arturo Bosque (2) |
| 4.20 | Amendment to Purchase Agreement with Victor Ronchietto (2) |

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EXHIBIT
NUMBER

DESCRIPTION

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- 4.21 Option Agreement with Dionisio Ramos (2)
- 4.22 Amendment to Consulting Services Agreement Between Oxbow International Marketing and IMA Resource Corporation (2)
- 4.23 Amendment to consulting Agreement between IMA Exploration Inc. and Nikolaos Caco
- 4.24 Agreement between the Company and Sean Hurd dated June 2, 2002 (3)
- 4.25 Option Agreement between Nestor Arturo and IMA S.A. (3)
- 4.26 Amendment to Option Agreement with Guillermo Munoz, Lydia Gonzalez, Ricardo Sano Monteleone (3)
- 4.27 Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado N and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piu
- 4.28 Option Agreement with Rio Tinto Mining and Exploration Limited (4)
- 4.29 Amendment to Exploration and Option Agreement with Barrick Exploraciones Argentini
- 4.30 Consulting Agreement between the Company and Lindsay Bottomer dated April 1, 200
- 4.31 Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lir Lir-Fer Construcciones S.R.L. (4)
- 4.32 Amendment to Option Agreement with Juan Demetrio Lirio and Lir-Fer Construccione
- 4.33 Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado N and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piu
- 4.34 Amendment to Option Agreement between Nestor Arturo and IMA S.A. (4)
- 4.35 Consulting Agreement Between KGE Management Ltd. and IMA Exploration Inc. (4)
- 4.36 Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lir Lir-Fer Construcciones S.R.L. (5)
- 4.37 Amendment to Option Agreement with Juan Demetrio Lirio and Lir-Fer Construccione
- 4.38 Amendment to Option Agreement between Nestor Arturo and IMA S.A. (5)
- 4.39 Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado N and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piu
- 4.40 Short Form Offering Document (5)
- 4.41 Amendment to Consulting Services Agreement Between Oxbow International Marketing Resource Corporation (5)
- 4.42 Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploratio
- 4.43 Amendment to Agreement between the Company and Sean Hurd (5)
- 4.44 Amendment to Exploration and Option Agreement with Barrick Exploraciones Argentini March 26, 2003. (6)
- 4.45 Letter of Intent dated March 6, 2003 with Amera Resources Corporation (6)
- 4.46 Letter Agreement with Amera Resources Corporation re: reimbursement of office ex

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- 4.47 Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado N and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piu 23, 2002 (6)
- 4.48 Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lir Lir-Fer Construcciones S.R.L. dated July 10, 2002 (6)

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| EXHIBIT NUMBER ----- | DESCRIPTION ----- |
|----------------------------|--|
| 4.49 | Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lir Lir-Fer Construcciones S.R.L. dated December 27, 2002 (6) |
| 4.50 | Amendment to Consulting Services Agreement Between Oxbow International Marketing Resource Corporation dated July 15, 2002 (6) |
| 4.51 | Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploratio 14, 2002 (6) |
| 4.52 | Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploratio October 3, 2002 (6) |
| 4.53 | Amendment to Agreement between the Company and Sean Hurd dated June 10, 2002 (6) |
| 4.54 | Amendment to Consulting Services Agreement Between Oxbow International Marketing Resource Corporation dated April 17, 2003 (6) |
| 4.55 | Arrangement Agreement between IMA Exploration Inc., IMA Holdings Corp. and Golde Corporation dated May 14, 2004 (7) |
| 4.56 | Amendment to consulting Agreement with Nikolaos Cacos dated January 5, 2004 (8) |
| 4.57 | Amendment to Agreement with Sean Hurd dated January 5, 2004 (8) |
| 4.58 | Financial Advisory Services Agreement with Endeavour Financial Ltd. (8) |
| 4.59 | Agreement between the Company and Amera Resources Corporation dated March 6, 2004 regarding Lago Pico, Loma Alta and Nueva Ruta properties (8) |
| 4.60 | Amendment to Letter of Intent with Amera Resources Corporation dated September 3, 2003 (8) |
| 4.61 | Amendment to Letter of Intent with Amera Resources Corporation dated April 8, 2003 (8) |
| 4.62 | Letter Agreement with Beauregard Holdings Corp. dated February 5, 2004 regarding (8) |
| 4.63 | Option Agreement dated September 22, 2003, between the Company and Cloudbreak Re (8) |
| 4.64 | Option Agreement dated August 12, 2003 between the Company and Consolidated Paci Ltd. (8) |

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|------|--|
| 4.65 | Option agreement dated June 11, 2003, between the Company and Ballad Gold & Silver (Ballad Ventures Ltd.) (8) |
| 4.66 | Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado N and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piu 15, 2003 (8) |
| 4.67 | Letter Agreement with Arthur Lang dated April 23, 2004 (8) |
| 4.68 | Arrangement Agreement by and among the Company, Golden Arrow Resources Corporation Holdings Corp. dated May 14, 2004 (9) |
| 4.69 | Indemnity Agreement provided to Golden Arrow Resources Corporation dated July 7, |
| 4.70 | Administration Services Agreement with the Grosso Group Management Ltd. dated Ja |
| 4.71 | Amendment to Consulting Agreement between KGE Management Ltd. and IMA Exploratio April 1, 2005 (9) |
| 4.72 | Audit Committee Charter (9) |
| 4.73 | Amendment to Consulting Agreement between KGE Management Ltd. and IMA Exploratio January 26, 2006 (10) |
| 4.74 | Advisory Services Agreement between RSA Holdings Ltd. and IMA Exploration Inc. d 2006 (10) |

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| EXHIBIT NUMBER | DESCRIPTION |
|-------------------|---|
| ----- | |
| 4.75 | Interim Project Development Agreement between IMA Exploration Inc. and Aquiline dated October 18, 2006.(11) |
| 8.1 | List of Subsidiaries (8) |
| 12.1 | Certification of Joseph Grosso Pursuant to Rule 13a-14(a) |
| 12.2 | Certification of Arthur Lang Pursuant to Rule 13a-14(a) |
| 13.1 | Certification of Joseph Grosso Pursuant to 18 U.S.C. Section 1350 |
| 13.2 | Certification of Arthur Lang Pursuant to 18 U.S.C. Section 1350 |
| ----- | |

- (1) Previously filed as an exhibit to the Company's Registration Statement on Form 20-F, filed with the Commission on January 6, 2000. File number 00-30464.
- (2) Previously filed as an exhibit to the Company's Registration Statement

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- on Form 20-F/A Amendment No. 1 filed July 14, 2000. File Number 00-30464.
- (3) Previously filed as an exhibit to the Company's Registration Statement on Form 20-F/A Amendment No. 2 filed September 15, 2000. File Number 00-30464.
 - (4) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 8, 2001. File Number 00-30464.
 - (5) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 8, 2002. File Number 00-30464.
 - (6) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 16, 2003. File Number 00-30464.
 - (7) Previously filed as with the Company's Report on Form 6-K filed June 18, 2004. File Number 00-30464.
 - (8) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed June 23, 2004. File Number 00-30464.
 - (9) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed June 7, 2005. File Number 00-30464.
 - (10) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 8, 2006. File Number 01-32558.
 - (11) Previously filed as with the Company's Report on Form 6-K filed October 19, 2006. File Number 01-32558.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

IMA EXPLORATION INC.

Dated: MARCH 30, 2007

/s/ Arthur Lang

Arthur Lang,
Chief Financial Officer
and Director

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IMA EXPLORATION INC.
(AN EXPLORATION STAGE COMPANY)

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CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006, 2005 AND 2004
(EXPRESSED IN CANADIAN DOLLARS)

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada and reconciled to accounting principles generally accepted in the United States as set out in Note 11 and contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada and the Public Company Accounting Oversight Board

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(United States), and their report follows.

/s/ JOSEPH GROSSO

Joseph Grosso
President

March 29, 2007

/s/ ART LANG

Art Lang
Chief Financial Officer

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PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS
PricewaterhouseCoopers Place
250 Howe Street, Suite 700
Vancouver, British Columbia
Canada V6C 3S7
Telephone +1 604 806 7000
Facsimile +1 604 806 7806

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF IMA EXPLORATION INC.

We have audited the consolidated balance sheets of IMA EXPLORATION INC. as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for each of the years in the three year period ended December 31, 2006. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

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(SIGNED) PRICEWATERHOUSECOOPERS LLP

CHARTERED ACCOUNTANTS

Vancouver, B.C., Canada

March 29, 2007

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

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IMA EXPLORATION INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2006 AND 2005
(EXPRESSED IN CANADIAN DOLLARS)

| | 2006 | 2005 |
|---|------------|------------|
| | \$ | \$ |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | 391,420 | 151,395 |
| Short-term investments (Note 4) | 8,500,000 | 7,580,000 |
| Other receivables, prepaids and deposits (Note 8) | 405,205 | 548,492 |
| Marketable securities (Note 5) | - | 186,000 |
| | ----- | ----- |
| | 9,296,625 | 8,465,887 |
| MINERAL PROPERTIES AND DEFERRED | | |
| COSTS (Notes 2 and 9) | - | 15,032,107 |
| NAVIDAD INTEREST (Note 2) | 17,949,521 | - |
| | ----- | ----- |
| | 27,246,146 | 23,497,994 |
| | ===== | ===== |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 236,612 | 976,811 |
| FUTURE INCOME TAX LIABILITIES (Note 9) | - | 1,760,110 |
| | ----- | ----- |
| | 236,612 | 2,736,921 |
| | ----- | ----- |
| SHAREHOLDERS' EQUITY | | |
| SHARE CAPITAL (Note 6) | 58,664,727 | 50,414,672 |

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| | | |
|------------------------------|--------------|--------------|
| WARRANTS (Note 6) | 1,281,946 | - |
| CONTRIBUTED SURPLUS (Note 7) | 6,152,265 | 5,854,445 |
| DEFICIT | (39,089,404) | (35,508,044) |
| | ----- | ----- |
| | 27,009,534 | 20,761,073 |
| | ----- | ----- |
| | 27,246,146 | 23,497,994 |
| | ===== | ===== |

NATURE OF OPERATIONS AND CONTINGENCY (Note 1)

MEASUREMENT UNCERTAINTY AND NAVIDAD INTEREST (Note 2)

COMMITMENTS (Note 8)

APPROVED BY THE BOARD

/s/ DAVID HORTON , Director

/s/ ROBERT STUART ANGUS , Director

The accompanying notes are an integral part of these consolidated financial statements.

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IMA EXPLORATION INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(EXPRESSED IN CANADIAN DOLLARS)

| | 2006 | 2005 | 2004 |
|--|-----------|-----------|-----------|
| | \$ | \$ | \$ |
| EXPENSES | | | |
| Administrative and management services | 461,553 | 294,828 | 350,521 |
| Corporate development and investor relations | 328,779 | 496,538 | 286,187 |
| General exploration | 186,572 | 55,914 | 228,961 |
| Office and sundry | 181,913 | 148,015 | 107,678 |
| Professional fees | 1,124,144 | 2,212,190 | 816,143 |
| Rent, parking and storage | 96,263 | 72,791 | 90,629 |
| Salaries and employee benefits | 652,530 | 585,560 | 313,409 |
| Stock based compensation (Note 6) | 393,120 | 1,800,000 | 1,972,860 |
| Telephone and utilities | 17,432 | 26,648 | 34,165 |
| Transfer agent and regulatory fees | 103,457 | 199,715 | 57,743 |

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| | | | |
|--|--------------|--------------|--------------|
| Travel and accommodation | 93,392 | 256,035 | 203,591 |
| Cost recoveries (Note 8) | - | - | (149,271) |
| Navidad holding costs (Note 2) | 312,349 | - | - |
| | ----- | ----- | ----- |
| | 3,951,504 | 6,148,234 | 4,312,616 |
| | ----- | ----- | ----- |
| LOSS BEFORE OTHER ITEMS | (3,951,504) | (6,148,234) | (4,312,616) |
| | ----- | ----- | ----- |
| OTHER INCOME (EXPENSE) | | | |
| Foreign exchange | (2,865) | 232,954 | (195,285) |
| Reorganization costs | - | - | (346,103) |
| Interest and other income | 373,009 | 150,406 | 101,589 |
| Gain on options and disposition of mineral properties | - | - | 328,346 |
| Write-down of marketable securities | - | - | (99,762) |
| | ----- | ----- | ----- |
| | 370,144 | 383,360 | (211,215) |
| | ----- | ----- | ----- |
| LOSS FROM CONTINUING OPERATIONS | (3,581,360) | (5,764,874) | (4,523,831) |
| Loss allocated to spin-off assets (Note 13) | - | - | 131,232 |
| | ----- | ----- | ----- |
| LOSS FOR THE YEAR | (3,581,360) | (5,764,874) | (4,655,063) |
| DEFICIT - BEGINNING OF YEAR | (35,508,044) | (29,597,304) | (17,577,363) |
| DISTRIBUTION OF EQUITY ON SPIN-OFF OF ASSETS TO GOLDEN ARROW (Note 13) | - | (145,866) | (7,364,878) |
| | ----- | ----- | ----- |
| DEFICIT - END OF YEAR | (39,089,404) | (35,508,044) | (29,597,304) |
| | ===== | ===== | ===== |
| BASIC AND DILUTED LOSS PER COMMON SHARE FROM CONTINUING OPERATIONS | \$ (0.07) | \$ (0.12) | \$ (0.11) |
| | ===== | ===== | ===== |
| BASIC AND DILUTED LOSS PER COMMON SHARE | \$ (0.07) | \$ (0.12) | \$ (0.11) |
| | ===== | ===== | ===== |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 51,263,575 | 46,197,029 | 40,939,580 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of these consolidated financial statements.

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IMA EXPLORATION INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(EXPRESSED IN CANADIAN DOLLARS)

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| | 2006 | 2005 | 2004 |
|---|-------------|--------------|-------------|
| | \$ | \$ | \$ |
| CASH PROVIDED FROM (USED FOR) | | | |
| OPERATING ACTIVITIES | | | |
| Net loss for the year | (3,581,360) | (5,764,874) | (4,655,063) |
| Net loss allocated to spin-off assets | - | - | 131,232 |
| | ----- | ----- | ----- |
| Net loss from continuing operations | (3,581,360) | (5,764,874) | (4,523,831) |
| Items not affecting cash | | | |
| Depreciation | - | - | 26,665 |
| Stock based compensation | 393,120 | 1,800,000 | 1,972,860 |
| Gain on options and disposition of mineral properties | - | - | (328,346) |
| Write-down of marketable securities | - | - | 99,762 |
| | ----- | ----- | ----- |
| Change in non-cash working capital balances | (3,188,240) | (3,964,874) | (2,752,890) |
| | (596,912) | 115,256 | 74,785 |
| | ----- | ----- | ----- |
| Cash used in spin-off operations | (3,785,152) | (3,849,618) | (2,678,105) |
| | - | - | (283,629) |
| | ----- | ----- | ----- |
| | (3,785,152) | (3,849,618) | (2,961,734) |
| | ----- | ----- | ----- |
| INVESTING ACTIVITIES | | | |
| Expenditures on mineral properties and deferred costs | (4,491,524) | (7,025,492) | (4,448,659) |
| Increase in short-term investments | (920,000) | (3,280,000) | (4,300,000) |
| Net cash flow related to spin-off assets | - | - | 32,592 |
| Proceeds from sale/(purchase) of equipment | - | 46,589 | (93,650) |
| | ----- | ----- | ----- |
| | (5,411,524) | (10,258,903) | (8,809,717) |
| | ----- | ----- | ----- |
| FINANCING ACTIVITIES | | | |
| Issuance of common shares | 10,308,450 | 14,215,165 | 9,707,897 |
| Share issuance costs | (871,749) | (736,737) | (411,237) |
| | ----- | ----- | ----- |
| | 9,436,701 | 13,478,428 | 9,296,660 |
| | ----- | ----- | ----- |
| INCREASE (DECREASE) IN CASH | 240,025 | (630,093) | (2,474,791) |
| CASH TRANSFERRED TO GOLDEN ARROW (Note 13) | - | (145,866) | (1,020,189) |
| | ----- | ----- | ----- |
| NET INCREASE IN CASH | 240,025 | (775,959) | (3,494,980) |
| CASH - BEGINNING OF YEAR | 151,395 | 927,354 | 4,422,334 |
| | ----- | ----- | ----- |
| CASH - END OF YEAR | 391,420 | 151,395 | 927,354 |
| | ===== | ===== | ===== |

SUPPLEMENTARY CASH FLOW INFORMATION (Note 12)

The accompanying notes are an integral part of these

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consolidated financial statements.

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IMA EXPLORATION INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED SCHEDULE OF NAVIDAD INTEREST
FOR THE YEAR ENDED DECEMBER 31, 2006
(EXPRESSED IN CANADIAN DOLLARS)

| | NAVIDAD \$ | NAVIDAD AREA \$ | IVA TAX \$ |
|--|---------------|-----------------------|---------------|
| Mineral property interests balance, beginning of year | 13,466,957 | 113,426 | 1,451,724 |
| Expenditures during the year | | | |
| Acquisition costs | 110,807 | - | - |
| Assays | 63,985 | - | - |
| Communications | 53,793 | - | - |
| Drilling | 1,400,714 | - | - |
| Engineering | 43,832 | - | - |
| Environmental and social | 305,989 | - | - |
| Metallurgy | 325,457 | - | - |
| Office and other | 201,408 | - | - |
| Salaries and Contractors | 599,049 | - | - |
| Supplies and Equipment | 162,645 | - | - |
| Transportation | 243,360 | - | - |
| Project Development | 442,402 | - | - |
| IVA Tax | - | - | 538,083 |
| | 3,953,441 | - | 538,083 |
| Future income tax (Note 9) | 455,439 | - | - |
| Mineral property interest balance | 17,875,837 | 113,426 | 1,989,807 |
| Less: Future income tax (Notes 2 and 9) | (2,215,549) | - | - |
| Add: Marketable securities (Note 5) | - | 186,000 | - |
| Navidad interest balance, end of year (Notes 1 and 2) | 15,660,288 | 299,426 | 1,989,807 |

The accompanying notes are an integral part of these consolidated financial statements.

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IMA EXPLORATION INC.
 (AN EXPLORATION STAGE COMPANY)
 CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS
 FOR THE YEAR ENDED DECEMBER 31, 2005
 (EXPRESSED IN CANADIAN DOLLARS)

| | NAVIDAD \$ | NAVIDAD AREA \$ | IVA TAX \$ |
|---------------------------------------|---------------|-----------------------|---------------|
| Balance, beginning of year | 5,770,968 | 112,694 | 667,936 |
| Expenditures during the year | | | |
| Assays | 316,220 | - | - |
| Communications | 28,100 | 51 | - |
| Drilling | 2,188,346 | - | - |
| Engineering | 53,340 | - | - |
| Environmental | 391,816 | - | - |
| Geophysics | 176,036 | - | - |
| Metallurgy | 501,070 | - | - |
| Office and other | 95,310 | 640 | - |
| Petrography | 13,563 | - | - |
| Salaries and Contractors (Note 6 (d)) | 1,539,569 | - | - |
| Supplies and Equipment | 441,012 | 41 | - |
| Transportation | 248,554 | - | - |
| Project Development | 828,036 | - | - |
| IVA Tax | - | - | 783,788 |
| | 6,820,972 | 732 | 783,788 |
| Future income tax (Note 9) | 875,017 | - | - |
| Balance, end of year | 13,466,957 | 113,426 | 1,451,724 |

The accompanying notes are an integral part of these consolidated financial statements.

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IMA EXPLORATION INC.
 (AN EXPLORATION STAGE COMPANY)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS AND CONTINGENCY

IMA Exploration Inc. (the "Company") is a natural resource company engaged in the business of acquisition, exploration and development of mineral properties in Argentina. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently the Company considers itself to be an exploration stage company. The amounts that were shown as mineral properties and deferred costs represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. As at December 31, 2006 the Company had no mineral property interests other than the Navidad Interest. The Company considers that it has adequate resources to maintain its core operations for the next fiscal year.

On March 5, 2004, Aquiline Resources Inc. ("Aquiline"), through its subsidiary, Minera Aquiline Argentina SA, filed a claim in the Supreme Court of British Columbia against the Company seeking a constructive trust over the Navidad properties and damages. On July 14, 2006 the court released its judgment on the claim. The Company was not successful in its defense and the court found in Aquiline's favour.

The Order reads in part:

- "(a) that Inversiones Mineras Argentinas SA ("IMA SA") transfer the Navidad Claims and any assets related thereto to Minera Aquiline or its nominee within 60 days of this order;
- (b) that IMA take any and all steps required to cause IMA SA to comply with the terms of this order;
- (c) that the transfer of the Navidad Claims and any assets related thereto is subject to the payment to IMA SA of all reasonable amounts expended by IMA SA for the acquisition and development of the Navidad Claims to date; and
- (d) any accounting necessary to determine the reasonableness of the expenditures referred to in (c) above shall be by reference to the Registrar of this court."

The Company has filed an appeal of this judgment. The Company recognizes that this will take a substantial period of time and the costs will be significant, with no guarantee of a successful outcome for the Company. The Company has not provided for any future legal costs and will expense the legal costs of the appeal as they occur (see Note 2).

On October 18, 2006, the Company and Aquiline reached a definitive agreement for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The parties have agreed that the transactions outlined in the agreement are in satisfaction of the Order referenced above. The principal terms and conditions of the agreement are as follows:

- (a) control of the Navidad Project will be transferred to Aquiline in trust for the ultimately successful party in the appeal;
- (b) the Company and Aquiline have agreed to the costs spent to date developing the Navidad Project in the amount of

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\$18,500,000. Upon transfer of control of the Navidad Project, Aquiline paid \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions;

- (c) in the event that the Company is unsuccessful on appeal, the Company will be paid such \$18,500,000 amount, less legal costs Aquiline would be entitled to in relation to the trial and the appeal.

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IMA EXPLORATION INC.
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS AND CONTINGENCY (continued)

- (d) in the event that the Company's appeal is successful, it will pay Aquiline's qualifying costs expended on developing the Navidad Project during the period of the appeal, less legal costs the Company would be entitled to in relation to the trial and the appeal, and control of the Navidad Project will then revert to the Company; and
- (e) pending finalization of the appeal process, neither party will attempt a hostile takeover of the other.

The effective date of the transfer of the Navidad project was November 16, 2006. A copy of the agreement has been posted on the SEDAR website as one of the Company's public documents and is titled "Interim Project Development Agreement".

2. MEASUREMENT UNCERTAINTY AND NAVIDAD INTEREST

As discussed in Note 1 above, under the terms of the July 14, 2006 court order the Company's ownership of the Navidad project has been transferred to Aquiline and the Company accordingly cautions readers that until the British Columbia Court of Appeal rules on the matter the Company may only recover the costs incurred in the development of the Navidad project.

Upon the transfer of the Navidad property interest to Aquiline the Related Future Income Liabilities, which related to differences between the tax values of certain mineral properties expenditures and their accounting values, are no longer a liability of the Company. As at December 31, 2006, the Company has recorded a Navidad interest balance of \$17,949,521, the components of which are as follows:

| | \$ |
|---------------------------------------|------------|
| Mineral properties and deferred costs | 17,763,521 |
| Marketable securities (Note 5) | 186,000 |
| | ----- |
| Navidad interest | 17,949,521 |

=====

As discussed in Note 1 above, in the event that the Company is unsuccessful on appeal, the Company will be paid \$18,500,000 as consideration for these assets, less legal costs Aquiline would be entitled to in relation to the trial and the appeal. In the event that the legal costs that Aquiline may become entitled to are significant, the recoverability of the costs reflected as Navidad interest may be impaired. Such impairment may be material. However, at the current time, the Company is unable to determine with any degree of certainty what the final outcome of the appeal process may be, and if the Company is unsuccessful, what legal costs may be awarded to Aquiline by the court. Accordingly, the Company has not made any adjustments to the carrying value of the Navidad interest balance at December 31, 2006.

The carrying value of the components of the Navidad interest balance will be reviewed in subsequent periods and adjusted if circumstances suggest that the full amount may not be recoverable and an appropriate amount expensed for impairment when such amounts can be reasonably determined.

The Company expensed Navidad holding costs of \$312,349 in the year ended December 31, 2006. These costs are comprised of:

- i) costs incurred in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline; and
- ii) costs incurred in the period between the date of the judgment and the transfer of control of the Navidad project to Aquiline that would normally have been included in mineral properties and deferred costs.

The Company expects to incur additional costs until the Aquiline litigation is settled.

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IMA EXPLORATION INC.
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(EXPRESSED IN CANADIAN DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The significant measurement differences between those principles and those that would be applied under United States generally accepted accounting principles ("US GAAP") as they affect the Company are disclosed in Note 11.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect

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the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates include the recoverability of the Navidad interest balance (see Note 2 above), the determination of environmental obligations, and the assumptions used in the determination of the fair value of stock based compensation. Actual results may differ from these estimates.

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All inter-company transactions and balances have been eliminated.

SHORT-TERM INVESTMENTS

Short-term investments include money market investments maturing between 3 and 12 months from the date of initial investment.

MARKETABLE SECURITIES

Marketable securities are carried at the lower of cost and market.

MINERAL PROPERTIES AND DEFERRED COSTS

Direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company are deferred on an individual property basis until the viability of a property is determined. Administration costs and general exploration costs are expensed as incurred. When a property is placed in commercial production, deferred costs will be depleted using the units-of-production method. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the costs are written-off, or if its carrying value has been impaired, then the mineral properties and deferred costs are written down to fair value.

The Company accounts for foreign value added taxes paid as part of mineral properties and deferred costs. The recovery of these taxes will commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a reduction in carrying costs of mineral properties and deferred costs.

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IMA EXPLORATION INC.
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(EXPRESSED IN CANADIAN DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received are recorded as a gain on option or disposition of mineral property.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized on the same basis as the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at December 31, 2006 the Company does not have any asset retirement obligations.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment when events or circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

TRANSLATION OF FOREIGN CURRENCIES

The Company's foreign operations are integrated and are translated using the temporal method. Under this method, the Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates in effect during the period except for depreciation and amortization which are translated at historical rates. The resulting gains or losses are reflected in operating results in the period of translation.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, short-term investments and other receivables. The Company limits its exposure to credit loss by placing its cash and short-term investments with major financial institutions.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of the Company's financial instruments consisting of cash, short-term investments, other receivables and accounts payable

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and accrued liabilities approximate their carrying values due to the short-term nature of those instruments.

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IMA EXPLORATION INC.
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(EXPRESSED IN CANADIAN DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

The Company uses the liability method of accounting for future income taxes. Under this method of tax allocation, future income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Potential future income tax assets are not recognized to the extent that they are not considered more likely than not to be realized.

LOSS PER SHARE

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. In years in which a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted losses per share are the same. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Note 6.

STOCK BASED COMPENSATION

The Company has an employee stock option plan. The Company recognizes an expense or addition to exploration properties and deferred exploration expenditures arising from stock options granted to both employees and non-employees using the fair value method. The fair value of option grants is established at the date of grant using a Black Scholes option pricing model and the expense or addition to mineral properties is recognized over the option vesting period.

COMPARATIVE FIGURES

Certain of the prior year comparatives have been reclassified to conform with the current year's presentation.

4. SHORT-TERM INVESTMENTS

As at December 31, 2006 and 2005, the Company held short-term

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investments comprised of the following:

| | DECEMBER 31, 2006 | |
|--|---------------------|-----------------|
| | MATURITY | PRINCIPAL \$ |
| 12 month term deposit - 3.7% annual interest rate | March 20, 2007 | 500,000 |
| 12 month term deposit - 4.2% annual interest rate | November 5, 2007 | 8,000,000 |
| | | 8,500,000 |
| | | 8,500,000 |

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IMA EXPLORATION INC.
 (AN EXPLORATION STAGE COMPANY)
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 (EXPRESSED IN CANADIAN DOLLARS)

4. SHORT-TERM INVESTMENTS (continued)

| | DECEMBER 31, 2005 | |
|---|-----------------------|-----------------|
| | MATURITY | PRINCIPAL \$ |
| 12 month term deposit - 2.65% annual interest rate | September 11, 2006 | 7,580,000 |
| | | 7,580,000 |
| | | 7,580,000 |

All term deposits are fully redeemable in full or portion at the Company's option without penalty. Interest is paid on amounts redeemed subsequent to 30 days from the date of investment.

5. MARKETABLE SECURITIES

| | 2006 | | 2005 |
|--|-------------------------|---------------------------------|-------------------------|
| | RECORDED VALUE \$ | QUOTED MARKET VALUE \$ | RECORDED VALUE \$ |
| Tinka Resources Limited - 300,000 common shares | - | - | 96,000 |
| Consolidated Pacific Bay Minerals Ltd. | | | |

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| | | | |
|-------------------------|-------|-------|---------|
| - 900,000 common shares | - | - | 90,000 |
| | ----- | ----- | ----- |
| | - | - | 186,000 |
| | ===== | ===== | ===== |

The Company acquired the marketable securities as a result of entering into option and sale agreements for certain of its non-core mineral property holdings relating to the Navidad Project for which the Company received common shares of publicly traded companies as partial consideration. These marketable securities were subject to transfer to Aquiline in relation to the July 2006 court order (see Note 1 above). Accordingly, at December 31, 2006, the carrying value of these marketable securities has been reclassified as a component of the Navidad interest balance (see Note 2 above).

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 (EXPRESSED IN CANADIAN DOLLARS)

6. SHARE CAPITAL

Authorized - unlimited common shares without par value - 100,000,000
 preferred shares without par value

| | NUMBER |
|--|------------|
| Issued - common shares | |
| Balance, December 31, 2003 | 36,381,452 |
| Private placement | 1,500,000 |
| Exercise of options | 441,650 |
| Exercise of agents' options | 121,820 |
| Contributed surplus reallocated on exercise of options | - |
| Exercise of warrants | 5,371,285 |
| Proceeds collected and paid on behalf of Golden Arrow shares | - |
| Less share issue costs | - |
| | ----- |
| Balance, December 31, 2004 | 43,816,207 |
| Private placement | 3,333,340 |
| Exercise of options | 10,000 |
| Exercise of agents' options | 168,000 |
| Contributed surplus reallocated on exercise of options | - |
| Exercise of warrants | 1,485,517 |
| Proceeds collected and paid on behalf of Golden Arrow shares | - |
| Less share issue costs | - |
| | ----- |

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| | |
|--|------------|
| Balance, December 31, 2005 | 48,813,064 |
| Private placement | 2,865,000 |
| Warrants valuation | - |
| Exercise of options | 335,000 |
| Contributed surplus reallocated on exercise of options | - |
| Less share issue costs | - |
| | ----- |
| Balance, December 31, 2006 | 52,013,064 |
| | ===== |

- (a) During fiscal 2006, the Company completed a syndicated brokered private placement financing of 2,865,000 special warrants at \$3.50 per warrant for gross proceeds of \$10,027,500. Each special warrant entitled the holder to acquire one unit consisting of one common share and one half common share purchase warrant. All special warrants were converted into common shares on May 25, 2006. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$3.80 per share until March 21, 2010. In addition to a cash commission of 6% the underwriters were granted 171,900 agent's warrants, representing 6% of the number of special warrants issued. Each agent's warrant is exercisable for one share at a price of \$3.80, for a period of twenty four months, expiring on March 21, 2008.

The fair value of warrants and agent's warrants were as follows:

- i) value assigned to 1,432,500 warrants was \$1,186,053, net of share issue costs of \$112,928
- ii) value assigned to the 171,900 agent's warrant was \$95,893, net of share issue costs of \$14,271

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6. SHARE CAPITAL (continued)

The Black-Scholes Pricing Model was used to value the warrants and agent's warrants. The warrants were valued at \$0.91 based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 55% and expected life of 24 months. The agent's warrants were valued at \$0.64 based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 61% and expected life of 12 months. At December 31, 2006, no warrants or agent's warrants had been exercised.

- (b) During fiscal 2005, the Company completed a brokered private placement for 3,333,340 units at \$3.00 per unit, for proceeds of \$9,263,283 net of \$600,001 agent's commission and \$136,736

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of related issue costs. Each unit consisted of one common share and one half common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share at a price of \$3.45 per share until September 14, 2009. In addition to the cash commission the underwriters were granted as commission 233,334 underwriter's warrants, representing 7% of the number of units issued. Each underwriter's warrant is exercisable for one share at a price of \$3.25, for a period of twenty four months, expiring on September 12, 2007. The underwriter's warrants were valued using the Black-Sholes Pricing Model. The warrants were valued at \$0.76 per warrant for a total value of \$177,333 and have been recorded as share issue costs with a corresponding increase to contributed surplus. At December 31, 2006, no underwriter's warrants had been exercised.

(c) During fiscal 2004, the Company completed a brokered private placement of 1,500,000 units at \$3.10 per unit for proceeds of \$4,238,763, net of \$339,000 agent's commission and \$72,237 of related issue costs. Each unit consisted of one common share and one half non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase a common share for \$3.70 per share on or before February 23, 2005. The Company also issued 200,000 compensation options to the agent to acquire 200,000 shares at \$3.25 per share and 100,000 warrants at \$3.70 per share on or before February 23, 2005. The compensation options granted were valued at \$0.705 per option using the Black-Scholes Option Pricing Model, for a total value of \$141,036, which has been recorded as share issue costs with a corresponding increase to contributed surplus. At December 31, 2004, a total of 32,000 compensation options had been exercised. The balance of 168,000 compensation options was exercised during 2005.

(d) Stock options and stock based compensation

The Company grants stock options in accordance with the policies of the TSX Venture Exchange ("TSXV"). The stock options granted during 2006 were subject to a four month hold period and are exercisable for a period of five years. A summary of the Company's outstanding options at December 31, 2006, 2005 and 2004 and the changes for the years ending on those dates is presented below:

| | 2006 | | 2005 | | |
|-------------------|--|--|--|--|----------------------------|
| | OPTIONS OUTSTANDING AND EXERCISABLE | WEIGHTED AVERAGE EXERCISE PRICE \$ | OPTIONS OUTSTANDING AND EXERCISABLE | WEIGHTED AVERAGE EXERCISE PRICE \$ | OPT OUTST A EXERC |
| Balance, | | | | | |
| Beginning of year | 4,881,000 | 2.54 | 3,568,500 | 2.10 | 2, |
| Granted | 273,000 | 3.21 | 1,360,000 | 3.74 | 1, |
| Exercised | (335,000) | 0.84 | (10,000) | 3.10 | (|
| Cancelled | (195,000) | 2.78 | (37,500) | 3.92 | |

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| | | | | | |
|----------------------|-----------|------|-----------|------|-------|
| Balance, end of year | 4,624,000 | 2.69 | 4,881,000 | 2.54 | 3, |
| | ===== | | ===== | | ===== |

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6. SHARE CAPITAL (continued)

Stock options outstanding and exercisable at December 31, 2006 are as follows:

| NUMBER | EXERCISE PRICE \$ | EXPIRY DATE |
|-----------|----------------------|--------------------|
| 119,000 | 0.50 | May 2, 2007 |
| 115,000 | 0.50 | September 23, 2007 |
| 25,000 | 0.84 | March 7, 2008 |
| 300,000 | 0.90 | May 30, 2008 |
| 1,170,000 | 1.87 | August 27, 2008 |
| 1,372,000 | 3.10 | March 24, 2009 |
| 865,000 | 4.16 | March 16, 2010 |
| 385,000 | 2.92 | November 16, 2010 |
| 273,000 | 3.21 | June 22, 2011 |
| ----- | | |
| 4,624,000 | | |
| ===== | | |

During fiscal 2006, the Company granted 273,000 stock options (2005 - 1,360,000; 2004 - 1,512,000). The fair value of stock options granted is estimated on the dates of grants using the Black-Scholes Option Pricing Model with the following assumptions used for the grants made during the year:

| | 2006 ---- | 2005 ---- |
|-------------------------|--------------|--------------|
| Risk-free interest rate | 4.0% | 3.3% - 3.7% |
| Estimated volatility | 70% | 70% - 77% |
| Expected life | 2.5 years | 2.5 years |
| Expected dividend yield | 0% | 0% |

For 2006, stock based compensation of \$393,120 (2005: \$2,380,000; 2004: \$1,972,860) was recorded by the Company, of which \$393,120 (2005: \$1,800,000; 2004: \$1,972,860) is included in expenses and Nil (2005: \$580,000; 2004: Nil) is included in capitalized mineral property expenditures, with a corresponding increase in contributed surplus.

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The weighted average fair value per share of stock options granted during the year was \$1.44 per share (2005 - \$1.76; 2004 - \$1.28). Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

(e) Warrants

A continuity summary of warrant equity is presented below:

| | \$ |
|---|-----------|
| Balance, December 31, 2005 | - |
| Warrant valuation from private placement warrants granted | 1,298,981 |
| Warrant valuation from agent's warrants granted | 110,164 |
| Warrant issue costs | (127,199) |
| | ----- |
| Balance, December 31, 2006 | 1,281,946 |
| | ===== |

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6. SHARE CAPITAL (continued)

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agents warrants outstanding at December 31, 2006, 2005 and 2004 and the changes for the years ending on those dates is as follows:

| | 2006 | 2005 | 2004 |
|----------------------------|-----------|-------------|-------------|
| Balance, beginning of year | 1,900,004 | 1,422,017 | 6,042,448 |
| Issued | 1,604,400 | 1,984,004 | 810,909 |
| Exercised | - | (1,485,517) | (5,371,285) |
| Cancelled | - | - | (38,955) |
| Expired | - | (20,500) | (21,100) |
| | ----- | ----- | ----- |
| Balance, end of year | 3,504,404 | 1,900,004 | 1,422,017 |
| | ===== | ===== | ===== |

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Common shares reserved pursuant to warrants and agent warrants
outstanding at December 31, 2006 are as follows:

| NUMBER | EXERCISE PRICE \$ | EXPIRY DATE |
|-----------------------------|----------------------|--------------------|
| 233,334 | 3.25 | September 13, 2007 |
| 1,666,670 | 3.45 | September 14, 2009 |
| 171,900 | 3.80 | March 21, 2008 |
| 1,432,500 | 3.80 | March 21, 2010 |
| ----- 3,504,404 ===== | | |

7. CONTRIBUTED SURPLUS

A continuity summary of contributed surplus is presented below:

| | \$ |
|--|--------------------|
| Balance, December 31, 2003 | 1,541,116 |
| Contributed Surplus as a result of stock options granted | 1,972,860 |
| Contributed Surplus as a result of brokers' warrants granted | 141,036 |
| Contributed Surplus reallocated on exercise of stock options | (226,630) |
| | ----- |
| Balance, December 31, 2004 | 3,428,382 |
| Contributed Surplus as a result of stock options granted | 2,380,000 |
| Contributed Surplus as a result of brokers' warrants granted | 177,333 |
| Contributed Surplus reallocated on exercise of stock options | (131,270) |
| | ----- |
| Balance, December 31, 2005 | 5,854,445 |
| Contributed Surplus as a result of stock options granted | 393,120 |
| Contributed Surplus reallocated on exercise of stock options | (95,300) |
| | ----- |
| Balance, December 31, 2006 | 6,152,265 ===== |

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8. RELATED PARTY TRANSACTIONS

- (a) Effective January 1, 2005 the Company engaged the Grosso Group Management Ltd. ("Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow Resources

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Corporation ("Golden Arrow"), Amera Resources Corporation ("Amera"), Gold Point Energy Corp. and Astral Mining Corporation, each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During fiscal 2006, the Company incurred fees of \$724,902 (2005 - \$730,802) to the Grosso Group: \$764,115 (2005 - \$764,012) was paid in twelve monthly payments and \$39,213 (2005 - \$33,210) is included in other receivables, prepaids and deposits as a result of a review of the allocation of the Grosso Group costs to the member companies for the year. In addition, included in other receivables, prepaids and deposits is other receivables of a \$205,000 (2005 - \$205,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

- (b) During fiscal 2006, the Company paid \$533,917 (2005 - \$241,088; 2004 - \$476,226) to directors and officers or companies controlled by directors and officers of the Company, for accounting, management and consulting services provided.
- (c) Prior to the signing of the Administration Services Agreement with the Grosso Group in 2005, the Company shared its office facilities with Amera and Golden Arrow. During fiscal 2005, the Company received \$nil (2004 - \$66,390) from Amera and \$nil (2004 - \$57,000) from Golden Arrow for shared rent and administration costs.
- (d) The Company has agreements with a company controlled by the wife of the President of the Company for the rental of office premises. Effective January 1, 2005 the Company subleased the office premises to the Grosso Group.
- (e) The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase the monthly fee, effective May 1, 2006, to \$20,833 (previously \$8,500) and to pay a bonus of \$150,000. The total compensation paid to the President in 2006 was \$350,667. This amount is included in the total amount paid to directors and officers discussed in Note 8(b) above.

In the event the contract is terminated by the Company or as a result of a change of control, a payment is payable to the President consisting of (i) any monthly compensation due to the date of termination, (ii) options as determined by the board of directors (iii) three years of monthly compensation (which may be adjusted annually) and (iv) bonus of \$461,500. If the termination had occurred on December 31, 2006, the amount payable under the contract would be \$1,211,500.

In the event the contract is terminated by the Company as a result of the President's death or permanent disability while providing services to the Company, a bonus in the amount of \$461,500 is payable.

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Other related party transactions are disclosed elsewhere in these consolidated financial statements. All of the related party transactions and balances in these consolidated financial statements arose in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties

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9. INCOME TAXES

The recovery of income taxes shown in the consolidated statements of operations and deficit differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

| | 2006 \$ | 2005 \$ |
|---|-------------|-------------|
| Statutory tax rate | 34.12% | 34.12% |
| | ===== | ===== |
| Loss for the year | (3,581,360) | (5,764,874) |
| | ===== | ===== |
| Provision for income taxes based on statutory Canadian combined federal and provincial income tax rates | (1,221,960) | (1,966,975) |
| Differences in foreign tax rates | (526) | - |
| Non-deductible differences | 149,332 | 625,988 |
| Losses for which an income tax benefit has not been recognized | 956,653 | 1,340,987 |
| Other | 116,501 | - |
| | ----- | ----- |
| | - | - |
| | ===== | ===== |

The significant components of the Company's future tax assets are as follows:

| | 2006 \$ | 2005 \$ |
|---|-------------|-------------|
| Future income tax assets | | |
| Operating loss carryforward | 4,950,897 | 4,709,496 |
| Share issue costs | 509,317 | 472,437 |
| Resource deductions | 306,710 | - |
| Other | 45,442 | - |
| | ----- | ----- |
| | 5,812,366 | 5,181,933 |
| Valuation allowance for future tax assets | (5,812,366) | (5,181,933) |

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 -

 =====

FUTURE INCOME TAX LIABILITIES

For certain acquisitions and other payments for mineral property interests, the Company records a future income tax liability and a corresponding adjustment to the related asset carrying amount. During the year ended December 31, 2006, as a result of the uncertainty regarding the status of the mineral properties balance (included in Navidad interest), the Company eliminated the future income tax liability of \$1,760,110 that existed as of December 31, 2005 and made a corresponding adjustment to mineral properties. During the year ended December 31, 2005, the Company recorded an \$875,017 increase to the future income tax liability and a corresponding adjustment to mineral properties.

| | 2006 | 2005 |
|-------------------------------|-------|-----------|
| | \$ | \$ |
| Future income tax liabilities | - | 1,760,110 |
| | ===== | ===== |

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IMA EXPLORATION INC.
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9. INCOME TAXES (continued)

The Company has Canadian capital loss carryforwards of \$161,172 and non-capital loss carryforwards of \$15,895,279 that may be available for tax purposes. The Company's capital losses do not expire and may be carried forward indefinitely. The non-capital losses expire as follows:

| EXPIRY DATE | \$ |
|-------------|------------|
| 2007 | 1,261,932 |
| 2008 | 841,160 |
| 2009 | 1,317,729 |
| 2010 | 1,545,964 |
| 2014 | 2,752,324 |
| 2015 | 4,709,088 |
| 2016 | 3,467,379 |
| | ----- |
| | 15,895,279 |
| | ===== |

10. SEGMENTED INFORMATION

The Company is involved in mineral exploration and development activities, which are conducted principally in Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of fiscal 2006 and 2005.

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The Company's total assets are segmented geographically as follows:

| DECEMBER 31, 2006 | | | |
|--|-----------|------------|------------|
| | CANADA | ARGENTINA | TOTAL |
| | \$ | \$ | \$ |
| Current assets | 9,217,352 | 79,273 | 9,296,625 |
| Navidad interest | - | 17,949,521 | 17,949,521 |
| | 9,217,352 | 18,028,794 | 27,246,146 |
| | 9,217,352 | 18,028,794 | 27,246,146 |
| DECEMBER 31, 2005 | | | |
| | CANADA | ARGENTINA | TOTAL |
| | \$ | \$ | \$ |
| Current assets | 8,331,000 | 134,887 | 8,465,887 |
| Mineral properties and deferred costs | - | 15,032,107 | 15,032,107 |
| | 8,331,000 | 15,166,994 | 23,497,994 |
| | 8,331,000 | 15,166,994 | 23,497,994 |

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11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements of the Company have been prepared in accordance with Canadian GAAP, which differ in certain material respects from US GAAP.

The effects of significant measurement differences between Canadian GAAP and US GAAP for certain items on the consolidated balance sheets, statements of operations and deficit and statements of cash flows are as follows:

| | 2006 | 2005 |
|---------------------------------------|------|------|
| | \$ | \$ |
| CONSOLIDATED STATEMENTS OF OPERATIONS | | |

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| | | |
|--|-------------|--------------|
| Loss for the year under Canadian GAAP | (3,581,360) | (5,764,874) |
| Mineral properties and deferred costs for the year (i) | (4,491,524) | (8,480,509) |
| Reversal of Future income tax liability (i) | - | 875,017 |
| Write down of marketable securities | - | - |
| | ----- | ----- |
| Loss for the year under US GAAP | (8,072,884) | (13,370,366) |
| Unrealized losses | | |
| on available-for-sale securities (ii) | (3,000) | - |
| | ----- | ----- |
| Comprehensive loss (iii) | (8,075,884) | (13,370,366) |
| | ===== | ===== |
| | | |
| Basic and diluted loss per share under US GAAP | (0.16) | (0.29) |
| | ===== | ===== |
| | | |
| Weighted average number of common shares outstanding | 51,263,575 | 46,197,029 |
| | ===== | ===== |

| | | |
|--|--------------|--------------|
| | 2006 | 2005 |
| | \$ | \$ |
| SHAREHOLDERS' EQUITY | | |
| Balance per Canadian GAAP | 27,009,534 | 20,761,073 |
| Mineral properties and deferred costs expensed (i) | | |
| (In 2006, classified as a component of Navidad | | |
| interest - Note 2) | (17,763,521) | (15,032,107) |
| Reversal of Future income tax liability (i) | - | 1,760,110 |
| Accumulated other comprehensive income (ii) | 81,000 | 84,000 |
| | ----- | ----- |
| Balance per US GAAP | 9,327,013 | 7,573,076 |
| | ===== | ===== |
| | | |
| | 2006 | 2005 |
| | \$ | \$ |
| MINERAL PROPERTIES / NAVIDAD INTEREST | | |
| Balance per Canadian GAAP | 17,949,521 | 15,032,107 |
| Transfer of marketable securities (ii) | 81,000 | - |
| Mineral properties and deferred costs | | |
| expensed under US GAAP (i) | (17,763,521) | (15,032,107) |
| | ----- | ----- |
| Balance per US GAAP | 267,000 | - |
| | ===== | ===== |

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11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

| | 2006 \$ | 2005 \$ |
|---|------------|-------------|
| FUTURE INCOME TAX LIABILITY | | |
| Balance per Canadian GAAP | - | 1,760,110 |
| Reversal of Future income tax liability (i) | - | (1,760,110) |
| | ----- | ----- |
| Balance per US GAAP | - | - |
| | ===== | ===== |

| | 2006 \$ | 2005 \$ |
|---|-------------|--------------|
| CONSOLIDATED STATEMENTS OF CASH FLOWS | | |
| OPERATING ACTIVITIES | | |
| Cash used per Canadian GAAP | (3,785,152) | (3,849,618) |
| Mineral properties and deferred costs (i) (In 2006, classified as a component of Navidad interest - Note 2) | (4,491,524) | (7,025,492) |
| | ----- | ----- |
| Cash used per US GAAP | (8,276,676) | (10,875,110) |
| | ===== | ===== |

| | 2006 \$ | 2005 \$ |
|---|-------------|--------------|
| INVESTING ACTIVITIES | | |
| Cash used per Canadian GAAP | (5,411,524) | (10,258,903) |
| Mineral properties and deferred costs (i) (In 2006, classified as a component of Navidad interest - Note 2) | 4,491,524 | 7,025,492 |
| | ----- | ----- |
| Cash provided by (used) per US GAAP | (920,000) | (3,233,411) |
| | ===== | ===== |

i) Mineral Properties and Deferred Costs

Mineral properties and deferred costs are accounted for in accordance with Canadian GAAP as disclosed in Note 3. For US GAAP purposes, the Company expenses exploration costs relating to unproven mineral properties as incurred, and reverses any associated future income tax liabilities. When proven and probable reserves are determined for a property, subsequent exploration and development costs of the property are capitalized.

ii) Investments

For the 2005 fiscal year, the Company's marketable securities

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were classified as available-for-sale investments under US GAAP and carried at the lower of cost and market value for Canadian GAAP purposes. Such investments are not held principally for the purpose of selling in the near term and, for US GAAP purposes, must have holding gains and losses reported as a separate component of shareholders' equity until realized or until an other than temporary impairment in value occurs. For the 2006 fiscal year, the Company's marketable securities were classified as available for sale investments under US GAAP until July 14, 2006, the date of the Navidad judgment (see Note 1 above). Subsequently, the marketable securities were transferred to the Navidad interest balance (see Note 2 above).

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11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

iii) Comprehensive Income

US GAAP requires disclosure of comprehensive income (loss) which is intended to reflect all other changes in equity except those resulting from contributions by and payments to owners.

iv) Spin-Off of Assets to Golden Arrow

Under Canadian GAAP, a spin-off of assets is accounted for and disclosed in accordance with CICA Handbook Section 3475 "Disposal of Long-Lived Assets and Discontinued Operations". Under US GAAP, such a spin-off would be accounted for and disclosed as a dividend in kind and would not require separate carve-out of results in the statements of operations and cash flows nor separate balance sheet classification.

v) Recent Accounting Pronouncements

FINANCIAL INSTRUMENTS

On January 27, 2005, the CICA issued Section 3855 of the Handbook titled "Financial Instruments - Recognition and Measurement". It expands Handbook section 3860, "Financial Instruments - Disclosure and Presentation" by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. All financial instruments will be required to be classified into various categories. Held to maturity investments, loans and receivables are measured at amortized cost with amortization of premium or discounts and losses and impairment included in current period interest income or expense. Held for trading financial assets and liabilities are measured at fair market

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value with all gains and losses included in net income in the period in which they arise. All available for sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet except that other than temporary losses due to impairment are included in net income. All other financial liabilities are to be carried at amortized cost. This new Handbook section will bring Canadian GAAP more in line with U.S. GAAP. The mandatory effective date is for fiscal years beginning on or after October 1, 2006. At present, the Company's most significant financial instruments are cash, short-term investments, other receivables and accounts payable. The Company will adopt this Handbook section in its fiscal 2007 year. The Company is currently reviewing the section to determine the potential impact, if any, on its consolidated financial statements.

HEDGE ACCOUNTING

Handbook Section 3865, "Hedges" provides alternative treatments to Handbook Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. The effective date of this section is for fiscal years beginning on or after October 1, 2006.

The Company does not currently have any hedging relationships.

COMPREHENSIVE INCOME

New Handbook Section 1530, "Comprehensive Income", introduces a new requirement to temporarily present certain gains and losses outside of income. Section 1530 defines comprehensive income as a change in value of net assets that is not due to owner activities. Assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

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11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

At present, the Company has investments in shares of arm's length corporations that may be classified as available for sale investments. The Company would be required to recognize unrealized gains and losses on these securities and include these amounts in comprehensive income. The effective date of this section is for fiscal years beginning on or after October 1, 2006. Implementation of this section will more closely align Canadian GAAP with U.S. GAAP.

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ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

In July 2006, the Financial Accounting Standards Board (FASB) issued FIN 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement 109. This Interpretation applies to all tax positions related to income taxes subject to SFAS 109, Accounting for Income Taxes. FIN 48 uses a two-step approach for evaluating tax positions. The first step, recognition, occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. The second step, measurement, is only addressed if the recognition threshold is met; under this step, the tax benefit is measured as the largest amount of the benefit, determined on a cumulative probability basis, that is more likely than not to be realized upon settlement. FIN 48's use of the term "more likely than not" represents a greater than 50 percent likelihood of occurrence.

The cumulative effect of applying the provisions of this Interpretation shall be reported as an adjustment to the opening balance of retained earnings for fiscal year in which the enterprise adopts the Interpretation. FIN 48 is effective for fiscal years beginning after December 15, 2006. Earlier application is permitted if the reporting enterprise has not publicly issued financial statements, including interim financial statements, for that fiscal year. Accordingly, the Company will adopt the provisions of this Interpretation in its fiscal 2007 year. The Company is currently reviewing the provisions to determine the potential impact, if any, on its consolidated financial statements

FAIR VALUE MEASUREMENTS

In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements", which establishes a framework for measuring fair value. It also expands disclosures about fair value measurements and is effective for the first quarter of 2008. The Company is currently reviewing the guidance to determine the potential impact, if any, on its consolidated financial statements.

12. SUPPLEMENTARY CASH FLOW INFORMATION

Non-cash investing and financing activities were conducted by the Company as follows:

| | 2006 | 2005 |
|---|-------|-----------|
| | \$ | \$ |
| Investing activities | | |
| Proceeds on disposition of mineral properties | - | - |
| Acquisition of marketable securities | - | - |
| Expenditures on mineral properties and deferred costs | - | (580,000) |
| Stock based compensation capitalized | - | 580,000 |
| | ----- | ----- |
| | - | - |

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12. SUPPLEMENTARY CASH FLOW INFORMATION (continued)

| | 2006 | 2005 |
|--------------------------------------|----------|-----------|
| | \$ | \$ |
| Financing activities | | |
| Shares issue costs | (95,893) | (177,333) |
| Warrant issue costs | (14,271) | |
| Warrants | 110,164 | |
| Shares issued on exercise of options | 74,800 | - |
| Contributed surplus | (74,800) | 177,333 |
| | ----- | ----- |
| | - | - |
| | ===== | ===== |

13. SPIN-OFF OF ASSETS

On July 7, 2004, the Company completed a corporate restructuring plan (the "Reorganization") which resulted in dividing the Company's assets and liabilities into two separate companies. Following the Reorganization the Company continued to hold the Navidad Area properties, while all other mineral property interests, certain marketable securities and cash were spun-off to Golden Arrow, a newly created company. The Navidad project, located in the province of Chubut Argentina, was staked by the Company in late 2002 and continues to be the focus of the Company's activities. The Reorganization of the Company was accomplished by way of a statutory plan of arrangement. The shareholders of the Company were issued shares in Golden Arrow on the basis of one Golden Arrow share for ten shares of the Company. On completion of the Reorganization, the Company transferred to Golden Arrow:

- i) all of the Company's investment in its mineral properties, excluding the Navidad project and Navidad Area properties and related future income tax liabilities;
- ii) the assets and liabilities of IMPSA Resources (BVI) Inc., Inversiones Mineras Argentinas Holdings (BVI) Inc., both wholly-owned subsidiaries of the Company, and IMPSA Resources Corporation, an 80.69% owned subsidiary of the Company;
- iii) certain marketable securities at their recorded values; and
- iv) cash

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The aggregate carrying amount of the net assets transferred from the Company to Golden Arrow during 2004 is as follows:

| | 2004 \$ |
|--|-------------|
| Cash | 1,020,189 |
| Marketable securities and other current assets and liabilities | 548,841 |
| Mineral properties and deferred cost and equipment | 6,874,960 |
| Future income tax liabilities | (1,079,112) |
| | ----- |
| | 7,364,878 |
| | ===== |

During 2005 the Company paid \$145,866 to Golden Arrow from the exercise of warrants of the Company that resulted in the issue of Golden Arrow shares as required by the terms of the Reorganization. As all warrants that were outstanding as of the effective date of the reorganization have been exercised the Company has no further obligation to pay amounts to Golden Arrow for the issue of its shares on the exercise of the Company's warrants.

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13. SPIN-OFF OF ASSETS (continued)

The Company's comparative amounts in the Statement of Operations and Deficit include an allocation of general and administrative expenses as Loss allocated to spin-off assets. The allocation was calculated on the basis of the ratio of the specific assets transferred to assets retained. Certain "Other Income and Expense" items have been allocated to spin-off assets on a cost specific basis.

As a condition of the Reorganization, Golden Arrow became a party to the Aquiline litigation (see Notes 1 and 2 above). The Company provided Golden Arrow with an indemnification that will compensate for any payment or cost Golden Arrow might have to pay in the event of an award against the Company and/or Golden Arrow. Accordingly, no amounts related to this action have been accrued in these financial statements at December 31, 2006.

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