GENERAL CABLE CORP /DE/
Form 424B5
November 05, 2003

Subject to Completion, dated November 4, 2003

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated October 27, 2003)

5,050,000 Shares

[General Cable LOGO]

GENERAL CABLE CORPORATION

Common Stock

We are offering 5,050,000 shares of our common stock. We will receive all of the net proceeds from the sale of such shares of our common stock.

Our common stock is listed on the New York Stock Exchange under the symbol "BGC." On November 3, 2003, the last reported sale price of the common stock on the New York Stock Exchange was $9.97 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page S-12 of this prospectus supplement and on page 3 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

The underwriters may also purchase up to 757,500 shares of our common stock from us at the public offering price, less underwriting discounts and commissions within 30 days from the date of this prospectus supplement. The underwriters may exercise this option only to cover over-allotments, if any.

The underwriters are offering the shares of our common stock as set forth in "Underwriting." Delivery of the shares of the common stock will be made on or about , 2003.

Joint Book-Running Managers

Merrill Lynch & Co. UBS Investment Bank

, 2003

The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed without notice. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities nor are they soliciting offers to buy these securities in any state where the offer or sale is not permitted. These securities may not be sold nor may offers to buy be accepted before the prospectus supplement is delivered in final form.

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus supplement and the accompanying prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information contained in this prospectus supplement and the accompanying prospectus is accurate as of the dates on their respective covers. When we deliver this prospectus supplement and the accompanying prospectus or make a sale pursuant to this prospectus supplement and the accompanying prospectus, we are not implying that the information is current as of the date of the delivery or sale.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

Generally, when we refer to this "prospectus" we are referring to both this prospectus supplement and the accompanying prospectus combined. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus supplement and the accompanying prospectus are part of a registration statement on Form S-3 filed by us with the Securities and Exchange Commission, or the SEC, under the Securities Act of 1933, as amended, or the Securities Act. We also file annual, quarterly and special reports, proxy statements and other information with the SEC pursuant to the Securities Exchange Act of 1934, as amended, or the Exchange Act. You may read and copy any document we file with the SEC at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public at the SEC's web site at http://www.sec.gov.

Our common stock is quoted on the New York Stock Exchange under the symbol "BGC." You may inspect reports and other information concerning us at the offices of the New York Stock Exchange at 11 Wall Street, New York, New York 10005.

The SEC allows us to "incorporate by reference" the information we file with

it, which means that we can disclose important information to you by referring you to documents containing that information. The information incorporated by reference is considered to be part of this prospectus supplement, and later information that we file with the SEC will automatically update and supersede this information. The documents incorporated by reference are listed under the heading "Incorporation of Certain Documents by Reference" of the accompanying prospectus.

You may request a copy of these filings at no cost, by writing or telephoning us at the following address:

Investor Relations
General Cable Corporation
4 Tesseneer Drive
Highland Heights, Kentucky 41076
(859) 572-8000

You may also obtain copies of these filings, at no cost, by accessing our website at http://www.generalcable.com; however, the information found on our website is not considered part of this prospectus supplement.

You should rely only on the information provided in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference. We have not authorized anyone else to provide you with different information.

MARKET DATA

Market data and other statistical information used throughout this prospectus supplement are based an independent industry publications, government publications, reports by market research firms or other published independent sources such as CRU International Limited, Cable Industry Analyst, the United States Department of Commerce and the National Electrical Manufacturers Association. Some data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources listed above, Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness.

PROSPECTUS SUPPLEMENT SUMMARY

This summary may not contain all of the information that may be important to you. You should read the entire prospectus, including the financial data and related notes, before making an investment decision. This summary contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause or contribute to such differences include those discussed in "Risk Factors," "Forward-looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our Company

We are a FORTUNE 1000 company that is a leading global developer and manufacturer in the wire and cable industry, an industry which is estimated to have had $58 billion in sales in 2002. We have leading market positions in the segments in which we compete due to our product, geographic and customer diversity and our ability to operate as a low cost provider. We sell over 11,500 copper, aluminum and fiber optic wire and cable products, which we

believe represent the most diversified product line of any U.S. manufacturer. As a result, we are able to offer our customers a single source for most of their wire and cable requirements. We manufacture our product lines in 28 facilities and sell our products worldwide through our operations in North America, Europe and Oceania. Major customers for our products include leading utility companies such as Consolidated Edison and Arizona Public Service; leading distributors such as Graybar and Anixter; leading retailers such as The Home Depot and AutoZone; leading original equipment manufacturers, or OEMs, such as GE Medical Systems; and leading telecommunications companies such as Qwest Communications, Verizon Communications and SBC/Ameritech. Technical expertise and implementation of Lean Six Sigma strategies have allowed us to maintain our position as a low cost provider.

Our operations are divided into three main segments: energy, industrial & specialty and communications. Our energy cable products include low-, medium- and high-voltage power distribution and power transmission products for overhead and buried applications. Our industrial & specialty wire and cable products conduct electrical current for industrial, OEM, commercial and residential power and control applications. Our communications wire and cable products transmit low-voltage signals for voice, data, video and control applications. We believe we are the number one supplier of energy and industrial & specialty cable products and the number three supplier of communications products in North America and a top three supplier in the majority of the segments in which we compete in Oceania. We believe we are the largest supplier in the Iberian region and a strong regional wire and cable manufacturer in the rest of Europe. For the twelve-month period ended September 30, 2003, we had net sales of $1.5 billion.

Products and Markets

The net sales generated by each of our three main segments (as a percentage of our total company results) over the twelve-month period ended September 30, 2003 are summarized below:

[Pie Chart Omitted]

Products and Markets	Percentage
Energy	36%
Industrial & Specialty	35%
Communications	29%

The principal products, markets, distribution channels and end-users of each of our product categories are summarized below:

Product Category	Principal Products	Principal Markets
Energy		
Utility	Low-Voltage, Medium-Voltage Distribution; Bare Overhead Conductor; High-Voltage	Power Utility

	Transmission Cable	
Industrial & Specialty Instrumentation, Power, Control and Specialty	Rubber and Plastic-Jacketed Wire and Cable; Power and Industrial Cable; Instrumentation and Control Cable	Industrial Power and Control; Utility/Marine/Transit; Military; Mining; Oil and Gas Industrial; Power Generation; Infrastructure; Residential Construction
Automotive	Ignition Wire Sets; Booster Cables	Automotive Aftermarket
Communications Outside Voice and Data (Telecommunications)	Outside Plant Telecommunications Exchange Cable; Outside Service Wire	Telecom Local Loop
Data Communications	Multi-Conductor/Multi-Pair; Fiber Optic; Shipboard; Military Fiber Cable	Computer Networking and Multimedia Applications
Electronics	Multi-Conductor; Coaxial; Sound, Security/Fire Alarm Cable	Building Management; Entertainment; Equipment Control
Assemblies	Cable Harnesses; Connector Cable	Telecommunications; Industrial Equipment; Medical Equipment

We operate our business globally, with 74% of net sales in 2002 generated from North America, 22% from Europe and 4% from Oceania. We estimate that we sold our products and services to customers in more than 70 countries in 2002.

Strategic Initiatives

Due to a decrease in net sales resulting from the global economic downturn in 2001 and 2002 and its impact particularly in the telecommunications markets globally and the industrial & specialty market in North America, we have implemented various management initiatives to improve productivity and maximize cash flow. These initiatives include the following:

- Consolidating our North American manufacturing and distribution facilities, including closing three of seven plants that manufacture communications products and four of six distribution centers.

- Reducing head count by 1,700 persons, or 22% of our work force employed in our continuing operations, since September 30, 2000.

- o Reducing outstanding aggregate indebtedness, and borrowings under an off-balance sheet facility, by approximately 42%, or $347.8 million, from June 30, 2000 (our historical peak borrowing level) to September 30, 2003.

- o Reducing inventory levels related to continuing operations from $296.4 million at September 30, 2000 to $247.0 million at September 30, 2003, a 17% decrease; this decrease is net of a $17.3 million impact from foreign exchange rate fluctuations on our reported international inventory levels. On a consistent foreign exchange basis, the decrease in inventory levels was $66.7 million, or 23%.

- o Reducing capital expenditures from continuing operations from $35.8 million in 2000 to $31.4 million in 2002 and further to $20.4 million in the twelve months ended September 30, 2003.

- o Exiting less profitable, non-core businesses, such as building wire and consumer cordsets.

- o Focusing on non-capital based productivity, such as Lean Six Sigma and reduction of manufacturing cycle time.

In addition, in connection with reinforcing our position as a low-cost provider, we have recently announced the closure of one of our North American manufacturing facilities for our industrial & specialty segment and we have initiated studies at two of our other North American industrial & specialty manufacturing facilities to determine the feasibility of continuing manufacturing operations at those locations.

We believe that many of our markets have begun to stabilize as end users begin to increase their spending on infrastructure maintenance and new construction. Furthermore, the 2003 power outages in the U.S., Canada and Europe emphasize the need to upgrade the power transmission infrastructure used by electric utilities, which may over time cause an increase in demand for our products. As a result of our strategic initiatives and adequate manufacturing capacity in all our businesses, we believe that we are well positioned to capitalize on any upturn in our markets without significant additional capital expenditures.

Competitive Strengths

We have adopted a "One Company" approach for our dealings with customers and vendors. This approach is becoming increasingly important as the electrical, industrial, data communications and electronic distribution industries continue to consolidate into a smaller number of larger regional and national participants with broader product lines. As part of our One Company approach, we have established cross-functional business teams, which seek opportunities to increase sales to existing customers and to new customers inside and outside of traditional market channels. Our One Company approach better integrates us with our major customers, thereby allowing us to become their leading source for wire and cable products. We believe this approach also provides us with purchasing leverage as we coordinate our North American sourcing requirements. Our competitive strengths include:

Leading Market Positions. We have achieved leading market positions in many of our business segments. For example, we believe that in 2002:

- o In the energy segment, we were the number one producer in North America, the number three producer in Oceania and a strong regional producer in Europe;

- o In the industrial & specialty segment, we were the number one producer in

North America and the number three producer in Oceania;

- In the communications segment, we were the number three producer in North America and Oceania.

Product, Geographic and Customer Diversity. We sell over 11,500 products under well-established brand names, including General Cable(R), Anaconda(R), BICC(R) and Carol(R), which we believe represent the most diversified product line of any U.S. wire and cable manufacturer. The breadth of our product line has enhanced our market share and operating performance by enabling us to offer a diversified product line to customers who previously purchased wire and cable from multiple vendors but prefer to deal with a smaller number of broader-based suppliers. We believe that the breadth of our products gives us the opportunity to expand our product offerings to existing customers. We distribute our products to over 3,000 customers through our operations in North America, Europe and Oceania. Our customers include utility companies, telecommunications systems operators, contractors, OEMs, system integrators, military customers, consumers and municipalities. The following summarizes sales as a percentage of our 2002 domestic net sales by each category of customers:

[Pie Chart Omitted]

Domestic Net Sales by Each Category of Customers	Percentage
OEMs & Electrical/Industrial Distributors	21%
Communication Distributors	15%
Automotive Retail	8%
Electrical Retail	6%
Other	1%
Electric Utility	32%
Telco Utility	17%

We strive to develop supply relationships with leading customers who have a favorable combination of volume, product mix, business strategy and industry position. Our customers are some of the largest consumers of wire and cable products in their respective markets and include the following companies: Consolidated Edison, an electric utility company serving the New York City metropolitan area; Arizona Public Service, Arizona's largest electricity utility; Graybar, one of the largest electrical and communications distributors in the United States; Anixter, one of the largest domestic distributors of wire, cable and communications connectivity products; The Home Depot, a leading home center retail chain; AutoZone, the largest retailer of automotive aftermarket parts in the United States; GE Medical Systems, a global leader in medical imaging, interventional procedures, healthcare services and information technology; Verizon Communications, a leading provider of communications services in the Northeastern United States; and Qwest Communications and SBC/Ameritech, former regional bell operating companies.

Our top 20 customers in 2002 accounted for 44% of our net sales, and no one customer accounted for more than 5% of our net sales. We believe that our diversity mitigates the risks associated with an excess concentration of sales in any one market or geographic region or to any one customer.

Low Cost Provider. We are a low cost provider primarily because of our

focus on lean manufacturing, centralized sourcing and distribution and logistics. We continuously focus on maintaining and optimizing our manufacturing infrastructure by promoting an organization-wide "lean" mentality in order to improve efficiencies. This enables us to maintain a low manufacturing cost structure, reduce waste, inventory levels and cycle time, as well as retain a high level of customer service. We have made a significant investment in Lean Six Sigma training and have established a formal training program for employees supporting this. We also facilitate the sharing of manufacturing techniques through the exchange of best practices among design and manufacturing engineers across our global business units. We believe that these initiatives have enabled us to achieve a high degree of non-capital based productivity which will allow us to achieve further productivity improvements.

Experienced and Proven Management Team. Our senior management team has, on average, over 15 years of experience in the wire and cable industry and 11 years with our company, and has successfully created a corporate-wide culture that focuses on our One Company approach and continuous improvement in all aspects of our operations. In addition, our senior management team has successfully reduced overhead and operating costs, improved productivity and increased working capital efficiency. For example, our SG&A expenses excluding corporate items (see Note 4 to Notes to Audited Consolidated Financial Statements) have declined from $226.6 million, or 10.5% of net sales, in 2000 to $123.1 million, or 8.5% of net sales, in 2002. We believe that the level of our SG&A expenses as a percentage of our net sales is one of the lowest in the wire and cable industry. Additionally, our senior management team has restructured our business portfolio to eliminate less profitable, non-core businesses and capitalize on market opportunities by anticipating market trends and risks.

Business Strategy

We seek to distinguish ourselves from other wire and cable manufacturers through the following business strategies:

Improving Operating Efficiency and Productivity. Our operations benefit from management's ongoing evaluations of operating efficiency. These evaluations have resulted in cost-saving initiatives designed to improve our profitability and productivity across all areas of our operations. Recent initiatives include rationalization of manufacturing facilities and product lines, consolidation of distribution locations, product redesign, improvement in materials procurement and usage, product quality and waste elimination and other non-capital based productivity initiatives. We also expect that continued successful execution of our One Company approach will provide more efficient purchasing, manufacturing, marketing and distribution for our products.

Focus on Establishing and Expanding Long-Term Customer Relationships. Each of our top 20 customers has been our customer for at least five years. Our customer relationship strategy is focused on being the "wire provider of choice" for the most demanding customers by providing a diverse product line coupled with a high level of service. We place great emphasis on customer service and provide technical resources to solve customer problems and maintain inventory levels of critical products that are sufficient to meet fluctuating demands for such products.

We have implemented a number of service and support programs, including Electronic Data Interchange ("EDI") transactions, web-based product

catalogues, ordering and order tracking capabilities and Vendor Managed Inventory ("VMI") systems. VMI is an inventory management system integrated into certain of our customers' internal systems which tracks inventory turnover and places orders with us for wire and cable on an automated basis. These technologies create high supplier integration with these customers and position us to be their leading source for wire and cable products.

Actively Pursue Strategic Initiatives. We believe that our management has the ability to identify key trends in the industry, which allows us to migrate our business to capitalize on expanding markets and new niche markets and exit declining or non-strategic markets in order to achieve better returns. For example, we exited the North American building wire business in late 2001. This business had historically been highly cyclical, very price competitive and had low barriers to entry. We also set aggressive performance targets for our businesses and intend to refocus, turn around or divest those activities that fail to meet our targets or do not fit our long-term strategies.

We regularly consider selective acquisitions and joint ventures to strengthen our existing business lines. We believe there are strategic opportunities in many international markets, including South America and Asia, as countries in these markets continue to look to upgrade their power transmission and generation infrastructure and invest in new communications networks in order to participate in high speed, global communications. We are seeing increased opportunities in the European Union for our European manufacturing operations. See "Risk Factors--Other Risks Relating to Our Business--We may not be able to successfully identify, finance or integrate acquisitions."

Reduce Leverage. We intend to reduce our leverage in the near to intermediate term. As a result of our well-diversified business portfolio and recent operating initiatives, we believe we can improve our existing operating margin, which will allow us to generate increased cash flows. In order to achieve this goal of debt

reduction, we currently expect to use a substantial portion of cash flow from operations and the net proceeds from any sale of non-strategic assets to strengthen our balance sheet. In pursuit of this strategy, we have reduced outstanding aggregate indebtedness, and borrowings under an off-balance sheet facility, by $347.8 million, or 42%, since June 30, 2000 through a combination of cash flow from operations and strategic divestitures. We have adequate manufacturing capacity in all of our businesses and are well positioned to capitalize on any upturns in our markets without significant additional capital expenditures.

The Refinancing

This offering is part of our comprehensive plan to improve our capital structure and provide us with increased financial and operating flexibility to execute our business plan by reducing leverage and extending debt maturities. We anticipate that this plan will consist of the following transactions which we refer to as the "refinancing transactions," which will be consummated concurrently: (i) a new $240 million senior secured revolving credit facility, (ii) a private offering of $275 million principal amount of senior notes, (iii) a private offering of $75 million of Series A redeemable convertible preferred stock and (iv) a public offering of approximately $50 million of common stock. We intend to apply the net proceeds from these refinancing transactions to repay all borrowings outstanding under our existing senior secured revolving credit facility, existing senior secured term loans and

outstanding amounts under our existing accounts receivable asset-backed securitization facility and to pay related fees and expenses. The exact amount raised in each of the refinancing transactions will depend on market conditions and will be determined at the time of the pricing of the transaction. The table below sets forth the sources and uses of funds from the refinancing transactions as if such transactions had occurred on September 30, 2003.

Sources:	Amount(1) (in millions)
Senior secured revolving credit facility	$ 82.7(2)
% Senior notes due 2010	275.0
% Series A redeemable convertible preferred stock	75.0
Common stock	50.0
Total	$482.7

Uses:	
Repayment of existing senior secured revolving credit facility	$ 64.9(3)
Repayment of existing senior secured term loan A	56.4
Repayment of existing senior secured term loan B	270.0
Repayment of accounts receivable asset-backed securitization facility	72.8(4)
Fees and expenses	18.6
Total	$482.7

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(1) In this prospectus, references to the amount of this offering and the concurrent private offering of Series A redeemable convertible preferred stock do not include any securities issuable upon exercise of the options to purchase additional securities granted to the underwriters or the initial purchasers, as the case may be, in connection therewith.

(2) Our new senior secured revolving credit facility will provide for aggregate borrowings of up to $240.0 million (of which up to $50.0 million may be used for letters of credit), subject to borrowing base limitations.

(3) In addition, as of September 30, 2003, we had $36.6 million of outstanding letters of credit. Borrowings outstanding as of October 24, 2003 were $21.9 million higher as a result of working capital changes since September 30, 2003.

(4) Borrowings outstanding as of October 24, 2003 were $7.2 million higher as a result of working capital changes since September 30, 2003.

In addition to the refinancing transactions, we are also seeking to obtain a new (E)30 million to (E)50 million European credit facility. We anticipate that proceeds from this facility, if any, would be used to reduce our then outstanding obligations under our new senior secured revolving credit facility. While we are actively pursuing this facility, we cannot assure you that we will be able to obtain such a facility.

The Offering

Common Stock Offered by Us.	5,050,000 shares
Common Stock to Be Outstanding After this Offering	38,170,132 shares(1)
Over-allotment Option	We have granted the underwriters an option to purchase up to 757,500 shares to cover over-allotments, if any. If the underwriters exercise their over-allotment option in full, we will sell an aggregate of 5,807,500 shares and we will have approximately 38,927,632 million shares of common stock outstanding.
Use of Proceeds	The net proceeds from this offering after deducting the underwriters' discount and commissions and estimated expenses will be approximately $46.8 million. We intend to use the net proceeds of this offering, together with the net proceeds from the other refinancing transactions, to repay our existing senior secured credit facilities and our existing accounts receivable asset-backed securitization facility and for other general corporate purposes.
New York Stock Exchange Symbol. . .	"BGC"

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(1) Based on shares outstanding as of October 20, 2003. Excludes (1) 628,977 shares issuable upon the exercise of vested, in-the-money stock options outstanding under employee benefit plans with a weighted average exercise price of $8.52 per share, (2) 2,899,936 shares issuable upon exercise of other stock options, (3) 140,530 matching restricted stock units and (4) approximately   million shares issuable upon conversion of our Series A redeemable convertible preferred stock being offered in the concurrent private placement.

Except as otherwise indicated, all information in this prospectus supplement assumes the underwriters' overallotment option is not exercised.

Risk Factors

See "Risk Factors" for a discussion of factors you should carefully consider before deciding to invest in our common stock.

Summary Financial Information

The summary historical financial data for the years ended and as of December 31, 2000, 2001 and 2002 were derived from our audited consolidated

financial statements. The summary financial data set forth for the nine months ended September 30, 2002 and 2003 and as of September 30, 2003 were derived from unaudited consolidated financial statements as filed with the SEC which, in the opinion of our management, include all adjustments necessary for a fair presentation of the results for the unaudited interim periods. The following summary financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes thereto. Certain reclassifications have been made to conform to the current year's presentation.

The "pro forma" and "as adjusted" data give effect to (i) initial borrowings of $82.7 million under our new senior secured revolving credit facility, (ii) a private offering of $275 million of senior notes, (iii) a private offering of $75 million of Series A redeemable convertible preferred stock, (iv) this offering of approximately $50 million of common stock and (v) the use of proceeds to repay $391.3 million of indebtedness under our existing senior secured credit facilities and $72.8 million of borrowings under our existing off-balance sheet accounts receivable asset-backed securitization facility, as if each transaction were consummated on September 30, 2003 in the case of balance sheet data and as of the beginning of the period for statement of operations data. The as adjusted balance sheet data also give effect to (i) charges relating to the write-off of unamortized bank fees related to the existing credit facility, (ii) charges related to the settlement of two interest rate swaps with a notional value of $200 million, which expire December 31, 2003, (iii) charges related to the payoff of our existing accounts receivable asset-backed securitization facility, (iv) a charge resulting from a deemed dividend of the accumulated earnings of certain of our guarantor subsidiaries under the new senior secured revolving credit facility and senior notes and (v) payment of $18.6 million for transaction fees and expenses that we will incur related to this offering and the other refinancing transactions.

In August 2000, we sold certain businesses acquired from BICC plc consisting primarily of the operations in the United Kingdom, Italy and Africa and a joint venture interest in Malaysia to Pirelli Cavi e Sistemi S.p.A. The financial data presented below contain those operations sold to Pirelli during 2000 up through the date of sale.

In September 2000, we acquired Telmag S.A. de C.V., a Mexico-based manufacturer of telecommunications cables. The financial data presented below include the results of operations of this business after the closing date.

In March 2001, we sold our Pyrotenax business unit to Raychem HTS Canada, Inc. The results of operations of this business are included in the financial data presented below for the periods prior to the closing date.

In September 2001, we announced our decision to exit the consumer cordsets business. In October 2001, we sold substantially all of the manufacturing assets and inventory of our building wire business to Southwire Company. The results of operations of these businesses are included in the financial data presented below for the periods prior to the closing date. Beginning in the third quarter of 2001, we have reported the building wire and cordsets segment as discontinued operations for financial reporting purposes. Administrative expenses formerly allocated to this segment are now reported in the continuing operations segments. Prior periods have been restated to reflect this change.

	Year Ended December 31,			Ni
	2000(1)	2001(1)	2002	200
	(in millions, except metal pr			
Statement of Operations Data:				
Net sales:				
Energy	$ 733.6	$ 521.8	$ 516.0	$ 38
Industrial & specialty	796.7	537.6	499.4	38
Communications	631.8	592.0	438.5	33
Total net sales	2,162.1	1,651.4	1,453.9	1,10
Cost of sales	1,870.4	1,410.7	1,287.3	97
Gross profit	291.7	240.7	166.6	13
Selling, general and administrative expenses	257.6	136.4	150.9	11
Operating income	34.1	104.3	15.7	1
Other income	--	8.1	--	
Interest expense, net	(59.8)	(43.9)	(42.6)	(3
Other financial costs	(3.3)	(10.4)	(1.1)	
Income (loss) before taxes	(29.0)	58.1	(28.0)	(1
Income tax benefit (provision)	10.3	(20.6)	9.9	
Income (loss) from continuing operations	(18.7)	37.5	(18.1)	(1
Loss from discontinued operations	(7.7)	(6.8)	--	
Loss on disposal of discontinued operations	--	(32.7)	(5.9)	(
Net income (loss)	$ (26.4)	$ (2.0)	$ (24.0)	$ (1
Basic earnings (loss) of continuing operations per common share	$ (0.56)	$ 1.14	$ (0.55)	$ (0
Diluted earnings (loss) of continuing operations per common share	$ (0.56)	$ 1.13	$ (0.55)	$ (0
Basic loss of discontinued operations per common share	$ (0.23)	$ (1.20)	$ (0.18)	$ (0
Diluted loss of discontinued operations per common share	$ (0.23)	$ (1.19)	$ (0.18)	$ (0
Basic earnings (loss) of total company per common share	$ (0.79)	$ (0.06)	$ (0.73)	$ (0
Diluted earnings (loss) of total company per common share	$ (0.79)	$ (0.06)	$ (0.73)	$ (0
Basic weighted average shares outstanding	33.6	32.8	33.0	3
Diluted weighted average shares outstanding	33.6	33.1	33.0	3
Dividends per common share	$ 0.20	$ 0.20	$ 0.15	$ 0

	December 31,			Sep
	2000	2001	2002	Actu
Balance Sheet Data:				
Cash and cash equivalents	$ 21.2	$ 16.6	$ 29.1	$ 2
Working capital(2)	375.3	169.9	150.8	13

Property, plant and equipment, net	379.4	320.9	323.3	32
Total assets	1,319.2	1,005.3	973.3	97
Total debt(3)	642.6	460.4	451.9	40
Net debt(3)(4)	621.4	443.8	422.8	37
Shareholders' equity	128.5	104.9	60.9	8

	Year Ended December 31,		
	2000(1)	2001(1)	2002
Other Data:			
Cash flows of operating activities	$ 16.1	$ 83.2	$ 57.3
Cash flows of investing activities	82.9	91.9	(28.6)
Cash flows of financing activities	(115.8)	(179.7)	(16.2)
EBITDA from continuing operations(5)	81.3	133.1	46.3
Depreciation and amortization	56.0	35.0	30.6
Capital expenditures	(56.0)	(54.9)	(31.4)
Average daily COMEX price per pound of copper cathode	$ 0.84	$ 0.73	$ 0.72
Average daily selling price per pound of aluminum rod	$ 0.75	$ 0.69	$ 0.65
Pro forma interest expense			

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(1) As of January 1, 2001, we changed our accounting method for non-North American metal inventories from the first-in first-out ("FIFO") method to the last-in first-out ("LIFO") method. The impact of the change was an increase in operating income of $4.1 million, or $0.08 of earnings per share, on both a basic and a diluted basis during 2001. As of January 1, 2000, we changed our accounting method for our North American non-metal inventories from the FIFO method to the LIFO method. The impact of the change was an increase in operating income of $6.4 million, or $0.12 of earnings per share, on both a basic and diluted basis, during 2000.

(2) Working capital means current assets less current liabilities. The as-adjusted amount for September 30, 2003 includes $72.8 million of accounts receivable previously part of our accounts receivable asset-backed securitization facility brought back on the balance sheet as a result of the refinancing.

(3) Excludes off-balance sheet borrowings of $67.8 million, $48.5 million and $72.8 million as of December 31, 2001 and 2002 and September 30, 2003 under our accounts receivable asset-backed securitization facility. We had no off-balance sheet borrowings as of December 31, 2000.

(4) Net debt means our total debt less cash and cash equivalents.

(5) EBITDA from continuing operations means earnings from continuing operations before (i) interest expense, net (including other financial costs, principally consisting of write-off of unamortized bank fees, costs associated with the implementation of our accounts receivable asset-backed securitization program and loss related to terminated interest rate

collars), (ii) income tax provision (benefit), (iii) continuing operations depreciation and amortization and (iv) other income (principally consisting of a foreign exchange gain on the extinguishment of long-term debt in the United Kingdom). Other companies may define EBITDA differently and, as a result, our measure of EBITDA may not be directly comparable to EBITDA of other companies.

Management believes that the presentation of EBITDA included in this prospectus provides useful information to investors regarding our results of operations because they assist in analyzing and benchmarking the performance and value of our business. Although we use EBITDA as a financial measure to assess the performance of our business, the use of EBITDA is limited because it does not include certain material costs, such as interest and taxes, necessary to operate our business. EBITDA included in this prospectus should be considered in addition to, and not as a substitute for, net income in accordance with GAAP as a measure of performance or cash flows from operating activities in accordance with GAAP as a measure of liquidity.

EBITDA from continuing operations reconciles to net income (loss) as follows:

	Year Ended December 31,			Nine Months Ended September 30
	2000	2001	2002	2002
				(in millio
Net income (loss)	$(26.4)	$ (2.0)	$(24.0)	$(14.8)
Loss from operations of discontinued operations (net of tax)	7.7	6.8	--	--
Loss on disposal of discontinued operations (net of tax)	--	32.7	5.9	3.9
Income (loss) from continuing operations	(18.7)	37.5	(18.1)	(10.9)
Other income	--	(8.1)	--	--
Interest expense (income):				
Interest expense, net	59.8	43.9	42.6	31.1
Other financial costs	3.3	10.4	1.1	--
Income tax (benefit) provision	(10.3)	20.6	(9.9)	(6.0)
Continuing operations depreciation and amortization	47.2	28.8	30.6	22.8
EBITDA from continuing operations	$ 81.3	$133.1	$ 46.3	$ 37.0

EBITDA from continuing operations has not been adjusted for the increases (decreases) resulting from the following items:

For the year ended December 31, 2000, EBITDA loss from businesses divested to Pirelli of $79.1 million.

For the year ended December 31, 2001, disposal of inventory of $7.0

million, income related to the divestiture to Pirelli of $(7.0) million, gain from sale of Pyrotenax business of $(23.8) million, closure of manufacturing plants of $4.8 million, divestiture of non-strategic businesses of $5.5 million, severance and severance-related costs of $16.5 million and provision for other costs of $0.8 million.

For the year ended December 31, 2002, charge related to assets contributed to joint venture of $3.6 million, closure of manufacturing plants of $21.2 million, divestiture of non-strategic businesses of $1.7 million, and severance and severance-related costs of $6.9 million.

For the nine months ended September 30, 2002, charge related to assets contributed to joint venture of $3.6 million, closure of manufacturing plants of $20.5 million, divestiture of non-strategic businesses of $1.7 million and severance and severance-related costs of $2.9 million.

For the nine months ended September 30, 2003, severance and severance-related costs of $1.7 million.

For the twelve months ended September 30, 2003, closure of manufacturing plants of $0.7 million and severance and severance-related costs of $5.7 million.

RISK FACTORS

Investing in these securities involves a high degree of risk. You should carefully consider the following risk factors and other information contained in the prospectus before investing in these securities.

Risks Related to Our Business

Risks Relating to Our Markets

Our net sales, net income and growth depend largely on the economies in the geographic markets that we serve.

Many of our customers use our products as components in their own products or in projects undertaken for their customers. Our ability to sell our products is largely dependent on general economic conditions, including how much our customers and end-users spend on information technology, new construction and building, maintaining or reconfiguring their communications network, industrial manufacturing assets and power transmission and distribution infrastructures. Over the past few years many companies have significantly reduced their capital equipment and information technology budgets, and construction activity that necessitates the building or modification of communication networks and power transmission and distribution infrastructures has slowed considerably as a result of a weakening of the U.S. and foreign economies. As a result, our net sales and financial results have declined significantly. In the event that these markets do not improve, or if they were to become weaker, we could suffer further decreased sales and net income and we could be required to enact further restructurings.

The market for our products is highly competitive.

The markets for copper, aluminum and fiber optic wire and other cable products are highly competitive, and some of our competitors may have greater financial resources than we do. We compete with at least one major competitor with respect to each of our business segments, although no single competitor

competes with us across the entire spectrum of our product lines. Many of our products are made to common specifications and therefore may be fungible with competitors' products. Accordingly, we are subject to competition in many markets on the basis of price, delivery time, customer service and our ability to meet specific customer needs.

We believe our competitors will continue to improve the design and performance of their products and to introduce new products with competitive price and performance characteristics. We expect that we will be required to continue to invest in product development, productivity improvements and customer service and support in order to compete in our markets. Furthermore, an increase in imports of products competitive with our products could adversely affect our sales.

Our business is subject to the economic and political risks of maintaining facilities and selling products in foreign countries.

During 2002, approximately 26% of our sales and approximately 33% of our assets were in markets outside North America. Our financial results may be adversely affected by significant fluctuations in the value of the U.S. dollar against foreign currencies or by the enactment of exchange controls or foreign governmental or regulatory restrictions on the transfer of funds. In addition, negative tax consequences relating to repatriating certain foreign currencies, particularly cash generated by our operations in Spain, may adversely affect our cash flows. During 2002, our operations outside North America generated approximately 24% of our cash flows from operations. Furthermore, our foreign operations are subject to risks inherent in maintaining operations abroad, such as economic and political destabilization, international conflicts, restrictive actions by foreign governments, nationalizations, changes in regulatory requirements, the difficulty of effectively managing diverse global operations and adverse foreign tax laws.

Changes in industry standards and regulatory requirements may adversely affect our business.

As a manufacturer and distributor of wire and cable products we are subject to a number of industry standard-setting authorities, such as Underwriters Laboratories, the Telecommunications Industry Association,

the Electronics Industries Association and the Canadian Standards Association. In addition, many of our products are subject to the requirements of federal, state and local or foreign regulatory authorities. Changes in the standards and requirements imposed by such authorities could have an adverse effect on us. In the event we are unable to meet any such standards when adopted our business could be adversely affected. In addition, changes in the legislative environment could affect the growth and other aspects of important markets served by us. While certain legislative bills and regulatory rulings are pending in the energy and telecommunications sectors which could improve our markets, any delay or failure to pass such legislation and regulatory rulings could adversely affect our opportunities and anticipated prospects may not arise. It is not possible at this time to predict the impact that any such legislation or regulation or failure to enact any such legislation or regulation, or other changes in laws or industry standards that may be adopted in the future, could have on our financial results, cash flows or financial position.

Advancing technologies, such as fiber optic and wireless technologies, may make some of our products less competitive.

Technological developments could have a material adverse effect on our business. For example, a significant decrease in the cost and complexity of installation of fiber optic systems or increase in the cost of copper based systems could make fiber optic systems superior on a price performance basis to copper systems and may have a material adverse effect on our business. Also, advancing wireless technologies, as they relate to network and communication systems, may represent some threat to both copper and fiber optic cable based systems by reducing the need for premise wiring. While we sell some fiber optic cable and components and cable that is used in certain wireless applications, if fiber optic systems or wireless technology were to significantly erode the markets for copper based systems, our sales of fiber optic cable and products for wireless applications may not be sufficient to offset any decrease in sales or profitability of other products that may occur.

Risks Relating to Our Operations

Volatility in the price of copper and other raw materials, as well as fuel and energy, could adversely affect our businesses.

The costs of copper and aluminum, the most significant raw materials we use, have been subject to considerable volatility over the years. Volatility in the price of copper, aluminum, polyethylene and other raw materials, as well as fuel, natural gas and energy, will in turn lead to significant fluctuations in our cost of sales. Additionally, sharp increases in the price of copper can also reduce demand if customers decide to defer their purchases of copper wire and cable products or seek to purchase substitute products. Moreover, we do not engage in activities to hedge the underlying value of our copper and aluminum inventory. Although we attempt to reflect copper and other raw material price changes in the sale price of our products, there is no assurance that we can do so.

Interruptions of supplies from our copper rod mill plant or our key suppliers may affect our results of operations and financial performance.

Interruptions of supplies from our copper rod mill plant or our key suppliers could disrupt production or impact our ability to increase production and sales. During 2002, our copper rod mill plant produced approximately 50% of the copper rod used in our North American operations and two suppliers provided an aggregate of approximately 36% of our North American copper purchases. Any unanticipated problems or work stoppages at our copper rod mill facility could have a material adverse effect on our business. Additionally, we use a limited number of sources for most of the other raw materials that we do not produce. We do not have long-term or volume purchase agreements with most of our suppliers, and may have limited options in the short-term for alternative supply if these suppliers fail, for any reason, including their business failure or financial difficulties, to continue the supply of materials or components. Moreover, identifying and accessing alternative sources may increase our costs.

Failure to negotiate extensions of our labor agreements as they expire may result in a disruption of our operations.

Approximately 65% of our employees are represented by various labor unions. During the last five years, we have experienced only one strike, which was settled on satisfactory terms. Labor agreements covering approximately 18% of our other employees expire prior to December 31, 2004. We cannot predict what

issues may be raised by the collective bargaining units representing our employees and, if raised, whether negotiations concerning such issues will be successfully concluded. A protracted work stoppage could result in a disruption of our operations which could adversely affect our ability to deliver certain products and our financial results.

Our inability to continue to achieve productivity improvements may result in increased costs.

Part of our business strategy is to increase our profitability by lowering costs through improving our processes and productivity. In the event we are unable to continue to implement measures improving our manufacturing techniques and processes, we may not achieve desired efficiency or productivity levels and our manufacturing costs may increase. In addition, productivity increases are related in part to factory utilization rates. Our decreased utilization rates over the past few years have adversely impacted productivity.

We are substantially dependent upon distributors and retailers for sales of our products.

During 2002, approximately 36% of our domestic net sales were to independent distributors and four of our ten largest customers were distributors. Distributors accounted for a substantial portion of sales of our communications products and industrial & specialty products. During 2002, approximately 14% of our domestic net sales were to retailers and the two largest retailers, AutoZone and The Home Depot, accounted for approximately 3.3% and 3.1%, respectively, of our net sales.

These distributors and retailers are not contractually obligated to carry our product lines exclusively or for any period of time. Therefore, these distributors and retailers may purchase products that compete with our products or cease purchasing our products at any time. The loss of one or more large distributors or retailers could have a material adverse effect on our ability to bring our products to end users and on our results of operations. Moreover, a downturn in the business of one or more large distributors or retailers could adversely affect our sales and could create significant credit exposure.

We face pricing pressures in each of our markets that could adversely affect our results of operations and financial performance.

We face pricing pressures in each of our markets as a result of significant competition or over-capacity, and price levels for most of our products have declined over the past few years. While we will work toward reducing our costs to respond to the pricing pressures that may continue, we may not be able to achieve proportionate reductions in costs. As a result of over-capacity and the current economic and industry downturn in the communications and industrial markets in particular, pricing pressures increased in 2002 and 2003. Pricing pressures are expected to continue throughout 2003 and for the foreseeable future. Further declines in prices, without offsetting cost-reductions, would adversely affect our financial results.

Other Risks Relating to Our Business

Our substantial debt and debt service requirements could adversely affect our business.

We have a significant amount of debt. As of September 30, 2003, assuming that this offering and the other refinancing transactions had occurred on that date and the use of proceeds was as outlined, we would have had $370.4 million of debt outstanding, $95.4 million of which would have been secured

indebtedness and none of which would have been subordinated to the senior notes, and would have had approximately $105 million of additional borrowing available (which is calculated after giving effect to up to $36.6 million of letters of credit outstanding) under our new senior secured revolving credit facility. In addition, subject to the terms of the indenture governing the notes, we will also be incurring additional indebtedness, including secured debt, in the future.

The degree to which we are leveraged could have important adverse consequences to us. For example, it could:

- make it difficult for us to make payments on or otherwise satisfy our obligations with respect to our indebtedness;
- require us to dedicate a significant portion of our cash flows from operations to debt service, thereby reducing the availability of cash flow for other purposes;
- limit our ability to borrow additional amounts for working capital, capital expenditures, potential acquisition opportunities and other purposes;
- limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business, regulatory and economic conditions in our industry;
- place us at a competitive disadvantage against our less leveraged competitors;
- subject us to increased costs, to the extent of the portion of our indebtedness that is subject to floating interest rates; and
- cause us to fail to comply with applicable debt covenants and could result in an event of default that could result in all of our indebtedness being immediately due and payable.

In addition, our ability to generate cash flow from operations sufficient to make scheduled payments on our debts as they become due will depend on our future performance, our ability to successfully implement our business strategy and our ability to obtain other financing.

If either of our uncommitted accounts payable or accounts receivable financing arrangements for our European operations is cancelled by our lenders, our liquidity will be negatively impacted.

Our European operation participates in arrangements with several European financial institutions which provide extended accounts payable terms to us. In general, the arrangements provide for accounts payable terms of up to 180 days. At September 30, 2003, the arrangements had a maximum availability limit of the equivalent of approximately $94 million of which approximately $77 million was drawn. We do not have firm commitments from these European financial institutions requiring them to continue to extend credit and they may decline to advance additional funding. We also have an approximate $25 million uncommitted facility in Europe, which allows us to sell at a discount, with limited recourse, a portion of our accounts receivable to a financial institution. At September 30, 2003, this facility was not drawn upon. We do not have a firm commitment from this institution to purchase our accounts receivable. Should the availability under these arrangements be

reduced or terminated, we would be required to negotiate longer payment terms with our suppliers or repay the outstanding obligations with our suppliers under these arrangements over 180 days and/or seek alternative financing arrangements which could increase our interest expense. We cannot assure you that such longer payment terms or alternate financing will be available on favorable terms or at all. Failure to obtain alternative financing arrangements in such case would negatively impact our liquidity.

We will be required to take a charge in the current period in connection with a plant closure and we may be required to take certain charges to our earnings in future periods in connection with potential plant closures and our inventory accounting practices.

We are in the process of closing one of our manufacturing facilities, which we expect will result in approximately $7 million of costs in the quarter ending December 31, 2003, of which approximately $4 million will be cash costs. In addition, we are currently evaluating closures of two additional facilities. We plan to announce the results of our evaluation either late this quarter or early next year and would take additional charges over the period the operations are wound down should we decide to rationalize these two facilities. The cost to rationalize these facilities could approximate $20 million, with cash costs of approximately one-third of this amount.

As a result of declining copper prices, the historic LIFO cost of our copper inventory exceeded its replacement cost by approximately $16 million at December 31, 2002 and $5 million at September 30, 2003. If we were not able to recover the LIFO value of our inventory at a profit in some future period when replacement costs were lower than the LIFO value of the inventory, we would be required to take a charge to

recognize in our income statement all or a portion of the higher LIFO value of the inventory. During 2002 and in the nine months ended September 30, 2003, we recorded a $2.5 million and a $0.8 million charge, respectively, for the liquidation of LIFO inventory in North America as we significantly reduced our inventory levels. We expect to further reduce inventory quantities in the fourth quarter of 2003 which is expected to result in an additional LIFO liquidation charge. The amount of the charge to be incurred in the fourth quarter of 2003 will be dependent upon the quantity of the inventory reduction and the market price of the metals at the time of the inventory liquidation. If LIFO inventory quantities are reduced in a future period when replacement costs are lower than the LIFO value of the inventory, we would experience a decline in reported earnings.

We are subject to certain asbestos litigation.

There are approximately 15,000 pending non-maritime asbestos cases involving our subsidiaries. The majority of these cases involve plaintiffs alleging exposure to asbestos-containing cable manufactured by our predecessors. In addition to our subsidiaries, numerous other wire and cable manufacturers have been named as defendants in these cases. Our subsidiaries have also been named, along with numerous other product manufacturers, as defendants in approximately 33,000 suits in which plaintiffs alleged that they suffered an asbestos-related injury while working in the maritime industry. These cases are referred to as MARDOC cases and are currently managed under the supervision of the U.S. District Court for the Eastern District of Pennsylvania. On May 1, 1996, the District Court ordered that all pending MARDOC cases be administratively dismissed without prejudice and the cases cannot be reinstated, except in certain circumstances involving specific proof

of injury. We can not assure you that any judgments or settlements of the pending non-maritime and/or MARDOC asbestos cases or any cases which may be filed in the future will not have a material adverse effect on our financial results, cash flows or financial position. Moreover, certain of our insurers may be financially unstable and in the event one or more of these insurers enter into insurance liquidation proceedings, we will be required to pay a larger portion of the costs incurred in connection with these cases.

Environmental liabilities could potentially adversely impact us and our affiliates.

We are subject to federal, state, local and foreign environmental protection laws and regulations governing our operations and use, handling, disposal and remediation of hazardous substances currently or formerly used by us and our affiliates. A risk of environmental liability is inherent in our and our affiliates' current and former manufacturing activities in the event of a release or discharge of a hazardous substance generated by us or our affiliates. Under certain environmental laws, we could be held jointly and severally responsible for the remediation of any hazardous substance contamination at our facilities and at third party waste disposal sites and could also be held liable for any consequences arising out of human exposure to such substances or other environmental damage. We and our affiliates have been named as potentially responsible parties in proceedings that involve environmental remediation. There can be no assurance that the costs of complying with environmental, health and safety laws and requirements in our current operations or the liabilities arising from past releases of, or exposure to, hazardous substances, will not result in future expenditures by us that could materially and adversely affect our financial results, cash flows or financial condition.

We may not be able to successfully identify, finance or integrate acquisitions.

Growth through acquisition has been, and is expected to continue to be, a significant part of our strategy. We regularly evaluate possible acquisition candidates and currently have identified one potential candidate with which we are engaged in preliminary discussions. We believe that an acquisition of this potential candidate would enhance our global business. However, we have no agreement or understanding with respect to this potential candidate and we cannot assure you that any such acquisition will be successfully completed. We cannot assure you that we will be successful in identifying, financing and closing acquisitions at favorable prices and terms. Potential acquisitions may require us to issue additional shares of stock or obtain additional or new financing, and such financing may not be available on terms acceptable to us, or at all. The issuance of our common or preferred shares may dilute the value of shares held by our equityholders. Further, we cannot assure you that we will be successful in integrating any such acquisitions that are completed. Integration of any such acquisitions may require substantial management, financial and other resources and

may pose risks with respect to production, customer service and market share of existing operations. In addition, we may acquire businesses that are subject to technological or competitive risks, and we may not be able to realize the benefits expected from such acquisitions.

Terrorist attacks and other attacks or acts of war may adversely affect the markets in which we operate, our operations and our profitability.

The attacks of September 11, 2001 and subsequent events, including the military action in Iraq, has caused and may continue to cause instability in our markets and have led and may continue to lead to, further armed hostilities or further acts of terrorism worldwide, which could cause further disruption in our markets. Acts of terrorism may impact any or all of our facilities and operations, or those of our customers or suppliers and may further limit or delay purchasing decisions of our customers. Depending on their magnitude, acts of terrorism or war could have a material adverse effect on our business, financial results, cash flows and financial position.

We carry insurance coverage on our facilities of types and in amounts that we believe are in line with coverage customarily obtained by owners of similar properties. We continue to monitor the state of the insurance market in general and the scope and cost of coverage for acts of terrorism in particular, but we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Currently, we do not carry terrorism insurance coverage. If we experience a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged facilities, as well as the anticipated future net sales from those facilities. Depending on the specific circumstances of each affected facility, it is possible that we could be liable for indebtedness or other obligations related to the facility. Any such loss could materially and adversely affect our business, financial results, cash flows and financial position.

If we fail to retain our key employees, our business may be harmed.

Our success has been largely dependent on the skills, experience and efforts of our key employees, and the loss of the services of any of our executive officers or other key employees could have an adverse effect on us. The loss of our key employees who have intimate knowledge of our manufacturing process could lead to increased competition to the extent that those employees are able to recreate our manufacturing process. Our future success will also depend in part upon our continuing ability to attract and retain highly qualified personnel, who are in great demand.

Declining returns in the investment portfolio of our defined benefit plans will increase our pension expense and require us to increase cash contributions to the plans.

Pension expense for the defined benefit pension plans sponsored by us is determined based upon a number of actuarial assumptions, including an expected long-term rate of return on assets and discount rate. During the fourth quarter of 2002, as a result of declining returns in the investment portfolio of our defined benefit pension plans, we were required to record a minimum pension liability equal to the underfunded status of our plans. As of December 31, 2002, the defined benefit plans were underfunded by approximately $52 million based on the actuarial methods and assumptions utilized for purposes of FAS 87. We will experience an increase in our future pension expense and in our cash contributions to our defined benefit pension plan. Pension expense for our defined benefit plans is expected to increase from $2.0 million in 2002 to approximately $7.7 million in 2003 and our required cash contributions are expected to increase to $5.9 million in 2003 from $3.0 million in 2002. In 2004, cash contributions are expected to increase to $12.6 million. In the event that actual results differ from the actuarial assumptions, the funded status of our defined benefit plans may change and any such deficiency could result in additional charges to equity and an increase in future pension expense and cash contributions.

An ownership change could result in a limitation of the use of our net operating losses.

As of December 31, 2002, we had net operating loss, or NOL, carryforwards of

approximately $177 million available to reduce taxable income in future years. Specifically, we generated NOL carryforwards of $55.2 million in 2000 and $68.4 million in 2002, which expire in 2020 and 2022, respectively. The 2001 NOL, which was reflected as a carryforward in the 2001 financial statements, was instead carried back to obtain a $37.0 million tax refund in 2002. We also have other NOL carryforwards that

are subject to an annual limitation under section 382 of the Internal Revenue Code of 1986, as amended, or the "Code". These section 382 limited NOL carryforwards expire in varying amounts from 2006-2009. The total section 382 limited NOL carryforwards that may be utilized prior to expiration is estimated at $53.9 million.

Our ability to utilize our NOL carryforwards may be further limited by section 382 if we undergo an ownership change as a result of this offering and our concurrent public offering of preferred stock and/or as a result of subsequent changes in the ownership of our outstanding stock. We would undergo an ownership change if, among other things, the stockholders, or groups of stockholders, who own or have owned, directly or indirectly, 5% or more of the value of our stock or are otherwise treated as 5% stockholders under section 382 and the regulations promulgated thereunder increase their aggregate percentage ownership of our stock by more than 50% over the lowest percentage of our stock owned by these stockholders at any time during the testing period, which is generally the three-year period preceding the potential ownership change. In the event of an ownership change, section 382 imposes an annual limitation on the amount of post-ownership change taxable income a corporation may offset with pre-ownership change NOL carryforwards and certain recognized built-in losses. The limitation imposed by section 382 for any post-change year would be determined by multiplying the value of our stock immediately before the ownership change (subject to certain adjustments) by the applicable long-term tax-exempt rate, which is 4.74% for November 2003. Any unused annual limitation may be carried over to later years, and the limitation may under certain circumstances be increased by built-in gains which may be present in assets held by us at the time of the ownership change that are recognized in the five-year period after the ownership change.

Based upon our review of the aggregate change in percentage ownership during the current testing period and subject to any unanticipated increases in ownership by our "five percent shareholders" (as described above) with respect our common stock, this offering, or our concurrent preferred stock offering, we do not believe that we will experience a change in ownership as a result of this offering and our concurrent preferred stock offering. However, such a determination is complex and there can be no assurance that the Internal Revenue Service could not successfully challenge our conclusion. In addition, there are circumstances beyond our control, such as the purchase of our stock in this offering or our concurrent preferred stock offering by investors who are existing 5% shareholders or become 5% shareholders as a result of such purchase, which could result in an ownership change with respect to our stock. Even if this offering and our concurrent preferred stock offering do not cause an ownership change to occur immediately, we expect to use a large portion of our available 50% ownership shift limitation in connection with this offering and our concurrent preferred stock offering, and we may not be able to engage in significant transactions that would create a further shift in ownership within the meaning of section 382 within the subsequent three-year period without triggering an ownership change. Thus, while it is our general intention to maximize utilization of our NOL carryforwards by avoiding the triggering of an ownership change, there can be no assurance that our future actions or future actions by our stockholders will not result in the

occurrence of an ownership change.

Risks Related to Our Common Stock

Our ability to pay dividends on our common stock may be limited.

Under the Delaware General Corporation Law, we may pay dividends, in cash or otherwise, only if we have surplus in an amount at least equal to the amount of the relevant dividend payment. Any payment of cash dividends will depend upon our financial condition, capital requirements, earnings and other factors deemed relevant by our board of directors. Further, our new senior secured revolving credit facility and the indenture governing the senior notes will restrict our ability to pay cash dividends. In addition, the certificate of designations for the Series A redeemable convertible preferred stock will prohibit us from the payment of any cash dividends on our common stock if we are not current on dividend payments with respect to the preferred stock. Agreements governing future indebtedness will likely contain restrictions on our ability to pay cash dividends. We do not intend to pay dividends on our common stock for the foreseeable future.

Our stock price has been and continues to be volatile.

The market price for our common stock could fluctuate due to various factors. These factors include:

- announcements relating to significant corporate transactions;

- fluctuations in our quarterly and annual financial results;
- operating and stock price performance of companies that investors deem comparable to us;
- changes in government regulation or proposals relating thereto;
- general industry and economic conditions; and
- sales or the expectation of sales of a substantial number of shares of our common stock in the public market.

In addition, the stock markets have, in recent years, experienced significant price fluctuations. These fluctuations often have been unrelated to the operating performance of the specific companies whose stock is traded. Market fluctuations, as well as economic conditions, have adversely affected, and may continue to adversely affect, the market price of our common stock. Fluctuations in the price of our common stock will affect the value of any outstanding preferred stock.

Shares eligible for future sale may harm our common stock price.

Sales of substantial numbers of additional shares of our common stock or any shares of our preferred stock, including sales of shares in connection with future acquisitions, or the perception that such sales could occur, may have a harmful effect on prevailing market prices for our common stock and our ability to raise additional capital in the financial markets at a time and price favorable to us. Our amended and restated certificate of incorporation provides that we have authority to issue 75 million shares of common stock. As of October 20, 2003, approximately 33.1 million shares of common stock were outstanding and approximately 3.5 million shares of common stock were issuable

upon exercise of currently outstanding stock options. We, our directors and officers have entered into the lock-up agreements described under the caption "Underwriting."

Our issuance of additional series of preferred stock could adversely affect holders of our common stock.

Our board of directors is authorized to issue additional series of preferred stock without any action on the part of our shareholders. Our board of directors also has the power, without shareholder approval, to set the terms of any such series of preferred stock that may be issued, including voting rights, conversion rights, dividend rights, preferences over our common stock with respect to dividends or if we liquidate, dissolve or wind up our business and other terms. If we issue preferred stock in the future that has preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding-up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

Provisions in our charter documents could make it more difficult to acquire our company.

Our amended and restated certificate of incorporation and amended and restated by-laws contain provisions that may discourage, delay or prevent a third party from acquiring us, even if doing so would be beneficial to our shareholders. Under our amended and restated certificate of incorporation, only our board of directors may call special meetings of shareholders, and shareholders must comply with advance notice requirements for nominating candidates for election to our board of directors or for proposing matters that can be acted upon by shareholders at shareholder meetings. Directors may be removed by shareholders only for cause and only by the effective vote of at least 66 2/3% of the voting power of all shares of capital stock then entitled to vote generally in the election of directors, voting together as a single class. Additionally, agreements with certain of our executive officers may have the effect of making a change of control more expensive and, therefore, less attractive.

Pursuant to our amended and restated certificate of incorporation, our board of directors may by resolution establish one or more series of preferred stock, having such number of shares, designation, relative voting rights, dividend rates, conversion rights, liquidation or other rights, preferences and limitations as may be fixed by our board of directors without any further shareholder approval. Such rights, preferences, privileges and limitations as may be established could have the further effect of impeding or discouraging the acquisition of control of our company.

FORWARD-LOOKING STATEMENTS

Certain of the matters we discuss in this prospectus may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," or "anticipates" or similar expressions which concern our strategy, plans or intentions. All statements we make relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future

operations and performance and other developments. These statements are necessarily estimates reflecting our judgment based upon current information and involve a number of risks and uncertainties. We cannot assure you that other factors will not affect the accuracy of these forward-looking statements or that our actual results will not differ materially from the results we anticipated in the forward-looking statements. While it is impossible for us to identify all the factors which could cause our actual results to differ materially from those we estimated, we described some of these factors in the section entitled "Risk Factors." We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of us.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the common stock offered hereby will be approximately $46.7 million, $53.8 million if the underwriters exercise their over-allotment option, in each case after deducting the underwriting discounts and commissions and estimated expenses payable by us.

This offering is part of our comprehensive plan to improve our capital structure and provide us with increased financial and operating flexibility to execute our business plan by reducing leverage and extending debt maturities. We anticipate that this plan will consist of the following refinancing transactions, which will be consummated concurrently: (i) a new $240 million senior secured revolving credit facility, (ii) a private offering of $275 million principal amount of senior notes, (iii) a private offering of $75 million of Series A redeemable convertible preferred stock and (iv) a public offering of approximately $50 million of common stock. We intend to apply the net proceeds from these refinancing transactions to repay all borrowings outstanding under our existing senior secured revolving credit facility, existing senior secured term loans and outstanding amounts under our existing accounts receivable asset-backed securitization facility and to pay related fees and expenses. The exact amounts raised in each of the refinancing transactions will depend on market conditions and will be determined at the time of the pricing of the transaction. The table below sets forth the sources and uses of funds from the refinancing transactions as if such transactions had occurred on September 30, 2003.

Sources:	Amount(1) (in millions)
Senior secured revolving credit facility	$ 82.7(2)
% Senior notes due 2010	275.0
% Series A redeemable convertible preferred stock	75.0
Common stock	50.0
Total	$482.7

Uses:	
Repayment of existing senior secured revolving credit facility	$ 64.9(3)

Repayment of existing senior secured term loan A	56.4
Repayment of existing senior secured term loan B	270.0
Repayment of accounts receivable asset-backed securitization facility..	72.8(4)
Fees and expenses	18.6
Total	$482.7

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(1) In this prospectus, references to the amount of this offering and the concurrent private offering of Series A redeemable convertible preferred stock do not include any securities issuable upon exercise of the options to purchase additional securities granted to the underwriters or the initial purchasers, as the case may be, in connection therewith.

(2) Our new senior secured revolving credit facility will provide for aggregate borrowings of up to $240.0 million (of which up to $50.0 million may be used for letters of credit), subject to borrowing base limitations.

(3) In addition, as of September 30, 2003, we had $36.6 million of outstanding letters of credit. Borrowings outstanding as of October 24, 2003 were $21.9 million higher as a result of working capital changes since September 30, 2003.

(4) Borrowings outstanding as of October 24, 2003 were $7.2 million higher as a result of working capital changes since September 30, 2003.

Our existing senior secured revolving credit facility bore interest at 5.63% and our existing senior secured term loan A bore interest at the rate of 6.14% and both mature on May 27, 2005. Our existing senior secured term loan B bore interest at the rate of 6.13% and matures on May 27, 2007. Our accounts receivable asset-backed securitization facility bore interest at the rate of 1.69% and matures on April 28, 2006. The interest rates referred to above are as of September 30, 2003. We were required under the terms of our existing credit agreement to fix the interest rate on a portion of our floating rate debt. As a result, the underlying LIBOR rate on $200.0 million of our debt was fixed at approximately 4.67% under a swap transaction.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2003:

- on an actual basis; and
- as adjusted to reflect the refinancing transactions described under the caption "Prospectus Supplement Summary -- The Refinancing," and the application of the estimated net proceeds therefrom, as if these transactions had occurred as of September 30, 2003.

This table should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of September 30, 2003	
	Actual	As Adjusted

	(in millions)	
Cash and cash equivalents	$ 24.2	$ 24.2
Debt(1):		
Existing senior secured revolving credit facility(2)	$ 64.9	--
Existing senior secured term loan A	56.4	--
Existing senior secured term loan B	270.0	--
New senior secured revolving credit facility(3)	--	82.7
New senior notes due 2010	--	275.0
Other debt	12.7	12.7
Total debt	404.0	370.4
Shareholders' equity:		
Preferred stock, $0.01 par value; 25,000,000 shares authorized:		
Series A redeemable convertible preferred stock; 1,725,000 authorized; issued and outstanding shares: no shares actual; 1,500,000 as adjusted (4)	--	75.0
Common stock, $0.01 par value; 75,000,000 shares authorized; issued and outstanding shares: 33,083,028 actual; 38,133,028 as adjusted (net of 4,745,425 treasury shares actual and as adjusted)(5)	0.4	0.5
Additional paid-in capital	100.2	143.9
Treasury stock	(50.4)	(50.4)
Retained earnings	65.1	55.9
Accumulated other comprehensive loss	(28.4)	(26.1)
Other shareholders' equity	(3.3)	(3.3)
Total shareholders' equity	83.6	195.5
Total capitalization	$487.6	$565.9

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(1) Debt does not include $72.8 million of borrowings under our off-balance sheet accounts receivable asset-backed securitization facility, which will be terminated in connection with the refinancing transactions.

(2) Borrowings outstanding as of October 24, 2003 were $21.9 million higher as a result of working capital changes since September 30, 2003.

(3) Excludes $36.6 million of letters of credit expected to be outstanding under the new senior secured revolving credit facility. The new senior secured revolving credit facility will provide for aggregate borrowings of up to $240 million, subject to borrowing base limitations. See "Description of New Credit Facility, New Notes and New Preferred Stock--Description of New Senior Secured Revolving Credit Facility."

(4) Excludes any shares of preferred stock that may be issued upon exercise of the initial purchasers' option to purchase additional securities in the concurrent preferred stock offering.

(5) Excludes (i) an aggregate of 3,535,580 shares of common stock issuable upon exercise of outstanding stock options, (ii) 140,530 matching restricted stock units, (iii) any shares of common stock that may be issuable upon exercise of the underwriters' over-allotment option and (iv) shares of common stock issuable upon conversion of Series A redeemable convertible preferred stock.

COMMON STOCK PRICE RANGE

Our common stock is listed on the New York Stock Exchange under the symbol "BGC". The following table sets forth the high and low sales prices for our common stock as reported on the New York Stock Exchange for the periods indicated.

	Price range	
	High	Low
Year ended December 31, 2001		
1st Quarter	$12.10	$ 4.50
2nd Quarter	18.98	8.75
3rd Quarter	19.24	9.20
4th Quarter	13.43	9.40
Year ended December 31, 2002		
1st Quarter	$14.60	$11.55
2nd Quarter	14.85	5.74
3rd Quarter	6.41	2.10
4th Quarter	4.95	2.35
Year ending December 31, 2003		
1st Quarter	$ 4.25	$ 3.11
2nd Quarter	6.36	3.65
3rd Quarter	10.06	5.30
4th Quarter (through November 3, 2003)	10.07	8.04

On November 3, 2003, the last reported sale price of our common stock on the New York Stock Exchange was $9.97 per share. At October 20, 2003, there were approximately 33,120,132 shares of common stock outstanding held by 2,266 holders of record.

DIVIDEND POLICY

We paid a $0.05 per share dividend on our common stock each quarter beginning in the fourth quarter of 1997 and through the third quarter of 2002. In October 2002, as a result of an amendment to our existing credit facility, our board of directors suspended the payment of the quarterly cash dividends on our common stock. The future payment of dividends on our common stock is subject to the discretion of our board of directors, restrictions under the Series A redeemable convertible preferred stock, restrictions under our new senior secured revolving credit facility and the senior notes and the requirements of Delaware General Corporation Law and will depend upon general business conditions, our financial performance and other factors our board of directors may consider relevant. We do not expect to pay cash dividends on our common stock in the foreseeable future.

SELECTED HISTORICAL FINANCIAL INFORMATION

The selected financial data for the years ended and as of December 31, 1998, 1999, 2000, 2001 and 2002 were derived from our audited consolidated financial statements. The selected financial data set forth in the following table for the nine months ended September 30, 2002 and 2003 and as of September 30, 2003 were derived from unaudited consolidated financial statements which, in the

opinion of our management, include all adjustments necessary for a fair presentation of the results for the unaudited interim periods. The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes thereto. Certain reclassifications have been made to conform to the current year's presentation.

During 1999, we acquired the worldwide energy cable and cable systems businesses of Balfour Beatty plc, formerly known as BICC plc, with operations in the United States, Canada, Europe, Africa, the Middle East and Asia Pacific. This acquisition was completed in three phases during 1999. The financial data presented below include the results of operations of the acquired businesses after the respective closing dates in 1999.

In August 2000, we sold certain businesses acquired from BICC plc consisting primarily of the operations in the United Kingdom, Italy and Africa and a joint venture interest in Malaysia to Pirelli Cavi e Sistemi S.p.A. The financial data presented below contain those operations sold to Pirelli during 2000 up through the date of sale.

In September 2000, we acquired Telmag S.A. de C.V., a Mexico-based manufacturer of telecommunications cables. The financial data presented below include the results of operations of this business after the closing date.

In March 2001, we sold our Pyrotenax business unit to Raychem HTS Canada, Inc. The results of operations of this business are included in the financial data presented below for the periods prior to the closing date.

In September 2001, we announced our decision to exit the consumer cordsets business. In October 2001, we sold substantially all of the manufacturing assets and inventory of our building wire business to Southwire Company. The results of operations of these businesses are included in the financial data presented below for the periods prior to the closing date. Beginning in the third quarter of 2001, we have reported the building wire and cordsets segment as discontinued operations for financial reporting purposes. Administrative expenses formerly allocated to this segment are now reported in the continuing operations segments. Prior periods have been restated to reflect this change.

	Year Ended December 31,			
	1998	1999	2000(1)	2001(1)
	(in millions, except ratio, per s			
Statement of Operations Data:				
Net sales:				
Energy	$ --	$ 505.3	$ 733.6	$ 521.8
Industrial & specialty	200.0	579.8	796.7	537.6
Communications	460.1	520.2	631.8	592.0
Total net sales	660.1	1,605.3	2,162.1	1,651.4
Cost of sales	519.9	1,312.8	1,870.4	1,410.7
Asset impairment charge	--	24.5	--	--

Gross profit	140.2	268.0	291.7	240.7
Selling, general and administrative expenses	62.2	174.7	257.6	136.4
Operating income	78.0	93.3	34.1	104.3
Other income	--	--	--	8.1
Interest expense, net	(9.6)	(38.0)	(59.8)	(43.9)
Other financial costs	--	--	(3.3)	(10.4)
Income (loss) before taxes	68.4	55.3	(29.0)	58.1
Income tax benefit (provision)	(25.7)	(19.6)	10.3	(20.6)
Income (loss) from continuing operations	42.7	35.7	(18.7)	37.5
Income (loss) from discontinued operations	28.5	(1.5)	(7.7)	(6.8)
Loss on disposal of discontinued operations	--	--	--	(32.7)
Net income (loss)	$ 71.2	$ 34.2	$ (26.4)	$ (2.0)
Per Share Data:				
Basic earnings (loss) of continuing operations per common share	$ 1.16	$ 0.99	$ (0.56)	$ 1.14
Diluted earnings (loss) of continuing operations per common stock	$ 1.14	$ 0.99	$ (0.56)	$ 1.13
Basic earnings (loss) of discontinued operations per common share	$ 0.77	$ (0.04)	$ (0.23)	$ (1.20)
Diluted earnings (loss) of discontinued operations per common share	$ 0.76	$ (0.04)	$ (0.23)	$ (1.19)
Basic earnings (loss) of total company per common share	$ 1.93	$ 0.95	$ (0.79)	$ (0.06)
Diluted earnings (loss) of total company per common share	$ 1.90	$ 0.95	$ (0.79)	$ (0.06)
Basic weighted average shares outstanding	36.8	35.9	33.6	32.8
Diluted weighted average shares outstanding	37.5	35.9	33.6	33.1
Dividends per common share (annually)	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Other Data:				
Depreciation and amortization	$ 18.5	$ 32.4	$ 56.0	$ 35.0
Capital expenditures	(75.5)	(97.6)	(56.0)	(54.9)
Ratio of earnings to fixed charges(2)	6.5x	2.3x	--	2.1x
Average daily COMEX price per pound of copper cathode	$ 0.75	$ 0.72	$ 0.84	$ 0.73
Average daily selling price per pound of aluminum rod	$ 0.66	$ 0.66	$ 0.75	$ 0.69

	December 31,			
	1998	1999	2000	200
Balance Sheet Data:				
Cash and cash equivalents	$ 3.4	$ 38.0	$ 21.2	$ 1
Working capital(3)	233.8	468.2	375.3	16
Property, plant and equipment, net	210.8	438.7	379.4	32
Total assets	651.0	1,568.3	1,319.2	1,00
Total debt(4)	246.8	765.2	642.6	46
Net debt(4)(5)	243.4	727.2	621.4	44
Shareholders' equity	177.2	177.3	128.5	10

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(1) As of January 1, 2001, we changed our accounting method for non-North American metal inventories from the FIFO method to the LIFO method. The impact of the change was an increase in operating income of $4.1 million, or $0.08 of earnings per share, on both a basic and a diluted basis during 2001. As of January 1, 2000, we changed our accounting method for our North American non-metal inventories from the FIFO method to the LIFO method. The impact of the change was an increase in operating income of $6.4 million, or $0.12 of earnings per share on both a basic and diluted basis, during 2000.

(2) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income from continuing operations before income taxes and fixed charges. Fixed charges include: (i) interest expense, whether expensed or capitalized; (ii) amortization of debt issuance cost; (iii) the portion of rental expense representative of the interest factor; and (iv) the amount of pretax earnings required to cover preferred stock dividends and any accretion in the carrying value of the preferred stock. For the years ended December 31, 2000 and 2002 and the nine months ended September 30, 2002, earnings were insufficient to cover fixed charge by $28.9 million, $27.6 million and $10.3 million, respectively. Our historical ratio of earnings to fixed charges and preferred stock dividends is the same as our historical ratio of earnings to fixed charges because we did not pay or accrue any preferred stock dividends during the periods presented. Our earnings for the year ended December 31, 2002 would have been insufficient to cover pro forma fixed charges and preferred stock dividends by $24.6 million. Our pro forma ratio of earnings to fixed charges and preferred stock dividends for the nine months ended September 30, 2003 would have been 1.3x.

(3) Working capital means current assets less current liabilities.

(4) Excludes off-balance sheet borrowings of $67.8 million at December 31, 2001, $48.5 million at December 31, 2002 and $72.8 million at September 30, 2003. There were no off-balance sheet borrowings as of December 31, 1998, 1999 and 2000.

(5) Net debt means our total debt less cash and cash equivalents.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

We are a leader in the development, design, manufacture, marketing and distribution of copper, aluminum and fiber optic wire and cable products for the energy, industrial & specialty and communications markets. Energy cables include low-, medium- and high-voltage power distribution and power transmission products. Industrial & specialty wire and cable products conduct electrical current for industrial and commercial power and control applications. Communications wire and cable products transmit low-voltage signals for voice, data, video and control applications.

We operate our businesses in three main geographic regions: 1) North America, 2) Europe and 3) Oceania. The following table sets forth net sales and operating income by geographic region for the periods presented, in millions of dollars:

	Year Ended December 31,					
	2000		2001		2002	
	Amount	%	Amount	%	Amount	%
Net Sales:						
North America	$1,399.8	79%	$1,267.7	77%	$1,077.2	74%
Europe	323.9	18	322.2	19	314.7	22
Oceania	55.0	3	61.5	4	62.0	4
Subtotal............................	1,778.7	100%	1,651.4	100%	1,453.9	100%
Divested businesses	383.4		--		--	
Total net sales.....................	$2,162.1		$ 1,651.4		$1,453.9	
Operating Income:						
North America	$ 100.5	78%	$ 71.7	66%	$ 15.0	31%
Europe	24.1	18	29.6	27	27.7	56
Oceania	5.8	4	6.8	6	6.4	13

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, Colombia 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 directors to serve as a director of the Grosso Group. As of February 29, 2008, the directors of the Grosso Group are Nikolaos Cacos, Joseph Grosso, Arthur Lang, Manfred Kurschner and Sean Hurd. Messrs. Lang and Grosso are officers and directors of the Company. Mr. Lang is also an officer and director of Golden Arrow and an officer of Amera, Blue Sky and Astral. Mr. Grosso is also an officer and director of Golden Arrow and of Amera. Mr. Cacos is an officer of the Company and is also 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. Mr. Hurd is an officer of the Company and President and Director of Blue Sky.

Each of the public company shareholders of the Grosso Group has 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.

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

See ""Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

JOSEPH GROSSO

The Company is party to an agreement with Oxbow, effective as of July 1, 1999, subsequently amended on May 1, 2006, pursuant to which Mr. Grosso provides

executive services as President and Chief Executive Officer of the Company. 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. During the fiscal year ended December 31, 2007, Oxbow was paid $250,000 (2006 - $350,667).

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

Company's 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.

See ""Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

NIKOLAOS CACOS

As of January 2005, Mr. Cacos provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2007, Mr. Cacos's total compensation from the Grosso Group was $22,500 (2006 - $22,500, 2005 - $22,500), of which $938 was allocated to the Company (2006 - $9,225, 2005 - $14,862) as part of the Grosso Group fees for the year.

See ""Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

SEAN HURD

As of January 2005, Mr. Hurd provides executive services to the Company as an employee of the Grosso Group. During the year ended December 31, 2007, Mr. Hurd's total compensation from the Grosso Group was $120,000 (2006 - $112,000, 2005 - $96,000), of which $25,497 was allocated to the Company (2006 - $45,920, 2005 - $72,216) as part of the Grosso Group fees for the year.

See ""Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

ARTHUR LANG

As of January 2005, Mr. Lang provides executive services to the Company as 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, 2007, Mr. Lang's total compensation from the Grosso Group was

$150,000 of which $59,834 was allocated to the Company as part of the Grosso Group fees and $Nil was paid directly as a bonus.

See ""Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

DAVID TERRY

As of January 1, 2005, Mr. Terry provides executive services to the Company as a consultant of 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 bonus. On July 9, 2007 the Grosso Group increased Mr. Terry's monthly fee to $16,667 ($200,000 annually) effective July 1, 2007. During the year ended December 31, 2007, Mr. Terry's total compensation from the Grosso Group was $175,000 of which $24,579 was allocated to the Company as part of the Grosso Group fees.

See ""Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

LINDA MCCLUSKY

Mrs. Linda McClusky provides executive services to the Company as an employee of the Grosso Group. Mrs. McClusky was appointed Corporate Secretary effective December 4, 2007. During the year ended December 31, 2007 Mrs. McClusky's total compensation from the Grosso Group was $67,000 of which $18,358 was allocated to the Company as part of the Grosso Group fees.

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

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 Committee, except when his compensation is the subject matter.

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

TERMS OF REFERENCE
FOR THE
AUDIT COMMITTEE

General

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, Minni 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 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.

The Audit Committee's Charter is attached hereto as Exhibit 4.72.

EMPLOYEES

As of December 31, 2007, the Company uses the services of the Grosso Group, which had 23 full-time employees and 2 part-time employees. The Company also has two part-time employees in Argentina and Joseph Grosso through the contract with Oxbow. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts". Exploration activities are conducted by consultants, laborers and technicians hired for the duration of the exploration program.

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SHARE OWNERSHIP

As of February 29, 2008, the Company had 52,132,064 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 29, 2008.

TITLE OF CLASS	NAME	SHARES AND RIGHTS BENEFICIALLY OWNED OR CONTROLLED (1)	PE
Common Stock	Joseph Grosso	1,744,667(2)	
Common Stock	Nikolaos Cacos	188,151(3)	
Common Stock	Sean Hurd	310,000(4)	
Common Stock	Gerald Carlson (former director)	252,500(5)	
Common Stock	David Terry	222,000(6)	
Common Stock	Chet Idziszek	245,000(7)	
Common Stock	Robert Stuart (Tookie) Angus	260,000(8)	
Common Stock	Arthur Lang	195,000(9)	
Common Stock	David Horton	160,300(10)	
Common Stock	Leonard Harris	105,000(11)	
Common Stock	Officers and Directors (as a group, 10 persons)	3,682,618(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 52,132,064 shares of common stock outstanding as February 29, 2008.

(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) 703,219 shares held by Mr. Grosso;
   (b) 348,448 shares held by Oxbow (50%);
   (c) 75,000 Options held by Mr. Grosso's wife (50%)
   (d) 548,000 Options held by Mr. Grosso to acquire 548,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."; and
   (e) 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 50,000 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."

(6) Includes 22,000 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 200 shares and 160,000 options held by Mr. Horton to acquire 160,000 shares. Mr. Horton also holds 100 Warrants to acquire an additional 100 shares. See "Item 6. 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."

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(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."

(13) Effective March 19, 2008 Mr. Idziszek tendered his resignation as a director.

OPTIONS, WARRANTS AND OTHER RIGHTS TO ACQUIRE SECURITIES

As of February 29, 2008, 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 7,834,404 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, June 14, 2006 and December 4, 2007, respectively, the 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 or by the Compensation Committee of the Company's Board of Directors consisting of not less than two of its members. The Stock Option Plan is currently administered by the Compensation 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;

(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 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 granted 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 Compensation 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 Compensation Committee shall make adjustments to the Stock Option Plan and to the options then outstanding under it as the Compensation Committee determines to be appropriate and equitable under the circumstances, unless the Compensation 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 29, 2007, the Company has issued 4,330,000 non-transferable incentive stock options to purchase common shares outstanding to the following persons:

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	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
G. Carlson	Former 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	50,000	$1.87	Aug. 27/08
		50,000	$3.10	Mar. 24/09
		30,000	$4.16	Mar. 16/10

OPTIONEE	NATURE OF OPTION(1)	NUMBER OF SHARES	EXERCISE PRICE	EXPIRATION DATE
E. Grosso(2)	Consultant	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	$3.1 0	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
		75,000	$3.10	Mar. 24/09
		20,000	$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

OPTIONEE	NATURE OF OPTION(1)	NUMBER OF SHARES	EXERCISE PRICE	EXPIRATION DATE
		30,000	$4.16	Mar. 16/10
J. Denee	Consultant	10,000	$3.10	Mar. 24/09
		5,000	$4.16	Mar. 16/10
C. Sandoval	Consultant	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
M. De Simone	Director (of subsidiary-exempted from reporting)	80,000	$3.10	Mar. 24/09
D. Horton	Director	100,000	$3.10	Mar. 24/09
		30,000	$4.16	Mar. 16/10
		30,000	$3.21	Jun. 22/11
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

OPTIONEE	NATURE OF OPTION(1)	NUMBER OF SHARES	EXERCISE PRICE	EXPIRATION DATE
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
F. Riedl	Consultant	30,000	$4.16	Mar. 16/10
A. Baertl	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	Officer	10,000	$3.21	Jun. 22/11
B. Dubowska	Consultant	5,000	$3.21	Jun. 22/11
G. Myers	Consultant	100,000	$0.47	Oct. 23/12
TOTAL		4,330,000		

Officers and directors, as a group (10 persons)(4)	2,193,000

(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.

WARRANTS AND OTHER COMMITMENTS

As of February 29, 2008, there were 3,271,070 non-transferable common share purchase warrants exercisable.

As of February 29, 2008, the Company's officers and directors, as a group, including entities controlled or under significant influence of officers and directors of the Company, held 100 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, the following table sets forth certain information regarding ownership of the Company's common shares by the Company's major shareholders as of February 29, 2008.

Title of Class	Name and Address of Owner	Shares and Rights Beneficially Owned or Controlled (1)	Per
Common Stock	Exploration Capital Partners 2006 Limited Partnership (2) 7770 El Camino Real Carlsbad, California 92009 Citizenship: California	5,000,000	
	Resource Investment Management Corporation (2) 7770 El Camino Real Carlsbad, California 92009 Citizenship: California	5,000,000	
	Rule Family Trust udt 12/17/98 (2) 7770 El Camino Real Carlsbad, California 92009 Citizenship: California	5,000,000	
	Arthur Richards Rule (2) 7770 El Camino Real Carlsbad, California 92009 Citizenship: California	5,000,000	

NOTES:

(1) Where persons listed on this table have the right to obtain additional shares of common stock through the exercise of outstanding options or warrants within 60 days from February 29, 2008, 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 52,132,064 shares of common stock outstanding as of February 29, 2008.

(2) These shares are held by affiliated entities as follows: (i) by Exploration Capital Partners 2006 Limited Partnership, as the direct beneficial owner of 5,000,000 Common Shares of the Issuer; (ii) by Resource Investment Management Corporation by virtue of its position as General Partner of Exploration Capital Partners 2006 Limited Partnership; (iii) by the Rule Family Trust udt 12/17/98 by virtue of its indirect ownership and control of Exploration Capital Partners 2006 Limited Partnership (as owner of 100% of Resource Investment Management Corporation); and (iv) by Arthur Richards Rule by virtue of his positions with Resource Investment Management Corporation and ownership interest in the Rule Family Trust udt 12/17/98. Mr. Rule is President and a Director of RIMC and, with his wife, is co-Trustee of the Rule Family Trust udt 12/17/98, which owns 100% of Resource Investment Management Corporation.

CHANGES IN OWNERSHIP BY MAJOR SHAREHOLDERS

To the best of the Company's knowledge there have been no changes in the ownership of the Company's shares other than disclosed herein.

SHARES HELD IN THE UNITED STATES

As of February 29, 2008, 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 Company's 52,013,065 outstanding shares at February 29, 2008).

CHANGE OF CONTROL

As of February 29, 2008, 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

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.

RELATED PARTY TRANSACTIONS

Other than as disclosed below, from January 1, 2007 through February 29, 2008, 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. The Company engages Grosso Group Management Ltd. (the "Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow, Amera, Astral, GPE and Blue Sky, 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 2007, the Company incurred fees of $349,143 (2006: $724,902; 2005: $730,802) to the Grosso Group: $330,305 (2006: $764,115; 2006: $764,012) was paid in twelve monthly payments and $18,838 (2006: $39,213 included in amounts receivable; 2005: $33,210 included in amounts receivable) is included in accounts payable 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

(2006: $205,000; 2005: $205,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital. Effective February 29, 2008, GPE withdrew from Grosso Group. The Administration Services Agreement may be terminated by a shareholder company after January 1, 2007, upon 30 days written notice to the Grosso Group. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts".

2. The Company is party to an agreement with Oxbow, pursuant to which Mr. Grosso, an officer and director of the Company, provides executive services to the Company. During the fiscal year ended December 31, 2007, Oxbow was paid $250,000 (2006 - $350,667, 2005 - $102,000). See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts".

3. On July 7, 2004, the Company entered into an indemnity agreement, for any costs or losses incurred by Golden Arrow in respect of the legal action commenced by Minera Aquiline Argentina S.A. against the Company. See "Item 8. Financial Information - Legal Proceedings."

4. 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 and 2006, the balance of the existing lease term, and recovered the 2006 and 2005 rent it had paid Effective January 1,

2007 Beauregard and Grosso Group executed a lease for the office premises. During the fiscal years ended December 31, 2006 and 2005, the Company paid rent to Beauregard in the amount of $141,203 and $128,722, respectively. During the year ended December 31, 2007, the Company's rent allocated from the Grosso Group was $32,966. - See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Office".

5. As of January 2005, Mr. Terry provides executive services to the Company as a consultant of 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. On July 9, 2007 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to $16,667 ($200,000 annually) effective July 1, 2007. During the year ended December 31, 2007, Mr. Terry's total compensation from the Grosso Group was $175,000, of which $24,579 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

6. As of January 2005, Mr. Lang provides executive services to the Company as an employee of the Grosso Group. 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. During the year ended December 31, 2007, Mr. Lang's total compensation from the Grosso Group was $151,000 of which $59,834 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

7. As of January 2005, Mr. Cacos provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2007, Mr. Cacos's total compensation from the Grosso Group was $22,500 (2006 - $22,500, 2005 - $22,500), of which $938 was allocated to the Company (2006 - $9,225, 2005 - $14,862) as part of the Grosso Group fees for the year. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

8. As of January 2005, Mr. Hurd provides executive services to the Company as an employee of the Grosso Group. During the year ended December 31, 2007, Mr. Hurd's total compensation from the Grosso Group was $120,000 (2006 - $112,000, 2005 - $96,000), of which $25,497 was allocated to the Company (2006 - $45,920, 2005 - $72,216) as part of the Grosso Group fees for the year. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

9. On February 14, 2006 and effective January 1, 2006, the Company 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. In 2007, the Company paid RSA $66,050 (2006 - $68,350). This agreement was terminated by mutual agreement, effective December 31, 2007.

ITEM 8. FINANCIAL INFORMATION.

CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

FINANCIAL STATEMENTS

DESCRIPTION	PAGE
Consolidated Financial Statements for the Years Ended December 31, 2007, 2006 and 2005.	F-1 - F-27

SIGNIFICANT CHANGES

There are no significant changes to report between the year ended December 31, 2007 and the date of this annual report.

LEGAL PROCEEDINGS

There are no legal proceedings as at February 29, 2008.

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 2007 through February 2008.

TSX VENTURE EXCHANGE (OR PREDECESSOR) STOCK TRADING ACTIVITY

		SALES PRICE	
YEAR ENDED	VOLUME	HIGH	LOW
December 31, 2007	39,182,400	$1.20	$0.355
December 31, 2006	52,243,300	$3.96	$0.49
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

		SALES PRICE	
QUARTER ENDED	VOLUME	HIGH	LOW
December 31, 2007	3,506,800	$0.60	$0.39
September 30, 2007	5,725,900	$0.51	$0.42
June 30, 2007	25,684,600	$1.20	$.355
March 31, 2007	4,265,100	$0.95	$0.57
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

		SALES PRICE	
MONTH ENDED	VOLUME	HIGH	LOW
February 29, 2008	1,801,100	$0.45	$0.365
January 31, 2008	2,305,700	$0.425	$0.37
December 31, 2007	1,696,600	$0.51	$0.39
November 30, 2007	818,400	$0.55	$0.45
October 31, 2007	991,800	$0.60	$0.43
September 30, 2007	866,800	$0.485	$0.43

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:

		SALES PRICE (US$)	
YEAR ENDED	VOLUME	HIGH	LOW
December 31, 2007	18,219,300	$1.30	$0.25
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

		SALES PRICE (US$)	
QUARTER ENDED	VOLUME	HIGH	LOW
December 31, 2007	2,080,100	$0.62	$0.25
September 30, 2007	2,863,800	$0.52	$0.38
June 30, 2007	9,374,600	$1.30	$0.31
March 31, 2007	3,900,800	$.83	$0.48
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

		SALES PRICE (US$)	
MONTH ENDED	VOLUME	HIGH	LOW
February 29, 2008	1,158,000	$0.45	$0.36
January 31, 2008	787,100	$0.44	$0.31
December 31, 2007	710,900	$0.50	$0.25
November 30, 2007	447,800	$0.58	$0.44
October 31, 2007	921,400	$0.62	$0.42
September 30, 2007	648,000	$0.48	$0.40

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.

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

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
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.

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 win 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 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.

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 52,132,064 common shares were issued and outstanding as of February 29, 2008. 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 February 29, 2008 there were no 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.

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.

SPECIAL MAJORITY FOR RESOLUTIONS

The Company's Articles require a majority of two-thirds of the votes cast on a resolution.

INDEMNITY PROVISION

The Company's 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 Agreements, as allowed under the Articles 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.

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 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 an interest.

MATERIAL CONTRACTS

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

1. The Company is party to an agreement with Oxbow, effective as of July 1, 1999, subsequently amended on May 1, 2006, pursuant to which Mr.

Grosso provides executive services as President and Chief Executive Officer of the Company. 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 Company's 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. During the fiscal year ended December 31, 2007, Oxbow was paid $250,000 (2006 - $350,667, 2005 - $102,000). See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts".

2. By agreement dated April 1, 2004, between the Company and KGE Management Ltd. ("KGE"), a private company owned by Mr. Carlson, former 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, 2007, the Company paid $Nil to KGE (2006 - $3,300 2005 - $24,000).

3. In July 2004, 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."

4. Pursuant to the terms of an Administration Services Agreement dated January 1, 2005, the Company engages the Grosso Group to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow, Amera, Astral, Gold Point and Blue Sky, 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 2007, the Company incurred fees of $349,143 (2006: $724,902; 2005: $730,802) to the Grosso Group: $330,305 was paid in twelve monthly payments (2006: $764,115; 2006: $764,012) and $18,838 (2006: $39,213 included in amounts receivable; 2005: $33,210 included in amounts receivable) is included in accounts payable 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 deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital (2006: $205,000; 2005: $205,000). Effective February 29, 2008, Gold Point withdrew from Grosso Group. The Administration Services Agreement may be terminated by a shareholder company after January 1, 2007, upon 30 days written notice to the Grosso Group. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts".

5. As of January 2005, Mr. Terry provides executive services to the Company as a consultant of 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. On July 9, 2007 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to $16,667

($200,000 annually) effective July 1, 2007. During the year ended December 31, 2007, Mr. Terry's total compensation from the Grosso Group was $175,000, of which $24,579 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

6. As of January 2005, Mr. Lang provides executive services to the Company as an employee of the Grosso Group. 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. During the year ended December 31, 2007, Mr. Lang's total compensation from the Grosso Group was $151,000 of which $59,834 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

7. As of January 2005, Mr. Cacos provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2007, Mr. Cacos's total compensation from the Grosso Group was $22,500 (2006 - $22,500, 2005 - $22,500), of which $938 was allocated to the Company (2006 - $9,225, 2005 - $14,862) as part of the Grosso Group fees for the year. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

8. As of January 2005, Mr. Hurd provides executive services to the Company as an employee of the Grosso Group. During the year ended December 31, 2007, Mr. Hurd's total compensation from the Grosso Group was $120,000 (2006 - $112,000, 2005 - $96,000), of which $25,497 was allocated to the Company (2006 - $45,920, 2005 - $72,216) as part of the Grosso Group fees for the year. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

9. 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 and 2006, the balance of the existing lease term, and recovered the 2006 and 2005 rent it had paid Effective January 1, 2007 Beauregard and Grosso Group executed a lease for the office premises. During the fiscal years ended December 31, 2006 and 2005, the Company paid rent to Beauregard in the amount of $141,203 and $128,722, respectively. During the year ended

December 31, 2007, the Company's rent from the Grosso Group was $235,471, of which $32,966 was allocated to the Company. - See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Office".

10. On February 14, 2006 and effective January 1, 2006, the Company 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. In 2007, the Company paid RSA $66,050 (2006 - $68,350). This agreement was terminated by mutual agreement, effective December 31, 2007.

11. On October 18, 2006, the Company and Aquiline entered into 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 principal terms and conditions of the Interim Agreement were as follows:

(i) control of the Navidad Project was transferred to Aquiline in trust for the ultimately successful party in the appeal;

(ii) the Company and Aquiline 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 and

(iii) in the event that the Company was unsuccessful on appeal, the Company was to be paid such $18,500,000 amount

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

The Company's appeal of this judgment was heard by the British Columbia Court of Appeal between April 10 and April 12, 2007. The Court of Appeal dismissed the Company's appeal and released their reasons for judgment on June 7, 2007. The Company filed an application for leave to appeal to the Supreme Court of Canada in October 2007. On December 20, 2007, the Supreme Court of Canada denied the Company's appeal. This brought the lawsuit to a close. As a result, the Navidad property has been transferred to Aquiline. The Company was paid $18,500,000 as consideration for these assets. The Company received the $7.5 million held in trust on January 8, 2008, plus interest that had accrued in the amount of $341,380. The $11 million balance was received on February 11, 2008. "Item 4. Information on the Company - History and Development of the Company."

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.

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 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:

- (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;

(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 declaring and paying dividends it would withhold any applicable taxes.

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 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 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.

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.

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 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.

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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.

ITEM 15T. CONTROLS AND PROCEDURES.

DISCLOSURE CONTROLS AND PROCEDURES

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, 2007. As a result of a material weakness identified and described in the accompanying Management's Report on Internal Control over Financial Reporting, Messrs. Grosso and Lang, have concluded that the design and operation of the Company's disclosure controls and procedures were not effective at the time the material weakness was identified.

The material weakness occurred because the Company did not initially reflect the impact of the Realization of Navidad interest under U.S. GAAP as set forth in Note 11 to the Company's audited financial statements. The material weakness was

limited solely to the Note 11 U.S. GAAP reconciliation and did not impact in any way the Company's financial statements prepared in accordance with Canadian GAAP. This material weakness has since been corrected and does not exist as of the date of this filing.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, including Mr. Grosso, the Company's Chief Executive Officer, and Mr. Lang, the Company's Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over the Company's internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, (with the participation of Mr. Grosso, the Company's Chief Executive Officer, and Mr. Lang, the Company's Chief Financial Officer), conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. This evaluation was based on the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management identified a material weakness relating to the preparation and review of the US GAAP reconciliation note and concluded that because there was a material weakness in the Company's internal controls, its internal control over financial reporting was not effective at the time the material weakness was identified.

The material weakness occurred because the Company did not initially reflect the impact of the Realization of Navidad interest under U.S. GAAP as set forth in Note 11 to the Company's audited financial statements. The material weakness was limited solely to the Note 11 U.S. GAAP reconciliation and did not impact in any way the Company's financial statements prepared in accordance with Canadian GAAP. This material weakness has since been corrected and does not exist as of the date of this filing.

This Annual Report does not include an attestation report of the Company's independent auditors regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent auditors pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the fiscal year ended December 31, 2007, 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. Mr Horton is an independent director and serves on the Company's audit committee.

ITEM 16B. CODE OF BUSINESS CONDUCT AND ETHICS.

The Board of Directors of 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 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.

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 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 Audit 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 the Company's Code of Business Conduct and

Ethics.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

AUDIT FEES

For the fiscal year ended December 31, 2007, the Company's auditor billed approximately $39,000, and for the fiscal year ended December 31, 2006, the Company's auditor billed approximately $44,500 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, 2007 and 2006, the Company's auditor billed $Nil and billed $58,303, 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, 2007 and 2006, the Company's auditor billed $Nil and billed $14,232, 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 particular service) and the audit committee has been informed of any such engagement and service.

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.

PART III

ITEM 17. FINANCIAL STATEMENTS.

See pages F-1 though F-27.

ITEM 18. FINANCIAL STATEMENTS.

Not applicable.

ITEM 19. EXHIBITS.

EXHIBIT NUMBER	DESCRIPTION
1.1	Notice of Articles (8)
1.2	Articles (12)
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)

EXHIBIT NUMBER	DESCRIPTION
4.9	Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer 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 Antonio Monteleone (1)
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 and Sociedad Minera de Responsabilidad Limitada (SMR Ltd) 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)
4.21	Option Agreement with Dionisio Ramos (2)
4.22	Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation (2)
4.23	Amendment to consulting Agreement between IMA Exploration Inc. and Nikolaos Cacos (3)
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 Sanchez and Antonio Monteleone (3)
4.27	Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura (3)
4.28	Option Agreement with Rio Tinto Mining and Exploration Limited (4)
4.29	Amendment to Exploration and Option Agreement with Barrick Exploraciones Argentina S.A. (4)
4.30	Consulting Agreement between the Company and Lindsay Bottomer dated April 1, 2002 (4)
4.31	Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. (4)
4.32	Amendment to Option Agreement with Juan Demetrio Lirio and Lir-Fer Construcciones S.R.L. (4)
4.33	Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura (4)
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 Lirio representing Lir-Fer Construcciones S.R.L. (5)
4.37	Amendment to Option Agreement with Juan Demetrio Lirio and Lir-Fer Construcciones S.R.L. (5)
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 Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura (5)

EXHIBIT NUMBER	DESCRIPTION
4.40	Short Form Offering Document (5)
4.41	Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation (5)
4.42	Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. (5)
4.43	Amendment to Agreement between the Company and Sean Hurd (5)
4.44	Amendment to Exploration and Option Agreement with Barrick Exploraciones Argentina S.A. dated 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 expenses (6)
4.47	Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura dated December 23, 2002 (6)
4.48	Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. dated July 10, 2002 (6)
4.49	Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. dated December 27, 2002 (6)
4.50	Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation dated July 15, 2002 (6)
4.51	Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. dated June 14, 2002 (6)
4.52	Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. dated 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 Corp. and IMA Resource Corporation dated April 17, 2003 (6)
4.55	Arrangement Agreement between IMA Exploration Inc., IMA Holdings Corp. and Golden Arrow Resources 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, 2003 relating to the Lago Pico, Loma Alta and Nueva Ruta properties (8)
4.60	Amendment to Letter of Intent with Amera Resources Corporation dated September 30, 2003 (8)
4.61	Amendment to Letter of Intent with Amera Resources Corporation dated April 8, 2004 (8)
4.62	Letter Agreement with Beauregard Holdings Corp. dated February 5, 2004 regarding office lease (8)
4.63	Option Agreement dated September 22, 2003, between the Company and Cloudbreak Resources Ltd. (8)

4.64	Option Agreement dated August 12, 2003 between the Company and Consolidated Pacific Bay Minerals Ltd. (8)
4.65	Option agreement dated June 11, 2003, between the Company and Ballad Gold & Silver Ltd. (formerly Ballad Ventures Ltd.) (8)

EXHIBIT NUMBER	DESCRIPTION
4.66	Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura dated August 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 and IMA Holdings Corp. dated May 14, 2004 (9)
4.69	Indemnity Agreement provided to Golden Arrow Resources Corporation dated July 7, 2004 (9)
4.70	Administration Services Agreement with the Grosso Group Management Ltd. dated January 1, 2005 (9)
4.71	Amendment to Consulting Agreement between KGE Management Ltd. and IMA Exploration Inc. dated April 1, 2005 (9)
4.72	Audit Committee Charter (9)
4.73	Amendment to Consulting Agreement between KGE Management Ltd. and IMA Exploration Inc. dated January 26, 2006 (10)
4.74	Advisory Services Agreement between RSA Holdings Ltd. and IMA Exploration Inc. dated February 14, 2006 (10)
4.75	Interim Project Development Agreement between IMA Exploration Inc. and Aquiline Resources Inc. dated October 18, 2006.(11)
4.76	Amended and restated Management Agreement between IMA and Oxbow dated May 1, 2006
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 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.
(12) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed April 2, 2007. File Number 01-32558.

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 25, 2008

/s/ Arthur Lang

Arthur Lang,
Chief Financial Officer, and Director

IMA EXPLORATION INC.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2007, 2006 AND 2005
(Expressed in Canadian Dollars)

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 judgment. 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 (United States), and their report follows.

/s/Joseph Grosso

Joseph Grosso
President

/s/ Art Lang

Art Lang
Chief Financial Officer

March 28, 2008

PRICEWATERHOUSECOOPERS

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CHARTERED ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF
IMA EXPLORATION INC.

We have audited the consolidated balance sheets of IMA EXPLORATION INC. (the "Company") as at December 31, 2007 and 2006 and the consolidated statements of loss, comprehensive loss and deficit, cash flows and changes in shareholders' equity for each of the years in the three-year period ended December 31, 2007. 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, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS

Vancouver, B.C.
March 19, 2008

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.

IMA EXPLORATION INC.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2007 AND 2006
(Expressed in Canadian Dollars)

	2007 $	2006 $
ASSETS		
CURRENT ASSETS		
Cash	183,628	391,420

Short-term investments (Note 4)	6,813,462	8,500,000
Other receivables, prepaids and deposits (Note 8)	627,400	405,205
Navidad interest (Notes 2 and 13)	18,500,000	-
	26,124,490	9,296,625
NAVIDAD INTEREST (Note 2)	-	17,949,521
	26,124,490	27,246,146

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	105,724	236,612

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 6)	58,753,501	58,664,727
WARRANTS (Note 6)	1,281,946	1,281,946
CONTRIBUTED SURPLUS (Note 7)	6,157,412	6,152,265
DEFICIT	(40,174,093)	(39,089,404)
	26,018,766	27,009,534
	26,124,490	27,246,146

NATURE OF OPERATIONS (Note 1)

NAVIDAD INTEREST (Notes 2 and 13)

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.

IMA EXPLORATION INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Expressed in Canadian Dollars)

	2007 $	2006 $	2005 $
EXPENSES			
Administrative and management services	209,201	461,553	294,828
Corporate development and investor relations	167,817	328,779	496,538
General exploration	99,589	186,572	55,914
Office and sundry	238,220	181,913	148,015
Professional fees	1,022,321	1,124,144	2,212,190
Rent, parking and storage	49,023	96,263	72,791
Salaries and employee benefits	244,337	652,530	585,560
Stock-based compensation (Note 6)	34,421	393,120	1,800,000
Telephone and utilities	12,053	17,432	26,648
Transfer agent and regulatory fees	80,122	103,457	199,715
Travel and accommodation	35,230	93,392	256,035
Navidad holding costs (Note 2)	109,666	312,349	-
	2,302,000	3,951,504	6,148,234
LOSS BEFORE OTHER ITEMS	(2,302,000)	(3,951,504)	(6,148,234)
OTHER INCOME (EXPENSE)			
Foreign exchange gain (loss)	(8,324)	(2,865)	232,954
Interest and other income	675,156	373,009	150,406
Navidad recovery (Note 2)	550,479	-	-
	1,217,311	370,144	383,360
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(1,084,689)	(3,581,360)	(5,764,874)
DEFICIT - BEGINNING OF YEAR	(39,089,404)	(35,508,044)	(29,597,304)
DISTRIBUTION OF EQUITY ON SPIN-OFF OF ASSETS TO GOLDEN ARROW RESOURCES CORPORATION	-	-	(145,866)
DEFICIT - END OF YEAR	(40,174,093)	(39,089,404)	(35,508,044)
BASIC AND DILUTED LOSS PER COMMON SHARE	$(0.02)	$(0.07)	$(0.12)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	52,099,787	51,263,575	46,197,029

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

IMA EXPLORATION INC.
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Expressed in Canadian Dollars)

	2007 $	2006 $	2005 $
CASH PROVIDED FROM (USED FOR)			
OPERATING ACTIVITIES			
Loss for the year	(1,084,689)	(3,581,360)	(5,764,874)
Items not affecting cash			
Stock-based compensation	34,421	393,120	1,800,000
Navidad recovery (Note 2)	(550,479)	-	-
	(1,600,747)	(3,188,240)	(3,964,874)
Change in non-cash working capital balances(Note 12)	(353,083)	(596,912)	115,256
	(1,953,830)	(3,785,152)	(3,849,618)
INVESTING ACTIVITIES			
Expenditures on mineral properties and deferred costs	-	(4,491,524)	(7,025,492)
Increase (decrease) in short-term investments	1,686,538	(920,000)	(3,280,000)
Proceeds from sale of equipment	-	-	46,589
	1,686,538	(5,411,524)	(10,258,903)
FINANCING ACTIVITIES			
Issuance of common shares	59,500	10,308,450	14,215,165
Share issuance costs	-	(871,749)	(736,737)
	59,500	9,436,701	13,478,428
INCREASE (DECREASE) IN CASH	(207,792)	240,025	(630,093)
CASH TRANSFERRED TO GOLDEN ARROW RESOURCES CORPORATION	-	-	(145,866)
NET INCREASE (DECREASE) IN CASH	(207,792)	240,025	(775,959)
CASH - BEGINNING OF YEAR	391,420	151,395	927,354
CASH - END OF YEAR	183,628	391,420	151,395

SUPPLEMENTARY CASH FLOW INFORMATION (Note 12)

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 CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	2007 $	2006 $	2005 $
SHARE CAPITAL			
Balance at beginning of year	58,664,727	50,414,672	36,982,307
Private placements	-	10,027,500	10,000,020
Warrant valuation	-	(1,298,981)	-
Exercise of options	59,500	280,950	577,000
Contributed surplus reallocated on the exercise of options	29,274	95,300	131,270
Exercise of warrants	-	-	3,784,011
Proceeds collected and paid on behalf of Golden Arrow shares	-	-	(145,866)
Share issue costs	-	(854,714)	(914,070)
Balance at end of year	58,753,501	58,664,727	50,414,672
WARRANTS			
Balance at beginning of year	1,281,946	-	-
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 at end of year	1,281,946	1,281,946	-
CONTRIBUTED SURPLUS			
Balance at beginning of year	6,152,265	5,854,445	3,428,382
Contributed surplus as a result of stock options granted	34,421	393,120	2,380,000
Warrant valuation from agent's warrants granted	-	-	177,333
Contributed surplus reallocated on the exercise of stock options	(29,274)	(95,300)	(131,270)
Balance at end of year	6,157,412	6,152,265	5,854,445
DEFICIT			
Balance at beginning of year	(39,089,404)	(35,508,044)	(29,597,304)
Loss for the year	(1,084,689)	(3,581,360)	(5,764,874)
Distribution of equity on spin-off of assets to			

Golden Arrow Resources Corporation	-	-	(145,866)
Balance at end of year	(40,174,093)	(39,089,404)	(35,508,044)
TOTAL SHAREHOLDERS' EQUITY	26,018,766	27,009,534	20,761,073

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

IMA EXPLORATION INC.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

IMA Exploration Inc. (the "Company") is a natural resource company engaged in the business of acquisition, exploration and development of mineral properties. 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, 2007 the Company had no mineral property interests. The Company considers that it has adequate resources to maintain its core operations for the next fiscal year.

2. NAVIDAD INTEREST

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."

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 were 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;

(c) in the event that the Company is unsuccessful on appeal, the Company will be paid such $18,500,000 amount.

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IMA EXPLORATION INC.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Expressed in Canadian Dollars)

2. NAVIDAD INTEREST (continued)

The effective date of the transfer of the Navidad project was November 16, 2006.

The Company's appeal of this judgment was heard by the British Columbia Court of Appeal between April 10 and April 12, 2007. The Court of Appeal dismissed the Company's appeal and released their reasons for judgment on June 7, 2007.

The Company filed an application for leave to appeal to the Supreme Court of Canada in October 2007. On December 20, 2007 the Supreme Court of Canada denied the Company's appeal. This brought the lawsuit to a close. The Navidad property has been transferred to Aquiline.

As at December 31, 2007, the Company has recorded a Navidad interest

balance of $18,500,000, the components of which are as follows:

	$
Mineral properties and deferred costs (i)	17,763,521
Marketable securities (ii)	186,000
	17,949,521
Navidad recovery (iii)	550,479
Navidad interest	18,500,000

(i) The mineral property and deferred costs represent the carrying value of the acquisition and exploration costs the Company has incurred in the development of the Navidad project.

(ii) Marketable securities represents the carrying value of the common shares of publicly traded companies the Company received as partial consideration for entering into option and sale agreements for certain of its non-core mineral property holdings relating to the Navidad Project. Accordingly, these marketable securities were subject to transfer to Aquiline in relation to the July 2006 court order.

(iii) The Company has recorded an additional recovery of $550,479 to bring the total Navidad interest amount recoverable to $18,500,000.

The Company received the $7.5 million held in trust on January 8, 2008 plus interest that had accrued in the amount of $341,380. The balance of $11 million was received on February 11, 2008.

The Company expensed Navidad holding costs of $109,666 in the year ended December 31, 2007. These are costs the Company incurred in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 include 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and money market investments, maturing less than 3 months from the date of initial investment.

SHORT-TERM INVESTMENTS

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

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.

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, any remaining balance of the payments received is recorded as a gain on option or disposition of mineral property.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2007 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.

INCOME TAXES

The Company uses the asset and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

RECENT ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

(a) Section 3855, Financial Instruments - Recognition and Measurement and Section 3861, Financial Instruments - Disclosure and Presentation, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments

according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Company is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Company has designated its financial instruments as follows:

(i) Cash and short-term investments are classified as "Available-for-sale". Due to their short-term nature, their carrying value is equal to their fair value.
(ii) Amounts receivable and deposits are classified as "Loans and Receivables". These financial assets are recorded at values that approximate their amortized cost using the effective interest method.
(iii) Accounts payable and accrued liabilities are classified as "Other Financial Liabilities". These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

As a result of adopting Section 3855, on January 1, 2007 interest accrued from short-term investments in the amount of $65,075 was reclassified from amounts receivable, prepaids and deposits to short-term investments.

(b) Section 1530, Comprehensive Income, introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments. The Company has not recognized any adjustments through other comprehensive income for the year ended December 31, 2007.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Section 3865, Hedges specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. This standard did not have an impact on the Company for the year ended December 31, 2007.

Effective January 1, 2008, new accounting standards were issued by the Canadian Institute of Chartered Accountants ("CICA") which may impact the Company in the future as follows:

GENERAL STANDARDS ON FINANCIAL STATEMENT PRESENTATION

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose a company's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning January 1, 2008. The Company does not expect the adoption of these changes to have an impact on its financial statements.

ACCOUNTING CHANGES

Effective January 1, 2007, the Company adopted the revised CICA Handbook Section 1506 "Accounting Changes", which requires that: (a) a voluntary change in accounting principals can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change and (c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard.

CAPITAL DISCLOSURES

CICA Handbook Section 1535, Capital Disclosures, establishes standards for disclosing information about the company's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the company's key management personnel:

(i) qualitative information about its objectives, policies and processes for managing capital.
(ii) summary quantitative data about what it manages as capital.
(iii) whether during the period it complied with any externally imposed capital requirements to which it is subject.
(iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

This standard is effective for interim and annual financial statements beginning on January 1, 2008. The Company has not yet determined the impact of the adoption of this change on the disclosure in our financial statements.

IMA EXPLORATION INC.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

INVENTORIES

CICA Handbook Section 3031, Inventories prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any writedown to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

This standard is effective for interim and annual financial statements beginning on January 1, 2008. The Company has not yet determined the impact of the adoption of this change on the disclosure in our financial statements.

GOODWILL AND INTANGIBLE ASSETS

CICA Handbook Section 3064, Goodwill and Intangible Assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the preoperating period. As a result of the withdrawal of EIC 27, companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009. The Company has not yet determined the impact of the adoption of this change on the disclosure in our financial statements.

FINANCIAL INSTRUMENTS DISCLOSURES

In March 2007, the CICA issued section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The standard deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These sections are effective January 1, 2008 but are not expected to have an impact on the Company's disclosure and presentation.

4. SHORT-TERM INVESTMENTS

As at December 31, 2007 and 2006, the Company held short-term investments comprised of the following:

DECEMBER 31, 2007

	MATURITY	PRINCIPAL AND ACCRUED INTEREST $
12 month term deposit - 4.45% annual interest rate ($6,700,000 principal)	August 13, 2008	6,813,462
		6,813,462

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4. SHORT-TERM INVESTMENTS (continued)

	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

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. The principal and interest are unconditionally guaranteed by the Bank of Montreal.

5. MARKETABLE SECURITIES

	2007	2006	20
	RECORDED VALUE $	RECORDED VALUE $	RECORDED VALUE $
Tinka Resources Limited - 300,000 common shares	-	-	96,000
Consolidated Pacific Bay Minerals Ltd. - 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 under to the July 2006 court order. Accordingly, at December 31, 2007, the carrying value of these marketable securities is a component of the Navidad interest balance (see Note 2 above).

6. SHARE CAPITAL

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

Issued - common shares	NUMBER	$
Balance, December 31, 2004	43,816,207	36,982,307
Private placement	3,333,340	10,000,020
Exercise of options	10,000	31,000
Exercise of agents' options	168,000	546,000
Contributed surplus reallocated on exercise of options	-	131,270
Exercise of warrants	1,485,517	3,784,011
Proceeds collected and paid on behalf of Golden Arrow shares	-	(145,866)
Less share issue costs	-	(914,070)
Balance, December 31, 2005	48,813,064	50,414,672
Private placement	2,865,000	10,027,500
Warrants valuation	-	(1,298,981)
Exercise of options	335,000	280,950
Contributed surplus reallocated on exercise of options	-	95,300
Less share issue costs	-	(854,714)
Balance, December 31, 2006	52,013,064	58,664,727
Exercise of options	119,000	59,500
Contributed surplus reallocated on exercise of options	-	29,274

Balance, December 31, 2007	52,132,064	58,753,501

(a) During fiscal 2007, 119,000 stock options were exercised at $0.50 per share for proceeds of $59,500.

(b) 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

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, 2007, no warrants or agent's warrants had been exercised.

6. SHARE CAPITAL (continued)

(c) 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 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, 2007, all of underwriter's warrants expired unexercised.

(d) Stock options and stock-based compensation

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the grant date, less allowable discounts in accordance with the policies of the TSX Venture Exchange. The stock options granted during 2007 are subject to a four month hold period and exercisable for a period of five years. A summary of the Company's outstanding options at December 31, 2007, 2006 and 2005 and the changes for the years ending on those dates is presented below:

	2007		2006		
	OPTIONS OUTSTANDING AND EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE $	OPTIONS OUTSTANDING AND EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE $	OPT OUTST A EXERC
Balance, Beginning of year	4,624,000	2.69	4,848,500	2.53	3,
Granted	100,000	0.47	283,000	3.21	1,
Exercised	(119,000)	0.50	(315,000)	0.61	
Cancelled/Forfeited	(160,000)	3.66	(187,500)	2.96	
Expired	(115,000)	0.50	(5,000)	0.40	
Balance, end of year	4,330,000	2.72	4,624,000	2.69	4,

Stock options outstanding and exercisable at December 31, 2007 are as follows:

NUMBER	EXERCISE PRICE $	EXPIRY DATE
25,000	0.84	March 7, 2008
300,000	0.90	May 30, 2008
1,170,000	1.87	August 27, 2008
1,347,000	3.10	March 24, 2009

785,000	4.16	March 16, 2010
380,000	2.92	November 16, 2010
223,000	3.21	June 22, 2011
100,000	0.47	October 23, 2012
4,330,000		

6. SHARE CAPITAL (continued)

During fiscal 2007, the Company granted 100,000 stock options (2006 - 273,000; 2005 - 1,360,000).

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:

	2007	2006	2005
Risk-free interest rate	4.21%	4.0%	3.3% - 3.7%
Estimated volatility	136%	70%	70% - 77%
Expected life	2.5 years	2.5 years	2.5 years
Expected dividend yield	0%	0%	0%

For 2007, stock-based compensation of $34,421 (2006: $393,120; 2005: $2,380,000) was recorded by the Company, of which $34,421 (2006: $393,120; 2005: $1,800,000) is included in expenses and Nil (2006: $Nil; 2005: $580,0001) is included in capitalized mineral property expenditures, with a corresponding increase in contributed surplus.

The weighted average fair value per share of stock options granted during the year was $0.34 per share (2006: $1.44; 2005: $1.76). 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 and 2007	1,281,946

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agents warrants outstanding at December 31, 2007, 2006 and 2005 and the changes for the years ending on those dates is as follows:

	2007	2006	2005
Balance, beginning of year	3,504,404	1,900,004	1,422,017
Issued	-	1,604,400	1,984,004
Exercised	-	-	(1,485,517)
Expired	(233,334)	-	(20,500)
Balance, end of year	3,271,070	3,504,404	1,900,004

6. SHARE CAPITAL (continued)

Common shares reserved pursuant to warrants and agent warrants outstanding at December 31, 2007 are as follows:

NUMBER	EXERCISE PRICE $	EXPIRY DATE
1,666,670	3.45	September 14, 2009
171,900	3.80	March 21, 2008
1,432,500	3.80	March 21, 2010
3,271,070		

7. CONTRIBUTED SURPLUS

A continuity summary of contributed surplus is presented below:

$

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
Contributed Surplus as a result of stock options granted	34,421
Contributed Surplus reallocated on exercise of stock options	(29,274)
Balance, December 31, 2007	6,157,412

8. RELATED PARTY TRANSACTIONS

(a) The Company engages Grosso Group Management Ltd. (the "Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow Resources Corporation, Amera Resources Corporation, Astral Mining Corporation, Gold Point Energy Corp. and Blue Sky Uranium Corp., 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 2007, the Company incurred fees of $349,143 (2006: $724,902; 2005: $730,802) to the Grosso Group: $330,305 (2006: $764,115; 2006: $764,012) was paid in twelve monthly payments and $18,838 is included in accounts payable (2006: $39,213 included in amounts receivable; 2005: $33,210 included in amounts receivable) 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 (2006: $205,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital which is callable on demand.

(b) During fiscal 2007, the Company paid $353,283 (2006: $533,917; 2005: $241,088) to directors and officers or companies controlled by directors and officers of the Company, for accounting, management and consulting services provided.

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8. RELATED PARTY TRANSACTIONS (continued)

(c) 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 from $8,500 and to pay a bonus of $150,000. The total compensation paid to the President in 2007 was $250,000 (2006 - $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, 2007, 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.

Effective May 1, 2007, the Company negotiated agreements with the five other shareholder companies of the Grosso Group for the President of the Company to provide services for a monthly fee. The agreements may be terminated at any time at the other companies' discretion upon 30 days written notice. The Company reserves its right to restrict services provided by the President to the other shareholder companies based on its own requirements for the President's services, at which time the fee would be adjusted accordingly. For the year ended December 31, 2007, the Company received a total $66,667 from the other shareholder companies which has been recorded as a reduction in Administrative and management services expense. The fees will be reviewed and adjusted on a periodic basis.

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.

9. INCOME TAXES

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

	2007	2006	2005

Statutory tax rate	34.12%	34.12%	34.12%
	$	$	$
Loss for the year	1,084,689	(3,581,360)	(5,764,874)
Provision for income taxes based on statutory Canadian combined federal and provincial income tax rates	(370,096)	(1,221,960)	(1,966,975)
Differences in foreign tax rates	(707)	(526)	-
Non-deductible differences	26,288	149,332	625,988
Losses for which an income tax benefit has not been recognized	344,515	956,653	1,340,987
Other	-	116,501	-
	-	-	-

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9. INCOME TAXES (continued)

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

	2007 $	2006 $	2005 $
Future income tax assets			
Operating loss carryforward	4,307,036	4,950,897	4,709,496
Share issue costs	288,455	509,317	472,437
Resource deductions	268,425	306,710	-
Other	22,150	45,442	-
	4,886,066	5,812,366	5,181,933
Valuation allowance for future tax assets	(4,886,066)	(5,812,366)	(5,181,933)
	-	-	-

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.

	2007	2006	2005
	$	$	$
Future income tax liabilities	-	-	1,760,110

The Company has Canadian capital loss carryforwards of $161,172 and non-capital loss carryforwards of $15,951,984 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	$
2008	841,160
2009	1,317,730
2010	1,545,964
2014	2,752,324
2015	4,708,790
2026	3,282,352
2027	1,503,664
	15,951,984

10. SEGMENTED INFORMATION

The Company is involved in mineral exploration and development activities. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of fiscal 2007 and 2006.

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

10. SEGMENTED INFORMATION (continued)

DECEMBER 31, 2007

	CANADA $	ARGENTINA $	TOTAL $
Current assets	26,102,160	22,330	26,124,490
	26,102,160	22,330	26,124,490

	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

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:

	2007 $	2006 $
CONSOLIDATED STATEMENTS OF OPERATIONS		
Loss for the year under Canadian GAAP	(1,084,689)	(3,581,360)
Mineral properties and deferred costs for the year (i)	-	(4,491,524)
Reversal of Future income tax liability (i)	-	-
Realization of Navidad interest (iv)	17,682,521	-
Income (loss) for the year under US GAAP	16,597,832	(8,072,884)
Unrealized losses on available-for-sale securities (ii)	-	(3,000)
Comprehensive loss (iii)	16,597,832	(8,075,884)
Basic and diluted income (loss) per share under US GAAP	0.32	(0.16)
Weighted average number of common shares outstanding	52,099,787	51,263,575

	2007 $	2006 $
SHAREHOLDERS' EQUITY		

Balance per Canadian GAAP	26,018,766	27,009,534
Mineral properties and deferred costs expensed (i) (In 2006, classified as a component of Navidad interest - Note 2)	-	(17,763,521)
Reversal of Future income tax liability (i)	-	-
Accumulated other comprehensive income (ii)	-	81,000
Balance per US GAAP	26,018,766	9,327,013

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

	2007 $	2006 $
NAVIDAD INTEREST / MINERAL PROPERTIES		
Balance per Canadian GAAP	18,500,000	17,949,521
Transfer of marketable securities (ii)	-	81,000
Mineral properties and deferred costs expensed under US GAAP (i)	-	(17,763,521)
Balance per US GAAP	18,500,000	267,000

	2007 $	2006 $
FUTURE INCOME TAX LIABILITY		
Balance per Canadian GAAP	-	-
Reversal of Future income tax liability (i)	-	-
Balance per US GAAP	-	-

	2007 $	2006 $
CONSOLIDATED STATEMENTS OF CASH FLOWS		
OPERATING ACTIVITIES		
Cash used per Canadian GAAP	(1,953,830)	(3,785,152)
Mineral properties and deferred costs (i) (In 2006, classified as a component of Navidad interest - Note 2)	-	(4,491,524)

Cash used per US GAAP	(1,953,830)	(8,276,676)

	2007 $	2006 $
INVESTING ACTIVITIES		
Cash used per Canadian GAAP	(1,686,538)	(5,411,524)
Mineral properties and deferred costs (i) (In 2006, classified as a component of Navidad interest - Note 2)	-	4,491,524
Cash provided by (used) per US GAAP	(1,686,538)	(920,000)

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.

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

ii) Investments

For the 2005 fiscal year, the Company's marketable securities 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. Subsequently, the marketable securities were transferred to the Navidad interest balance (see Note 2 above).

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) Realization of Navidad interest

For US GAAP purposes the Company had previously expensed the exploration and other costs that comprised the amount shown as Navidad interest. Following the conlcusion of the appeal process, the Company has recognized income of $17,682,521. (See Note 2).

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 adopted the provisions of this Interpretation in its fiscal 2007 year. This interpretation did not have an impact on the Company for the year ended December 31, 2007.

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.

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

RECENTLY ISSUED US GAAP ACCOUNTING STANDARDS:

i) In September 2006, FASB issued SFAS No. 157, "Fair Value Measurement", effective for fiscal periods beginning after November 15, 2007. SFAS defines fair value, establishes a framework for measuring accepted accounting principles, and expands disclosures about fair value measurements. In December 2007, the FASB issued SFAS157-b, which provided for a one year deferral of the implementation of SFAS 157 for non-financial assets and liabilities. However, SFAS is still required to be adopted effective January 1, 2008 for financial assets and liabilities that are carried at fair value. The Company is currently evaluating the impact of the adoption of this standard on its Consolidated Financial sv) Impact of recently issued accounting standards.

ii) In February 2007, FASB issued SFAS No. 159, "Fair value option for financial assets and liabilities" which permits entities to choose to measure various financial instruments and certain other items at fair value. We do not expect the adoption of this Interpretation to have a significant effect on the Company's results of operations or financial position.

iii) In December 2007, the FASB issued SFAS 160 a standard on accounting for noncontrolling interests and transactions with non-controlling interest holders in consolidated financial statements. The standard is converged with standards issued by the AcSB and IASB on this subject. This statement specifies that non-controlling interests are to be treated as a separate component of equity, not as a liability or other item outside of equity. Because non-controlling interests are an element of equity, increases and decreases in the parent's ownership interest that leave control intact are accounted for as capital transactions rather than as a step acquisition or dilution gains or losses. The carrying amount of the non-controlling interests is adjusted to reflect the change in ownership interests, and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly inequity attributable to the controlling interest.

This standard requires net income and comprehensive income to be displayed for both the controlling and the non-controlling interests. Additional required disclosures and reconciliations include a separate schedule that shows the effects of any transactions

with the non-controlling interests on the equity attributable to the controlling interest.

The statement is effective for periods beginning on or after December 15, 2008. SFAS 160 will be applied prospectively to all non-controlling interests, including any that arose before the effective date. The Company has not determined the effect of the adoption of this Interpretation to the Company's results of operations or financial position.

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

iv) In December 2007, the FASB issued a revised standard on accounting for business combinations, SFAS 141R. The major changes to accounting for business combinations are summarized as follows:

- all business acquisitions would be measured at fair value.

- the existing definition of a business would be expanded.

- pre-acquisition contingencies would be measured at fair value.

- most acquisition-related costs would be recognized as expense as incurred (they would no longer be part of the purchase consideration).

- obligations for contingent consideration would be measured and recognized at fair value at acquisition date (would no longer need to wait until contingency is settled).

- liabilities associated with restructuring or exit activities be recognized only if they meet the recognition criteria of SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities, as of the acquisition date.

- non-controlling interests would be measured at fair value at the date of acquisition (i.e. 100% of the assets and liabilities would be measured at fair value even when an acquisition is less than 100%).

- goodwill, if any, arising on a business combination reflects the excess of the fair value of the acquiree, as a whole, over the net amount of the recognized identifiable assets acquired and liabilities assumed. Goodwill is allocated to the acquirer and the non-controlling interest.

- in accounting for business combinations achieved in stages, commonly called step acquisitions, the acquirer is to re-measure its pre-existing non-controlling equity investment in the acquiree at fair value as of the acquisition date and recognize any unrealized gain or loss in income.

The statement is effective for periods beginning on or after December 15, 2008. The Company does not expect the adoption of this Interpretation to have a significant effect on the Company's results of operations or financial position.

12. SUPPLEMENTARY CASH FLOW INFORMATION

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

	2007 $	2006 $
Investing activities		
Expenditures on mineral properties and deferred costs	-	-
Stock-based compensation capitalized	-	-
	-	-

12. SUPPLEMENTARY CASH FLOW INFORMATION (continued)

2007 $	2006 $

Financing activities

Shares issue costs	-	(95,893)
Warrant issue costs	-	(14,271)
Warrants	-	110,164
Shares issued on exercise of options	29,274	74,800
Contributed surplus	(29,274)	(74,800)
	-	-

13. SUBSEQUENT EVENTS

The Company received the funds representing the Navidad interest as follows:

- $7.5 million, which was previously held in trust, on January 8, 2008 plus interest that had accrued in the amount of $341,380
- The balance of $11 million was received on February 11, 2008.