

Edgar Filing: IMA EXPLORATION INC - Form 20-F

IMA EXPLORATION INC  
Form 20-F  
June 07, 2005

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

FORM 20-F

- Registration Statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934  
or  
 Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

or

- Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-30464

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

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

BRITISH COLUMBIA  
(Jurisdiction of incorporation or organization)

#709 - 837 WEST HASTINGS STREET, VANCOUVER, BRITISH COLUMBIA, V6C 3N6  
(Address of principal executive offices)

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

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

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

NOT APPLICABLE  
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2004.

43,816,207 COMMON SHARES AS OF DECEMBER 31, 2004

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

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



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KM: Kilometre

M: Meter

MAFIC: Dark colored, generally iron or magnesium rich, rock or mineral.

MANIFESTATIONS: In Argentina, manifestations or "manifestaciones" of discovery are official notices filed with the mining authority indicating that the person filing (who must be the owner of the cateo in an area covered by a cateo) has made a discovery. The filing and acceptance by the mining authority of such a notice, constitutes the first step in converting a discovery to a mine (see below). A manifestation of discovery may cover one or more claims in the case of either a vein or disseminated deposit. The size of the manifestations and the annual payments required of the owner is the same as those for a mine.

MINE: In Argentina, a mine or "mina" is a real property interest. It is a right of exploration granted on a permanent basis after the completion of an official survey for as long as the right is diligently utilized and semi-annual payments of US\$17.50 (Pesos \$40) per claim are made. A mine may consist of one or several claims or "pertinencias". In the case of vein deposits, each claim is a maximum of 200 by 300 meters or six hectares; for disseminated deposits, each claim is up to one square kilometer or 100 hectares.

PORPHYRY: An igneous rock containing mineral crystals that are visibly larger than other crystals of the same or different composition.

PPM: parts per million

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SATELLITE IMAGERY: Maps or images produced from data collected by satellite displaying wavelength and intensity variations of visible and infrared radiation reflected from the Earth's surface.

SCREE: A slope of loose rock debris at the base of a steep incline or cliff.

SEDIMENTARY ROCKS: Descriptive term for a rock formed of sediment, namely solid material both mineral and organic, deposited from suspension in a liquid.

STREAM SEDIMENT SAMPLE: A sample of fine sediment derived from the mechanical action of the stream.

SKARN: A style of alteration characterized by iron and magnesium bearing aluminosilicate materials such as garnet and diopside.

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|          |   |
|----------|---|
| SULFIDE: | A compound of sulfur combined with one or more metallic or semi-metallic elements.                |
| VEINS:   | An occurrence of minerals, having been intruded into another rock, forming tabular shaped bodies. |
| AG:      | Silver  |
| AS:      | Arsenic   |
| AU:      | Gold  |
| BA:      | Barium  |
| CO:      | Cobalt  |
| CU:      | Copper  |
| MO:      | Molybdenum  |
| PB:      | Lead  |
| SB:      | Antimony  |
| ZN:      | Zinc  |

### MINERALS

|               |  |
|---------------|--|
| BIOTITE:      | An iron and magnesium bearing mica mineral.                                |
| CARBONATE:    | A mineral containing the radical CO <sub>3</sub> .                         |
| CHALCOPYRITE: | A sulfide mineral containing copper and iron.                              |
| FELDSPAR:     | An aluminosilicate with variable amounts of potassium, sodium and calcium. |
| HORNBLLENDE:  | A complex hydrated aluminosilicate of magnesium, iron and sodium.          |
| MAGNETITE:    | A magnetic iron oxide mineral.   |
| PYROXENE:     | An aluminosilicate of magnesium and iron.                                  |
| PYRRHOTITE:   | A magnetic sulfide of iron.  |

### ROCK TYPES

|               |  |
|---------------|--|
| ANDESITE:     | A volcanic rock with the principal minerals being plagioclase.   |
| CONGLOMERATE: | A clastic sedimentary rock containing rounded fragments of gravel or pebble size.  |
| DACITE:       | A volcanic or shallow intrusive rock with the principal minerals being plagioclase, quartz and one or more mafic constituents. |

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DIORITE: An intrusive rock composed essentially of sodic plagioclase, hornblende, biotite, or pyroxene.

LIMESTONE: A sedimentary rock consisting chiefly of calcium carbonate.

SANDSTONE: A clastic sedimentary rock composed largely of sand-sized grains, principally quartz.

SHALE: A clastic sedimentary rock derived from very fine-grained sediment (mud).

SILTSTONE: A clastic sedimentary rock similar to shale except comprised of slightly coarser material (silt).

TUFF: A rock formed of compacted volcanic fragments, generally smaller than 4mm in diameter.

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PART I

ITEM 1. DIRECTORS, SENIOR MANAGEMENT AND ADVISORS.

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Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

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Not applicable.

ITEM 3. KEY INFORMATION.

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Selected Financial Data

The selected financial data of IMA Exploration Inc. (the "Company") for the years ended December 31, 2004, 2003 and 2002 was derived from the consolidated financial statements of the Company which have been audited by PricewaterhouseCoopers LLP, independent Chartered Accountants, as indicated in their report which is included elsewhere in this annual report. The selected financial data set forth for the years ended December 31, 2001 and 2000 are derived from the Company's audited consolidated financial statements after reflecting the carve out of Golden Arrow Resources Corporation, not included herein.

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The information in the following table was extracted from the consolidated financial statements and related notes included herein and should be read in conjunction with such financial statements and with the information appearing under the heading "Item 5. Operating and Financial Review and Prospects".

Reference is made to Note 11 of the consolidated financial statements of the Company included herein for a discussion of the material measurement differences between Canadian Generally Accepted Accounting Principles ("Canadian GAAP") and United States Generally Accepted Accounting Principles ("U.S. GAAP"), and their effect on the Company's financial statements.

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

### CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

|                                     | -----<br>(CDN\$ IN 000, EXCEPT PER SHARE DATA)<br>----- |         |       |       |       |
|-------------------------------------|---|---------|-------|-------|-------|
|                                     | 2004  | 2003    | 2002  | 2001  | 2000  |
|                                     | -----   | -----   | ----- | ----- | ----- |
| Revenue                             | \$0   | \$0     | \$0   | \$0   | \$0   |
| General Corporate<br>Expenditures   | (4,084)   | (2,276) | (330) | (173) | (387) |
| General Exploration<br>Expenditures | (229)   | (227)   | (180) | (110) | (137) |
| Foreign Exchange<br>Gain (Loss)     | (195)   | (13)    | (2)   | 3     | (3)   |

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|  | -----<br>(CDN\$ IN 000, EXCEPT PER SHARE DATA)<br>----- |       |       |       |         |
|--|---|-------|-------|-------|---------|
|  | 2004  | 2003  | 2002  | 2001  | 2000    |
|  | -----   | ----- | ----- | ----- | -----   |
| Interest and<br>Miscellaneous Income   | 102   | 67    | 27    | 97    | 157     |
| Provision for<br>Marketable Securities | (100)   | -     | -     | -     | -       |
| Loss Allocated<br>to spin off assets   | (131)   | (969) | (955) | (699) | (1,654) |

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|  |         |         |         |        |         |
|--|---------|---------|---------|--------|---------|
| Net Income (Loss)  | (4,655) | (3,418) | (1,440) | (882)  | (2,024) |
| Earnings (Loss)<br>per share from<br>continuing operations | (0.11)  | (0.08)  | (0.02)  | (0.01) | (0.03)  |
| Earnings (Loss) per share<br>Basic and Diluted             | (0.11)  | (0.11)  | (0.06)  | (0.06) | (0.17)  |
| Weighted Average Number<br>of Shares Outstanding           | 40,939  | 32,252  | 23,188  | 15,104 | 11,939  |
| Working Capital  | 5,053   | 4,747   | 1,431   | 733    | 1,435   |
| Capital Assets   | 94      | 36      | 46      | 57     | 74      |
| Mineral Properties   | 6,551   | 1,469   | 148     | 132    | 114     |
| Spin-Off Assets  | -       | 6,749   | 6,903   | 5,369  | 3,866   |
| Long-Term Debt   | -       | -       | -       | -      | -       |
| Total Assets   | 12,222  | 13,419  | 8,637   | 6,407  | 5,678   |
| Net Assets -<br>Shareholder's Equity                       | 10,813  | 11,671  | 7,324   | 5,372  | 4,790   |

ADJUSTED TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

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-----  
(CDN\$ IN 000, EXCEPT PER SHARE DATA)  
-----

2004                  2003                  2002                  2001                  2000  
-----

CONSOLIDATED STATEMENT  
OF OPERATIONS

|   |            |            |            |          |            |
|---|------------|------------|------------|----------|------------|
| Earnings (Loss) for the<br>year under Canadian GAAP | \$ (4,655) | \$ (3,418) | \$ (1,440) | \$ (882) | \$ (2,024) |
|---|------------|------------|------------|----------|------------|

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Mineral property and<br>deferred exploration costs<br>for the year, net of future<br>income tax and write down<br>of marketable securities | (4,448) | (1,813) | (1,267) | (1,321) | (1,989) |
|--|---------|---------|---------|---------|---------|

Mineral property and  
deferred exploration costs

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|  |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|
| written off during the year which would have been expensed in the year incurred    | -          | 777        | -          | 21         | 790        |
| Stock-based compensation   | -          | (144)      | (102)      | -          | -          |
| Earnings (Loss) for the year under US GAAP before comprehensive income adjustments | \$ (9,134) | \$ (4,598) | \$ (2,809) | \$ (2,181) | \$ (3,224) |
| Unrealized (loss) gains on available-for-sale securities                           | (387)      | 434        | 55         | -          | -          |
| Comprehensive Income (Loss)  | \$ (9,521) | \$ (4,164) | \$ (2,754) | \$ (2,181) | \$ (3,224) |

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(CDN\$ IN 000, EXCEPT PER SHARE DATA)

|   | 2004      | 2003      | 2002      | 2001      | 2000      |
|---|-----------|-----------|-----------|-----------|-----------|
| Earnings (Loss) per share under US GAAP   | \$ (0.22) | \$ (0.14) | \$ (0.12) | \$ (0.14) | \$ (0.26) |
| Diluted Earnings (Loss) per share under US GAAP                                   | \$ (0.22) | \$ (0.14) | \$ (0.12) | \$ (0.14) | \$ (0.26) |
| SHAREHOLDERS' EQUITY  |           |           |           |           |           |
| Balance per Canadian GAAP   | \$10,813  | \$11,671  | \$7,324   | \$5,372   | \$4,790   |
| Mineral property and deferred exploration costs expensed net of future income tax | (5,666)   | (6,884)   | (5,848)   | (4,581)   | (3,282)   |
| Accumulated other comprehensive income  | 84        | 489       | 54        | -         | -         |
| Balance per US GAAP   | \$5,231   | \$5,277   | \$1,530   | \$790     | \$1,508   |

CONSOLIDATED STATEMENTS



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### OF CASH FLOWS

#### OPERATING ACTIVITIES

|  |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|
| Cash (used) provided per Canadian GAAP | \$ (2,962) | \$ (1,419) | \$ (1,306) | \$ (898)   | \$ (987)   |
| Mineral properties and deferred costs  | (4,578)    | (1,851)    | (1,267)    | (1,321)    | (1,989)    |
| Cash used per US GAAP                  | \$ (7,540) | \$ (3,270) | \$ (2,573) | \$ (2,219) | \$ (2,976) |

#### INVESTING ACTIVITIES

|                                       |            |            |            |            |            |
|---------------------------------------|------------|------------|------------|------------|------------|
| Cash used per Canadian GAAP           | \$ (4,510) | \$ (1,873) | \$ (1,278) | \$ (1,312) | \$ (2,004) |
| Mineral properties and deferred costs | 4,578      | 1,851      | 1,267      | 1,321      | 1,989      |
|                                       | -----      | -----      | -----      | -----      | -----      |
| Cash provided (used) per US GAAP      | \$68       | \$ (22)    | \$ (11)    | \$9        | \$ (15)    |
|                                       | =====      | =====      | =====      | =====      | =====      |

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-----  
(CDN\$ IN 000, EXCEPT PER SHARE DATA)  
-----

| 2004 | 2003 | 2002 | 2001 | 2000 |
|------|------|------|------|------|
|------|------|------|------|------|

#### FINANCING ACTIVITIES

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Cash provided per Canadian and US GAAP | \$9,269 | \$6,278 | \$3,264 | \$1,463 | \$3,380 |
|  | =====   | =====   | =====   | =====   | =====   |

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

#### Exchange Rate History

The noon rate of exchange on May 5, 2005, reported by the United States Federal Reserve Bank of New York for the conversion of Canadian dollars into United States dollars was CDN\$.8033 (US\$1.2448 = CDN\$1.00).

The following table sets forth high and low exchange rates for one Canadian dollar expressed in terms of one U.S. dollar for the six-month period ended April 30, 2005.

| MONTH         | HIGH  | LOW   |
|---------------|-------|-------|
| November 2004 | .8493 | .8155 |
| December 2004 | .8435 | .8064 |
| January 2005  | .8346 | .8050 |
| February 2005 | .8134 | .7960 |
| March 2005    | .8060 | .8024 |
| April 2005    | .8233 | .7957 |

The following table sets forth the average exchange rate for one Canadian dollar

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expressed in terms of one U.S. dollar for the past five fiscal years.

| PERIOD                              | AVERAGE |
|-------------------------------------|---------|
| January 1, 2000 - December 31, 2000 | 0.6746  |
| January 1, 2001 - December 31, 2001 | 0.6456  |
| January 1, 2002 - December 31, 2002 | 0.6368  |
| January 1, 2003 - December 31, 2003 | 0.7206  |
| January 1, 2004 - December 31, 2004 | 0.7682  |

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

### Risk Factors

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

**LIQUIDITY AND CASH FLOW:** As at the date of this annual report, the Company has not generated any revenues from operations to fund ongoing operational requirements and cash commitments. The Company has financed its operations principally through the sale of its equity securities. As at May 5, 2005 the Company had working capital of approximately \$5,500,000. Management believes the Company has adequate resources to maintain its ongoing operations and will require additional financing for planned exploration and property acquisitions for the remainder of fiscal 2005. See "Item 5. Operating and Financial Review and Prospects - Liquidity and Capital Resources".

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

**ADDITIONAL FINANCING:** The Company presently has sufficient financial resources to meet property commitments on its existing property holdings. The Company at present does not, however, have sufficient funds to conduct planned exploration programs on all these properties and will need to obtain additional financing or find joint venture partners in order to initiate any such programs.

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

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further work on any or all of those other properties. Joint ventures may involve significant risks and the Company may lose any investment it makes in a joint venture. Any investments, strategic alliances or related efforts are accompanied by risks such as:

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

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

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

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

**TITLE TO PROPERTIES:** The validity of mining claims, which constitute a significant portion of the Company's undeveloped property holdings, is often uncertain and may be contested. Although the Company has attempted to acquire satisfactory title to its undeveloped properties, the Company, in accordance

with mining industry practice, does not intend to obtain title opinions until a decision is made to develop a property, with the attendant risk that some titles, particularly titles to undeveloped properties, may be subject to contest by other parties. Title to properties may be subject to litigation claims by others. On March 5, 2004 Minera Aquiline Argentina SA, a subsidiary of Aquiline Resources Inc. ("Aquiline"), commenced an action against the Company seeking damages and a constructive trust over certain of the Company's properties in the Navidad area. The Company believes the Aquiline legal action is without merit

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and continues to vigorously defend itself. A Statement of Defence has been filed. The trial has been set for October 11, 2005 in Vancouver, British Columbia. As of the date of this annual report the outcome is not determinable. See "Item 8. Financial Information - Legal Proceedings."

**PRICE FLUCTUATIONS AND SHARE PRICE VOLATILITY:** In recent years the securities markets in Canada have experienced a high level of price and volume volatility and the market price of securities of many companies, particularly junior mineral exploration companies, like the Company, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, the per share price of the Company's common shares on the TSX Venture Exchange (the "TSX-V") fluctuated from a high of \$4.80 to a low of \$1.73 during the 12-month period ending December 31, 2004. There can be no assurance that continual fluctuations in price will not occur.

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

**INSURABLE RISKS AND LIMITATIONS OF INSURANCE:** The Company maintains certain insurance, however, such insurance is subject to numerous exclusions and limitations. The Company maintains a Total Office Policy in Canadian dollars on its principal offices. Generally, the Total Office Policy provides a 90% coverage on office contents, up to \$160,000, with a \$500 deductible. In addition, the policy provides general liability coverage of up to \$5,000,000 for personal injury, per occurrence and \$2,000,000 for legal liability for any one premises, with a \$500 deductible. The Company also has insurance coverage of up to \$5,000,000 for non-owned automobile liability.

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

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damage arising out of defects in maps, plans, designs or specifications prepared, acquired or used by the Company or arising out of any act of negligence, error, mistake or omission in rendering or failing to render professional consulting or engineering services, whether performed by the Company or other for whom the Company is responsible.

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

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

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

In April 2005, the Company purchased an Executive and Organization Liability insurance policy for the benefit of directors and officers. The aggregate limit of liability is \$5 million. The policy is renewable on a yearly basis.

**MANAGEMENT:** The Company is dependent on the services of Joseph Grosso, the President and a director of the Company, Gerald G. Carlson, the Chairman of the Company's Board of Directors, and Arthur Lang, the Company's Chief Financial Officer. The loss of any of these people could have an adverse affect on the Company. Joseph Grosso provides his services to the Company through Oxbow International Marketing Corp. ("Oxbow"). Gerald G. Carlson provides his services to the Company through KGE Management Ltd. All of the Company's other officers are now employed by the Grosso Group Management Ltd. ("Grosso Group"). The Company has entered into consulting agreements with Oxbow and KGE Management Ltd. The Company does not maintain "key-man" insurance in respect of any of its principals.

Grosso Group Management Ltd.

Effective January 1, 2005, the Company engaged the Grosso Group Management Ltd. to provide services and facilities to the Company. As of the date of this Annual Report, a formal agreement among the Company and the Grosso Group has not been finalized. Until such time as the formal agreement has been finalized, the Company and the Grosso Group intend to work under the terms of the proposed Administration Services Agreement by and among the Company and the Grosso Group, which is discussed below. It is anticipated that the formal agreement will have an effective date of January 1, 2005.

The Grosso Group is a private company which will be owned by the Company, Golden Arrow Resources Corporation, Amera Resources Corporation and Gold Point Exploration Ltd., each of which will own one share. Pursuant to the terms of the proposed Administration Services Agreement, the Grosso Group will provide its shareholder companies with geological, corporate development, administrative, and management services on a non-exclusive and on an "as needed" and "as available" basis. The administration services for each shareholder company shall include bookkeeping, accounting and services in connection with quarterly

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filings, material change reports and other disclosure filings on SEDAR.

The Grosso Group will provide each shareholder company with:

1. the use of the Grosso Group's offices;
2. receptionist personnel;
3. office equipment; and
4. services of administration, accounting, purchasing, secretarial and like support staff on an "as needed" and "as available" basis.

Shareholder companies may appoint the Grosso Group to manage their work programs. In such event, the Grosso Group will generally retain suppliers and contracts in connection with each shareholder company's approved work programs and will separately invoice such shareholder company for the third-party costs and such invoice will include a handling charge as a percentage of the third-party costs, such charge to be in accordance with industry standards and reviewed for reasonableness from time to time, and which would be negotiated at the time of such work program.

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Each shareholder company will pay the Grosso Group a monthly fee for the Grosso Group's services. The Grosso Group intends to allocate the costs of the staff and related general and administrative expenses to its shareholder companies on a full recovery basis. The fee will be based upon a pro-rationing of the Grosso Group's costs, including its executive staff and other overhead, among each of the shareholder companies, with regard to the expected average annual level of services provided to each shareholder company. The staff of the Grosso Group will record their daily activities in connection with each shareholder company and they will retain a log for invoicing purposes. The fee is to be reviewed from time to time and the basis may be changed by the Grosso Group in the event the Grosso Group's costs change or the shareholder companies' use of the services is in excess of historical experience or in the event a greater or lesser number of shareholder companies are using the Grosso Group's services. Each shareholder company has prepaid one month's initial estimated allocation of the Grosso Group's fully recoverable costs, which for the Company amounted to \$60,000 (which as of the date of this report is the estimated initial monthly allocation for the Company).

The Grosso Group has the right to request each of the shareholder companies to allocate a reasonable number of shares in their incentive option plans to employees of the Grosso Group based upon the general amount of time and value added by such employees.

It is anticipated that the Administration Services Agreement may be terminated by a shareholder company after January 1, 2007, upon 30 days' written notice to the Grosso Group. Prior to January 1, 2007, if a shareholder company desires to terminate the agreement in the first year, it will pay a termination fee equal to one-year's basic administration charge and if a shareholder company desires to terminate the agreement in the second year, it will pay a termination fee equal to six-months' basic administration charge.

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

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

The members of the board of directors of the Grosso Group are appointed by the shareholder companies, with each shareholder company appointing one of its directors to serve as a director of the Grosso Group. As of May 5, 2005 it is anticipated that the directors of the Grosso Group will be Nikolaos Cacos, Joseph Grosso, Arthur Lang and Nick DeMare. Messrs. Lang and Grosso are officers and directors of the Company. Mr. Lang is an officer of Amera Resources Corporation and a director of Golden Arrow Resources Corporation. Mr. Grosso is a director and officer of Amera Resources Corporation and a director and officer of Golden Arrow Resources Corporation. Nikolaos Cacos is an officer of IMA, a director and officer of Golden Arrow Resources Corporation and a director and officer of Amera Resources Corporation. Nick DeMare is an officer and director of Gold Point Exploration Ltd. Mr. DeMare indirectly owns 100% of Chase Management Ltd., a company which provides consulting services to the Company and other Grosso Group shareholder companies.

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

In connection with the formation and establishment of the Grosso Group, Mr. Nick DeMare was issued the initial share of the Grosso Group and acted as the President, Secretary and sole director of the Grosso Group. Effective February 6, 2004, Mr. DeMare transferred the sole outstanding share of the Grosso Group to Joseph Grosso, the President and a director of the Company. Mr. DeMare also resigned as a director and the President and Secretary of the Grosso Group effective February 6, 2004 and Mr. Grosso was appointed as a director and the President and Secretary of the Grosso Group. It is anticipated that Mr. Grosso will return the sole outstanding share of the Grosso Group to the Grosso Group for cancellation and one share will then be issued to the Company.

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The Board of Directors of the Company will approve the formal agreement once completed.

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

**CONFLICTS OF INTEREST:** Several of the Company's directors are also directors, officers or shareholders of other companies. Such associations may give rise to

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

**FOREIGN COUNTRIES AND REGULATORY REQUIREMENTS:** The projects in which the Company has an interest are located in Argentina. Mineral exploration and mining activities in Argentina may be affected in varying degrees by political instability and government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. The Company does not maintain and does not intend to purchase political risk insurance. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriations of property, environmental legislation and mine safety. The status of Argentina as a developing country may make it more difficult for the Company to obtain any required exploration financing for its projects. The effect of all of these factors cannot be accurately predicted. The Argentine economy has experienced recessions in recent years and there can be no assurance that their economy will recover from such recessions.

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

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

### ARGENTINA

#### Mining Industry

Mineral companies are subject to both the Argentinean Mineral Code and the Environmental Protection Mining Code. The Company believes it is in material compliance with both the Argentinean Mineral Code and the Environmental Protection Mining Code.

#### Mining Law in Argentina

In IM-11/19 Argentina; Economic Trends-Nov. 1999, the author stated:

Although some ambiguities in its interpretation have emerged, the 1993 Argentine Mining Code has created a favorable investment climate in



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the sector. An influx of foreign capital is bringing major copper and gold mines on line in Catamarca and Santa Cruz provinces, as well as smaller projects elsewhere.

(Source: U.S. Department of Commerce - National Trade Data Bank, IM-11/19 Argentina; Economic Trends-Nov. 1999).

The right to explore a property (a "cateo") and the right to exploit (a "mina") are granted by administrative or judicial authorities via concessions. Foreign individuals and corporations may apply for and hold cateos and minas, at the same level as local investors without differences of any nature. Cateos and minas are freely transferable upon registration with the Provincial Mining Registry where title to the cateo or mina was first registered. Upon the grant of a legal concession of a cateo or a mine, parties have the right to explore the land or to own the mine and the resources extracted therefrom.

### Regulatory Environment

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

Importers and exporters must be registered with Customs. Except for a very limited list of items requiring the previous approval of the authorities, there are no import restrictions. Import of pharmaceuticals, drugs, foodstuffs, defense material, and some other items require the approval of the applicable government authority. Import duties are being progressively reduced in accordance with the free enterprise and free-trade policy being implemented by the government in order to achieve greater international competitiveness. To illustrate, duties currently range between zero and 20 percent. Restrictions on exports are not generally imposed.

### Political Environment and Economy

In recent years Argentina has experienced a number of changes to its government. The current president, Nestor Kirchner, came to power in May 2003. The country continues to struggle with its external debt. Negotiations continue with the IMF and several of its other major creditors. The economic performance of the country has been troubled and uncertain since the late 1990's. Management believes there are currently some positive indications that the economic situation is improving.

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

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complies fully with all environmental regulations relating to its operations in Argentina.

The provincial government of Chubut Province, Argentina has enacted certain anti-mining laws banning the use of cyanide and open-pit mining in metallic extraction in the Province of Chubut. The provincial legislation is more restrictive than current federal Argentinean mining laws. The Company has hired a mining engineering consultant to oversee all environmental and socio-economic

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studies and programs to ensure international best practices for the mining industry are applied in the development of the Company's properties. Certain authorities believe that the provincial legislation may be unconstitutional. However, there can be no assurance that the provincial legislation will be repealed.

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

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

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

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in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. Such rules and regulations may make it difficult for holders to sell the common stock of the Company, and they may be forced to hold it indefinitely.

**ENFORCEMENT OF LEGAL PROCESS:** It may be difficult to bring and enforce suits against the Company. The Company is incorporated in British Columbia. None of the Company's directors are residents of the United States and all, or a substantial portion, of their assets are located outside of the United States. As a result, it may be difficult for U.S. holders of the Company's common shares to effect service of process on these persons within the United States or to enforce judgments obtained in the U.S. based on the civil liability provisions of the U.S. federal securities laws against the Company or their officers and directors. In addition, a shareholder should not assume that the courts of Canada (i) would enforce judgments of U.S. courts obtained in actions against the Company or their officers or directors predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States, or (ii) would enforce, in original actions, liabilities against the Company or their officers or directors predicated upon the U.S. federal securities laws or other laws of the United States.

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

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1. where the U.S. court where the judgment was rendered had no jurisdiction according to applicable Canadian law;
2. the judgment was subject to ordinary remedy (appeal, judicial review and any other judicial proceeding which renders the judgment not final, conclusive or enforceable under the laws of the applicable state) or not final, conclusive or enforceable under the laws of the applicable state;
3. the judgment was obtained by fraud or in any manner contrary to natural justice or rendered in contravention of fundamental principles of procedure;
4. a dispute between the same parties, based on the same subject matter has given rise to a judgment rendered in a Canadian court or has been decided in a third country and the judgment meets the necessary conditions for recognition in a Canadian court;
5. the outcome of the judgment of the U.S. court was inconsistent with Canadian public policy;
6. the judgment enforces obligations arising from foreign penal laws or laws that deal with taxation or the taking of property by a foreign government; or
7. there has not been compliance with applicable Canadian law dealing with the limitation of actions.

ITEM 4. INFORMATION ON THE COMPANY.

#### History and Development of the Company

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

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

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

The Company initially received 500,000 common shares, or 30.76%, of the then issued and outstanding common shares of IMPSA, for its \$250,000 capital contribution. As a result of issuing 375,000 shares to IMPSA's management and key employees, and the completion of two private placements (resulting in the issuance of a total of 1,528,000 common shares of IMPSA), the Company's initial investment in IMPSA was diluted to 20.76%. However, in order to assure the Company an ongoing interest in the assets of IMPSA, the Company retained a 20% participating interest in IMPSA (BVI) and retained the right to maintain a 20% ownership interest in IMPSA. During fiscal 1998, the Company increased its investment in IMPSA by purchasing 990,963 shares, which increased the Company's percentage ownership of IMPSA from 20.76% to 43.81%. In January 1999, the Company acquired an additional 6,500,000 common shares of IMPSA, increasing its equity interest from 43.81% to 80.69%. During 2001, the Company completed the reorganization of its corporate structure to continue the funding of the Company's Peruvian exploration activities. On August 20, 2001, the Company entered into an agreement with IMPSA, its 80.69% owned subsidiary, to acquire IMPSA's 80% interest in IMPSA (BVI) and IMPSA's advances to IMPSA (BVI), of approximately US\$1.536 million, in exchange for \$850,000 plus a 2% fee on any net revenue or proceeds from the disposition of certain properties held by IMPSA

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(BVI). See "Item 4. Information on the Company - Organizational Structure." The fee is limited to a maximum of \$1,400,000. This transaction was approved by IMPSA's shareholders on September 4, 2001. IMPSA used the cash proceeds to retire its debt to the Company. Rio Tabaconas (formerly known as Tamborapa), IMPSA's principal property, is for the most part an early stage exploration property and involves a high degree of risk.

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

- (i) IHC was deemed to be the purchaser and parent company for accounting purposes. Accordingly, its net assets are included in the Company's consolidated balance sheet at their historical book value; and
- (ii) control of the net assets and business of the Company was acquired effective April 3, 1996. The transaction was accounted for as a purchase of the assets and liabilities of the Company by IHC at their fair values.

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

In May 1998, the Company entered into an arrangement (the "Plan of Arrangement") with Viceroy Resource Corporation ("Viceroy") whereby the Company agreed to exchange its 50% interest in Minas Barbados for 2,200,000 common shares of Viceroy (the "Viceroy Shares"), at a price of \$2.25 per Viceroy Share (being the market value of the Viceroy Shares on the date of the transaction), a 1% net smelter returns royalty interest (the "MASA NSR") in the mineral property interests held by MASA, and the extinguishment of all debts owing by the Company to MASA. No value was ascribed to the MASA NSR for the purpose of calculating the total consideration received at the date of exchange.

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

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

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became exercisable to purchase Class A common shares on the same basis as the common shares.

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

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

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

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

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

On May 3, 2004, the Company announced its intention to proceed with a reorganization of the Company which had the result of dividing its present mineral resource assets between two separate public companies. Upon implementation of the corporate reorganization, the Company would continue to hold the Navidad silver-lead-copper project and certain other mineral properties in central Chubut Province, Argentina, while the newly created public company will hold the other resource assets of the Company.

Under the reorganization, the Company's most advanced project, the Navidad silver-lead-copper project and certain other Navidad area properties in central Chubut Province, Argentina (the "Navidad Properties") continued to be owned by the Company, while the Company's non-Navidad mineral properties along with \$750,000 of operating cash and the joint venture agreements (including the marketable securities) relating to the transferred properties (collectively the "Transferred Assets") were transferred to Golden Arrow Resource Corporation ("Golden Arrow"), a new public company formed to effect the reorganization. Golden Arrow is committed to grass roots exploration while the Company retained the Navidad project and focused on:

1. A significantly expanded drill program on the numerous targets within Navidad;
2. More detailed regional exploration for Navidad style targets;
3. Pursuing a listing on major U.S. and Canadian stock exchanges;

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4. Completing a bankable feasibility study on the Navidad project in a timely fashion; and
5. Exploring the Navidad related properties directly or through joint ventures.

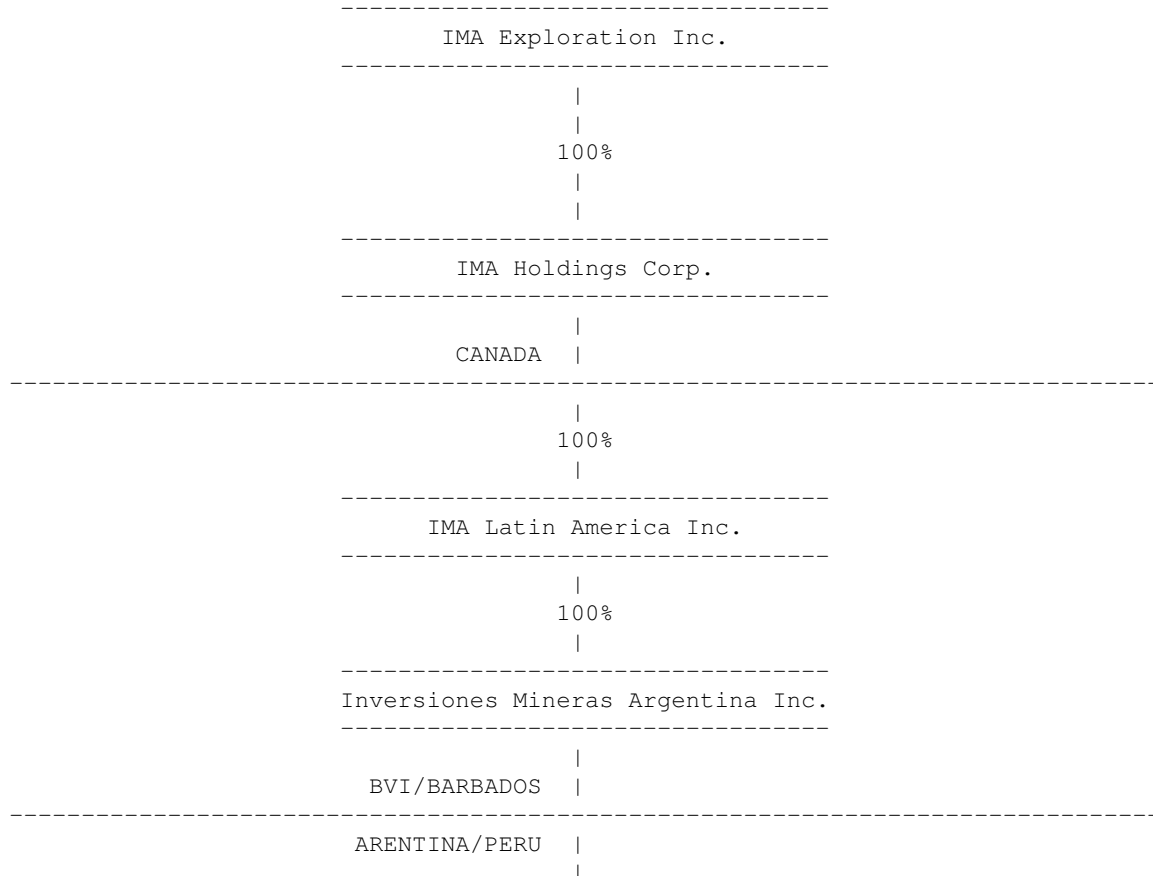
However, there are no assurances that the Company will be able to successfully complete any of the foregoing.

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

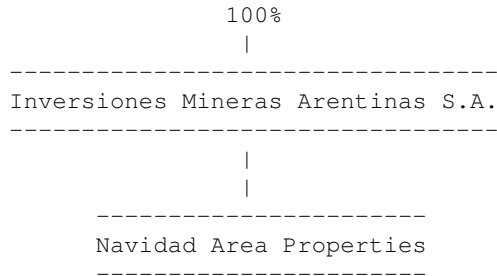
The common shares of Golden Arrow were distributed to shareholders of the Company in proportion to their shareholdings in the Company on July 7, 2004 and on the basis of one Golden Arrow share for every 10 shares of the Company held. The reorganization was intended to enhance shareholder value by enabling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

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### CURRENT CORPORATE STRUCTURE



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PRINCIPAL OFFICE

The current office and principal address of the Company is located at #709 - 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6. The Company's telephone number is (604) 687-1828.

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

The Company has made additions to mineral properties and deferred costs of \$4,448,659, \$1,069,228, and \$5,090 and capital assets of \$93,650, \$21,875 and \$11,201 for the fiscal years ended December 31, 2004, 2003 and 2002, respectively.

The Company has not made any write down to the value of its mineral properties and deferred costs.

PLANNED EXPLORATION EXPENDITURES AND PROPERTY PAYMENTS

For the period from January 1 to May 5, 2005, the Company has made additions to mineral properties and deferred costs of approximately \$2,050,000. For the balance of 2005, the Company expects to spend a further \$4,000,000 on the Navidad project. See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Properties - Argentinean Properties and "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

As of May 5, 2005, the Company does not have sufficient working capital to fund all of its planned exploration work and property commitments and meet all of its ongoing overhead obligations. The Company will continue to rely on successfully completing additional equity financing and/or conducting joint venture arrangements to conduct further exploration on its properties. There can be no assurance that the Company will be successful in obtaining the required financing or negotiating joint venture agreements. The failure to obtain such financing or joint venture agreements could result in the loss of, or substantial dilution of the Company's interest in its properties.

Business Overview

The Company is a natural resource company engaged in the business of acquisition and exploration of mineral properties in Argentina. At present, the Company has no producing properties and consequently has no current operating income or cash flow. As of the date of this annual report, the Company is an exploration stage company and has not generated any revenues from mining operations. There is no assurance that a commercially viable mineral deposit exists on any of the



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Company's properties. Further exploration and evaluation will be required before a final determination as to the economic and legal feasibility of any of the properties is determined.

On the properties in the Navidad area, accessibility and work may be limited during the winter months.

### GENERAL DEVELOPMENT OF THE COMPANY'S BUSINESS

The Company has been active in Peru and continues to be active in Argentina since 1996 acquiring and exploring mineral properties.

In August 1999 the Company completed a private placement with Barrick. Barrick was granted an option to earn an interest in either the Potrerillos or Rio de Taguas property. The funds were spent on the drilling program on the Potrerillos property. Subsequent proceeds were spent on further exploration of the Company's properties in the Valle de Cura region of San Juan Province, Argentina from October 2000 to March 2001. As a result of the private placement Barrick became the Company's largest shareholder but has subsequently reduced its holdings.

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The Company agreed to spend a minimum of \$1,125,000 on its Valle de Cura properties out of the proceeds from the Barrick private placement. As of December 31, 2003 this requirement had been met. On December 15, 2003 Barrick served notice that it would not be exercising the option.

In March 2001, the Company granted Rio Tinto Mining and Exploration Limited ("Rio Tinto") an option to acquire a majority interest in the Mogote property in the Valle de Cura region of San Juan Province, Argentina. This agreement was terminated by Rio Tinto in December 2001. In March 2003 (as amended September 30, 2003), the Company granted Amera Resources Corporation ("Amera") an option to acquire a 51% interest, amended on April 8, 2004 to 75%, in the Mogote property. See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Properties - Argentinean Properties - San Juan Province Properties - Northwest San Juan - Mogote Property" and "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

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

In early 2003, the Company focused its efforts on its Navidad Area Properties in Chubut Province located in southern Argentina. The preliminary results of its initial exploration efforts were very encouraging. A Phase I drilling program commenced in November, 2003 and was completed in late March 2004. A Phase II drill program commenced in late May 2004 and was completed in September 2004. Subsequent to completion of the Phase II program, a program of surface exploration including prospecting, geological mapping, ground geophysics and soil sampling was carried out. A Phase III drilling program commenced in November, 2004 and, other than a break for Christmas, drilling continued to March 7, 2005. Subsequently the Company has announced that the Phase III program budget has been increased to include an additional 10,000 metres of drilling and drilling resumed in April, 2005. The Phase I drill program at Navidad comprised 8,859.6 metres in 53 holes, 37 of which were drilled on Galena Hill. Phase II drilling comprised 9,596.5 metres of diamond core drilling in 67 holes. Drilling in the Phase II program focused on the Esperanza Trend, the Barite Hill target,

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and on the Navidad Hill and Connector Zone targets. Phase III drilling to date has comprised 9,526.2 metres in 54 holes for a project total of 27,982.3 metres in 174 holes.

On May 3, 2004, the Company announced its intention to proceed with a reorganization of the Company.

Under the reorganization, the Company's most advanced project, the Navidad silver-lead-copper project and certain other Navidad area properties in central Chubut Province, Argentina (the "Navidad Properties") continued to be owned by the Company, while the Company's non-Navidad mineral properties along with \$750,000 of operating cash and the joint venture agreements (including the marketable securities) relating to the transferred properties (collectively the "Transferred Assets") were to be transferred to Golden Arrow Resource Corporation ("Golden Arrow"), a new public company formed to effect the reorganization. Golden Arrow is committed to grass roots exploration while the Company retained the Navidad project and focused on:

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

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

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

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

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### GOVERNMENT REGULATIONS

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

### Organizational Structure

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

IHC has a direct wholly-owned subsidiary, IMA Latin America Inc. ("IMA Latin

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America"), a British Virgin Islands company.

IMA Latin America has one direct wholly-owned subsidiary, Inversiones Mineras Argentinas Inc., a Barbados company ("IMA Barbados"). IMA Barbados has one direct wholly-owned subsidiary, Inversiones Mineras Argentinas S.A. ("IMA Argentinas"), an Argentine company.

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

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

### Properties, Plants and Equipment

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

### PRINCIPAL PROPERTIES

#### NAVIDAD PROJECT

On February 3, 2003 the Company announced the discovery of high-grade silver-lead mineralization on its 100% owned 10,000 hectare (24,700 acres) Navidad Project in north central Chubut Province, Argentina. The mineralization had been discovered by prospecting on December 10, 2002 and was a new discovery as there were no recorded occurrences of silver mineralization in the area. This was surprising due to the fact that high-grade, structurally-controlled mineralization and the moderate-grade replacement style mineralization were abundantly visible with lead and copper mineralization outcrops and subcrops over a strike length of thousands of meters. There was no evidence of prior prospecting or sampling activity anywhere despite the area being inhabited.

During the fiscal years ending December 31, 2004, 2003 and 2002 the Company had capitalized and expensed costs on all of its properties as follows:

| Fiscal Year Ending | Amount<br>Capitalized | General<br>Exploration<br>Expensed in<br>Fiscal Year | Aggregate<br>Amount<br>Written-off In<br>Fiscal Year |
|--------------------|-----------------------|--|--|
| December 31, 2002  | \$148,618             | \$180,321  | \$ Nil   |
| December 31, 2003  | \$1,469,026           | \$226,956  | \$ Nil   |
| December 31, 2004  | \$6,551,598           | \$228,961  | \$ Nil   |

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[Argentina Property Map]

[GRAPHIC OMITTED] [GRAPHIC OMITTED]

MAP OF ARGENTINA SHOWING THE LOCATION OF THE CITIES OF:

BUENOS AIRES

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BARILOCHE  
PUERTO MADRYN

WITH "STAR" SHOWING THE LOCATED OF THE NAVIDAD PROJECT IN CHUBUT PROVINCE

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ARGENTINEAN PROPERTIES

Navidad Project

On February 3, 2003, the Company announced the discovery of high-grade silver-lead-copper mineralization at its 100% owned 10,000 hectare (24,700 acres) Navidad Project in north central Chubut, Argentina. The mineralization had been discovered by prospecting on December 10, 2002, and was a new discovery as there were no recorded occurrences of silver mineralization in the area. This was surprising due to the fact that high-grade, structurally-controlled mineralization and the moderate-grade replacement style mineralization with abundant visible lead and copper mineralization outcrops and subcrops over a strike length of thousands of meters. There was no evidence of prior prospecting or rock sampling activity despite the area being inhabited. Furthermore a fence line passes through the central part of the outcropping high-grade mineralization and blocks of rock containing obvious green copper oxides had been used to prop up fence posts.

PROPERTY DESCRIPTION AND LOCATION

The Navidad Project comprises 10,000 hectares consisting of two individual claims (manifestacions) in the Gastre Department of the Province of Chubut. These two claims are underlain by the company's original claim (the Gan Cateo) and cover the same area. The project is centered at approximately 42.415 decimal degrees south latitude and 68.82 decimal degrees west longitude in the Campo Inchauspe datum. The above point has been located in the field by professional surveyors and has the coordinates 2,514,856.53 east and 5,304,454.84 north in Gauss Kruger Campo Inchauspe zone 2 and was assigned the local grid coordinates 50,000E, 10,000N with an elevation of 1,218.18 m (Height Above Ellipsoid WGS1984). The local grid is rotated 30 degrees to the east of Gauss Kruger north.

Mineral Titles included in the Navidad Project:

| File Number | Year | Date               | Type          | Name          | Hectares |
|-------------|------|--------------------|---------------|---------------|----------|
| 13984       | 2002 | December 6, 2002   | Cateo         | Gan           | 10,000   |
| 14340       | 2004 | September 16, 2004 | Manifestacion | Navidad Este  | 5,000    |
| 14341       | 2004 | September 16, 2004 | Manifestacion | Navidad Oeste | 5,000    |

Note: the project totals 10,000 hectares, claims 14340 and 14341 together cover the same area as the original claim 13984.

ACCESSIBILITY AND INFRASTRUCTURE

The property is located in the north-central part of the Province of Chubut

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within the prominent Gastre structural lineament in a somewhat uplifted area. Maximum elevation within the Gan cateo is 1,460 m while the minimum elevation is 1,060 m. Relief is gentle with minor local exceptions.

Vegetation is sparse and comprises grasses and low brush. Trees are absent. The climate is characterized as continental semi-arid with moderate temperatures in summer often accompanied by high winds. Winters are cold with temperatures often dipping below zero Celsius, but are generally not characterized by extended sub-zero periods. Most of the precipitation falls in winter as both rain and snow and, as such, conditions may not favor field work in the winter, but depending on the year, work may be possible even during winter.

Access to the property is possible year around by two-wheel drive pick-up truck except in very wet periods. Gastre is the nearest town some 40km to the west and the town of Gan Gan is about the same distance to the east; both are along Route 4, a gravel highway. The nearest airport with scheduled service is in Esquel four hours drive to the southwest by gravel road. To the north about two hours drive, in the province of Rio Negro, is the town of Ingeniero Jacobacci which is larger than Gastre and has much better services including banking. From Ingeniero Jacobacci it is another three and a half hours to the west to Bariloche, a city with multiple daily flights and a centre for tourism year round. From Gastre to the Atlantic Coast it is approximately seven hours drive virtually all on gravel roads. Along the coast infrastructure is much better with paved, roads, ports and airports and larger population centers.

During normal road conditions the trip from Gastre to the Navidad Project is about 30 minutes.

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A high voltage power line running from the Futaleufu site to an aluminum smelter at Puerto Madryn passes roughly 50km south of the Navidad Project. The government has announced a contract tendered to construct a connection from this power line to the national power grid at Choele Choel in Rio Negro to the north in order to facilitate expansion of the aluminum smelter and other projects. Construction of the connection will bring the Argentine national power grid with easy reach of Navidad.

### HISTORY

The Navidad Project has no known exploration history and there is no indication that any of the surface showings were previously discovered or sampled. A prospecting discovery of this type seems unthinkable in the exploration industry in this day and age, especially within a few hundred meters of a provincial highway, except for the lack of mining and prospecting tradition in Patagonia. Proof of this lack of mining tradition is that the posts of the fence line that passes through the central part of the outcropping high grade mineralization had been propped up with blocks of rock containing obvious green copper oxides.

The only nearby sign of previous mining activity lies about 3km north west of Navidad Hill where some barite veins were opened up by trenches presumably with the idea of selling barite as an industrial mineral to the petroleum industry. Sampling during the surface work showed these veins have very low values of silver, copper and lead. Verbal reports suggest the trenching was done about 20 years ago.

Effectively the exploration history of Navidad Project began on December 10, 2002 with the discovery of outcropping mineralization by one of the Company's geologists. Subsequent surface work comprised extensive geological mapping, rock

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sampling, soil sampling and geophysics including magnetic, induced polarization and gravity surveys.

### REGIONAL AND LOCAL GEOLOGY

According to the preliminary map 4369-II at 1:250,000 scale of SEGEMAR, the national geological service of Argentina, the Navidad Project mineralization is mapped as part of the Upper Jurassic Canadon Asfalto Formation.

Province wide geological maps of Chubut by the same organization indicate that the Canadon Asfalto is restricted to the central part of Chubut. The type section of the formation is located along the Rio Chubut southwest of the project area between Paso Sapo and Paso de Indios.

Much of the remainder of the Navidad Project is underlain by the Lonco Trapial Formation of Lower Jurassic age and finally older, poorly age-defined basement granitic rocks of Paleozoic age.

The Canadon Asfalto Formation comprises fine sandstones, limestones and volcanics of continental and lacustrine environment. It appears significant regional variations in composition and depositional environment are present within the formation as currently defined. Both fossils and a K/Ar radiometric age of 173 +/-4 Ma indicate a middle to upper Jurassic age.

The Lonco Trapial Formation, including Tacquetren Formation and other equivalents, is more widely distributed in Chubut excluding the Andean portion. The formation is volcanic dominant and appears to be the first phase of infill of local grabens in the developing San Jorge Basin. Again, significant regional variability in composition and depositional facies is indicated, with compositions ranging from felsic to mafic.

Apparently one of the controlling features of the San Jorge Basin is the long-lived, major structure known as the Gastre Fault. This fault is a wide, northwest-trending zone of fracturing that appears to have controlled deposition of rock units and then dismembered them from the Jurassic through the present.

Faulting related to the Gastre Fault is present in the Navidad Project area, but the most striking structural elements in the area are a series of northwest trending folds.

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### DIAMOND DRILLING PROGRAM

Connors Argentina S. A. ("Connors") of Mendoza Argentina commenced drilling on November 26, 2003. Phase IIIa drilling was completed on March 7, 2005, Phase IIIb drilling is currently ongoing. To the end of the Phase IIIa drill program, 27,982m have been drilled in 174 holes. During the life of the project the average rate of drilling including moves and breakdowns has been 121.7 metres per day.

All but 149 metres of the drilling has recovered HQ diameter (61mm) core, with the remainder recovering NQ diameter core. The drill supplied by Connors Argentina is containerized and mounted on a tracked undercarriage capable of moving itself. Water for drilling was brought to the drilling sites by a water truck of 9,000 liters that was subcontracted by Connors. The water was trucked from several local sources under agreement with local surface land owners.

Down hole surveys of the holes were done using a Tropari and/or a Sperry Sun instrument. In general the orientation of holes has little deviation because of

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the relatively large diameter of the drill string and the relatively short lengths of the holes.

Surveyed coordinates and orientations of Navidad drillholes:

| Diamond Drill Hole | Local E  | Local N  | Easting<br>GK faja 2<br>Campo Inch | Northing<br>GK faja 2<br>Campo Inch | Elevation<br>(metres)<br>HAE | Azimuth<br>(wrt GK)<br>CI north) | dip down<br>from<br>Vertical |
|--------------------|----------|----------|------------------------------------|-------------------------------------|------------------------------|----------------------------------|------------------------------|
| NV03-01            | 50,000.6 | 10,005.0 | 2,514,819.5                        | 5,304,458.8                         | 1,219.5                      | 210.0                            | -45.0                        |
| NV03-02            | 50,000.0 | 9,971.1  | 2,514,802.0                        | 5,304,429.8                         | 1,211.2                      | 30.0                             | -45.0                        |
| NV03-03            | 51,160.5 | 9,660.1  | 2,515,651.6                        | 5,303,580.3                         | 1,178.4                      | 210.0                            | -45.0                        |
| NV03-04            | 51,160.1 | 9,669.6  | 2,515,655.9                        | 5,303,588.6                         | 1,178.6                      | 30.0                             | -45.0                        |
| NV03-05            | 51,160.1 | 9,802.1  | 2,515,722.2                        | 5,303,703.3                         | 1,176.6                      | 30.0                             | -60.0                        |
| NV03-06            | 49,961.7 | 9,972.3  | 2,514,769.5                        | 5,304,449.9                         | 1,218.4                      | 30.0                             | -45.0                        |
| NV03-07            | 49,919.7 | 9,965.9  | 2,514,729.9                        | 5,304,465.4                         | 1,222.2                      | 30.0                             | -45.0                        |
| NV03-08            | 49,959.8 | 10,016.3 | 2,514,789.8                        | 5,304,489.0                         | 1,226.4                      | 210.0                            | -45.0                        |
| NV03-09            | 49,919.9 | 10,027.4 | 2,514,760.8                        | 5,304,518.6                         | 1,231.4                      | 210.0                            | -45.0                        |
| NV03-10            | 49,961.9 | 9,953.4  | 2,514,760.2                        | 5,304,433.5                         | 1,215.1                      | 30.0                             | -45.0                        |
| NV03-11            | 49,625.2 | 10,040.0 | 2,514,511.9                        | 5,304,676.8                         | 1,209.2                      | 120.0                            | -45.0                        |
| NV04-12            | 51,160.6 | 9,577.9  | 2,515,610.5                        | 5,303,509.0                         | 1,155.4                      | 30.0                             | -65.0                        |
| NV04-13            | 50,876.5 | 10,015.0 | 2,515,583.1                        | 5,304,029.5                         | 1,179.4                      | 30.0                             | -45.0                        |
| NV04-14            | 50,997.6 | 9,911.7  | 2,515,636.3                        | 5,303,879.6                         | 1,178.1                      | 210.0                            | -70.0                        |
| NV04-15            | 51,159.8 | 9,910.5  | 2,515,776.1                        | 5,303,797.4                         | 1,167.0                      | 30.0                             | -60.0                        |
| NV04-16            | 51,161.0 | 9,451.4  | 2,515,547.6                        | 5,303,399.2                         | 1,138.3                      | 30.0                             | -55.0                        |
| NV04-17            | 50,998.8 | 9,614.4  | 2,515,488.6                        | 5,303,621.4                         | 1,156.7                      | 30.0                             | -85.0                        |
| NV04-18            | 51,001.3 | 9,364.5  | 2,515,365.9                        | 5,303,403.8                         | 1,137.1                      | 30.0                             | -55.0                        |
| NV04-19            | 51,001.9 | 9,826.2  | 2,515,597.2                        | 5,303,803.4                         | 1,181.7                      | 210.0                            | -80.0                        |
| NV04-20            | 50,801.6 | 9,897.6  | 2,515,459.5                        | 5,303,965.3                         | 1,163.0                      | 210.0                            | -70.0                        |
| NV04-21            | 50,997.6 | 9,948.5  | 2,515,654.7                        | 5,303,911.4                         | 1,174.2                      | 30.0                             | -45.0                        |
| NV04-22            | 50,998.5 | 9,977.9  | 2,515,670.2                        | 5,303,936.4                         | 1,171.9                      | 210.0                            | -75.0                        |
| NV04-23            | 51,000.7 | 9,713.6  | 2,515,540.0                        | 5,303,706.4                         | 1,177.3                      | 210.0                            | -85.0                        |
| NV04-24            | 50,804.7 | 10,023.1 | 2,515,524.9                        | 5,304,072.4                         | 1,173.8                      | 30.0                             | -50.0                        |
| NV04-25            | 51,204.1 | 9,014.3  | 2,515,366.4                        | 5,302,999.1                         | 1,140.0                      | 210.0                            | -45.0                        |
| NV04-26            | 50,802.1 | 9,728.9  | 2,515,375.6                        | 5,303,818.9                         | 1,153.5                      | 32.0                             | -75.0                        |
| NV04-27            | 50,100.7 | 9,719.0  | 2,514,763.2                        | 5,304,161.1                         | 1,164.0                      | 30.0                             | -45.0                        |

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| Diamond Drill Hole | Local E  | Local N | Easting<br>GK faja 2<br>Campo Inch | Northing<br>GK faja 2<br>Campo Inch | Elevation<br>(metres)<br>HAE | Azimuth<br>(wrt GK)<br>CI north) | dip down<br>from<br>Vertical |
|--------------------|----------|---------|------------------------------------|-------------------------------------|------------------------------|----------------------------------|------------------------------|
| NV04-28            | 51,164.5 | 9,865.2 | 2,515,757.6                        | 5,303,755.8                         | 1,170.6                      | 30.0                             | -60.0                        |
| NV04-29            | 51,299.1 | 9,847.6 | 2,515,865.4                        | 5,303,673.3                         | 1,157.6                      | 210.0                            | -80.0                        |

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|         |          |          |             |             |         |       |       |
|---------|----------|----------|-------------|-------------|---------|-------|-------|
| NV04-30 | 51,300.4 | 9,765.7  | 2,515,825.5 | 5,303,601.7 | 1,159.8 | 210.0 | -80.0 |
| NV04-31 | 51,160.7 | 9,666.8  | 2,515,655.1 | 5,303,585.9 | 1,178.5 | 30.0  | -80.0 |
| NV04-32 | 50,598.0 | 10,088.9 | 2,515,378.9 | 5,304,232.8 | 1,154.7 | 30.0  | -45.0 |
| NV04-33 | 50,598.4 | 10,016.4 | 2,515,343.0 | 5,304,169.8 | 1,154.8 | 210.0 | -80.0 |
| NV04-34 | 50,180.9 | 9,955.5  | 2,514,950.9 | 5,304,325.8 | 1,180.0 | 30.0  | -45.0 |
| NV04-35 | 51,199.5 | 9,251.1  | 2,515,480.9 | 5,303,206.5 | 1,134.2 | 30.0  | -80.0 |
| NV04-36 | 50,898.2 | 9,988.0  | 2,515,588.3 | 5,303,995.3 | 1,176.5 | 210.0 | -80.0 |
| NV04-37 | 50,899.9 | 9,914.7  | 2,515,553.2 | 5,303,931.0 | 1,173.8 | 210.0 | -80.0 |
| NV04-38 | 50,897.2 | 9,819.7  | 2,515,503.3 | 5,303,850.0 | 1,164.4 | 30.0  | -80.0 |
| NV04-39 | 50,400.2 | 9,982.9  | 2,515,154.5 | 5,304,239.9 | 1,157.1 | 210.0 | -80.0 |
| NV04-40 | 50,399.8 | 10,098.9 | 2,515,212.2 | 5,304,340.5 | 1,155.9 | 30.0  | -45.0 |
| NV04-41 | 51,080.8 | 9,943.4  | 2,515,724.2 | 5,303,865.4 | 1,174.9 | 30.0  | -45.0 |
| NV04-42 | 51,080.4 | 9,938.8  | 2,515,721.5 | 5,303,861.6 | 1,174.5 | 210.0 | -80.0 |
| NV04-43 | 51,080.4 | 9,853.2  | 2,515,678.7 | 5,303,787.4 | 1,180.3 | 210.0 | -75.0 |
| NV04-44 | 51,079.3 | 9,750.3  | 2,515,626.3 | 5,303,698.9 | 1,188.1 | 210.0 | -75.0 |
| NV04-45 | 51,230.9 | 9,861.1  | 2,515,813.0 | 5,303,719.1 | 1,164.0 | 210.0 | -80.0 |
| NV04-46 | 51,232.3 | 9,760.2  | 2,515,763.8 | 5,303,630.9 | 1,168.6 | 210.0 | -80.0 |
| NV04-47 | 51,236.7 | 9,681.0  | 2,515,728.1 | 5,303,560.2 | 1,176.6 | 30.0  | -75.0 |
| NV04-48 | 51,302.3 | 9,980.9  | 2,515,934.8 | 5,303,787.1 | 1,147.2 | 30.0  | -45.0 |
| NV04-49 | 51,301.0 | 9,915.2  | 2,515,900.8 | 5,303,730.8 | 1,150.5 | 30.0  | -80.0 |
| NV04-50 | 51,159.9 | 9,954.9  | 2,515,798.5 | 5,303,835.8 | 1,165.7 | 30.0  | -80.0 |
| NV04-51 | 51,159.1 | 9,971.9  | 2,515,806.2 | 5,303,850.9 | 1,165.5 | 30.0  | -45.0 |
| NV04-52 | 50,896.0 | 9,948.4  | 2,515,566.7 | 5,303,962.1 | 1,173.4 | 30.0  | -45.0 |
| NV04-53 | 50,796.8 | 9,954.7  | 2,515,483.9 | 5,304,017.1 | 1,169.2 | 30.0  | -50.0 |
| NV04-54 | 49,920   | 9,935    | 2,514,715   | 5,304,438   | 1,215   | 30.0  | -50.0 |
| NV04-55 | 50,000   | 9,906    | 2,514,770   | 5,304,374   | 1,197   | 30.0  | -45.0 |
| NV04-56 | 50,943   | 10,001   | 2,515,634   | 5,303,984   | 1,178   | 30.0  | -45.0 |
| NV04-57 | 51,118   | 9,812    | 2,515,691   | 5,303,733   | 1,181   | 210.0 | -80.0 |
| NV04-58 | 51,898   | 9,703    | 2,516,311   | 5,303,249   | 1,157   | 30.0  | -80.0 |
| NV04-59 | 51,900   | 9,612    | 2,516,268   | 5,303,169   | 1,142   | 33.0  | -80.0 |
| NV04-60 | 51,800   | 9,668    | 2,516,209   | 5,303,267   | 1,145   | 30.0  | -80.0 |
| NV04-61 | 51,203   | 8,927    | 2,515,322   | 5,302,924   | 1,149   | 210.0 | -45.0 |
| NV04-62 | 51,095   | 8,867    | 2,515,198   | 5,302,926   | 1,154   | 210.0 | -45.0 |
| NV04-63 | 50,392   | 8,749    | 2,514,530   | 5,303,175   | 1,175   | 150.0 | -45.0 |
| NV04-64 | 50,374   | 8,692    | 2,514,487   | 5,303,135   | 1,188   | 31.0  | -45.0 |
| NV04-65 | 49,919   | 9,851    | 2,514,672   | 5,304,366   | 1,192   | 30.0  | -45.0 |
| NV04-66 | 50,100   | 9,917    | 2,514,861   | 5,304,333   | 1,184   | 29.0  | -45.0 |
| NV04-67 | 50,247   | 9,936    | 2,514,998   | 5,304,276   | 1,171   | 30.0  | -45.0 |
| NV04-68 | 50,351   | 10,084   | 2,515,162   | 5,304,353   | 1,164   | 30.0  | -45.0 |
| NV04-69 | 49,862   | 9,967    | 2,514,681   | 5,304,495   | 1,227   | 30.0  | -45.0 |
| NV04-70 | 49,809   | 10,009   | 2,514,656   | 5,304,558   | 1,229   | 29.0  | -45.0 |
| NV04-71 | 49,860   | 9,904    | 2,514,647   | 5,304,442   | 1,208   | 30.0  | -45.0 |
| NV04-72 | 49,802   | 9,928    | 2,514,609   | 5,304,492   | 1,210   | 30.0  | -45.0 |
| NV04-73 | 49,802   | 9,814    | 2,514,552   | 5,304,393   | 1,184   | 29.0  | -45.0 |

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| Diamond Drill Hole | Local E | Local N | Easting<br>GK faja 2<br>Campo Inch | Northing<br>GK faja 2<br>Campo Inch | Elevation<br>(metres)<br>HAE | Azimuth<br>(wrt GK)<br>CI north) | dip down<br>from<br>Vertical |
|--------------------|---------|---------|------------------------------------|-------------------------------------|------------------------------|----------------------------------|------------------------------|
|--------------------|---------|---------|------------------------------------|-------------------------------------|------------------------------|----------------------------------|------------------------------|



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|          |        |        |           |           |       |       |       |
|----------|--------|--------|-----------|-----------|-------|-------|-------|
| NV04-74  | 51,997 | 9,691  | 2,516,391 | 5,303,189 | 1,165 | 29.0  | -80.0 |
| NV04-75  | 52,198 | 9,674  | 2,516,557 | 5,303,073 | 1,163 | 29.0  | -80.0 |
| NV04-76  | 52,401 | 9,679  | 2,516,735 | 5,302,976 | 1,171 | 29.0  | -80.0 |
| NV04-77  | 50,400 | 9,053  | 2,514,689 | 5,303,435 | 1,151 | 211.0 | -45.0 |
| NV04-78  | 51,308 | 8,954  | 2,515,426 | 5,302,895 | 1,147 | 210.0 | -45.0 |
| NV04-79  | 51,100 | 8,929  | 2,515,233 | 5,302,977 | 1,146 | 210.0 | -45.0 |
| NV04-80  | 51,003 | 8,864  | 2,515,117 | 5,302,970 | 1,151 | 210.0 | -45.0 |
| NV04-81  | 50,405 | 8,802  | 2,514,568 | 5,303,215 | 1,166 | 150.0 | -45.0 |
| NV04-82  | 50,340 | 8,700  | 2,514,461 | 5,303,159 | 1,186 | 150.0 | -45.0 |
| NV04-83  | 49,760 | 10,004 | 2,514,611 | 5,304,578 | 1,221 | 29.0  | -45.0 |
| NV04-84  | 49,721 | 9,991  | 2,514,570 | 5,304,587 | 1,219 | 31.0  | -45.0 |
| NV04-85  | 49,660 | 10,001 | 2,514,522 | 5,304,626 | 1,213 | 30.0  | -45.0 |
| NV04-86  | 50,545 | 10,120 | 2,515,348 | 5,304,286 | 1,148 | 30.0  | -45.0 |
| NV04-87  | 50,651 | 10,052 | 2,515,407 | 5,304,175 | 1,160 | 30.0  | -45.0 |
| NV04-88  | 49,197 | 9,855  | 2,514,048 | 5,304,731 | 1,224 | 30.0  | -80.0 |
| NV04-89  | 49,760 | 9,813  | 2,514,515 | 5,304,413 | 1,184 | 30.0  | -60.0 |
| NV04-90  | 49,719 | 9,855  | 2,514,501 | 5,304,470 | 1,189 | 30.0  | -45.0 |
| NV04-91  | 52,345 | 9,652  | 2,516,673 | 5,302,980 | 1,165 | 80.0  | -45.0 |
| NV04-92  | 52,634 | 9,468  | 2,516,832 | 5,302,677 | 1,142 | 80.0  | -65.0 |
| NV04-93  | 51,604 | 9,576  | 2,515,994 | 5,303,285 | 1,134 | 30.0  | -80.0 |
| NV04-94  | 50,400 | 10,030 | 2,515,178 | 5,304,281 | 1,157 | 30.0  | -45.0 |
| NV04-95  | 50,250 | 9,894  | 2,514,980 | 5,304,238 | 1,167 | 30.0  | -60.0 |
| NV04-96  | 50,099 | 9,832  | 2,514,819 | 5,304,260 | 1,174 | 30.0  | -45.0 |
| NV04-97  | 49,920 | 9,801  | 2,514,647 | 5,304,322 | 1,181 | 30.0  | -60.0 |
| NV04-98  | 49,811 | 9,762  | 2,514,534 | 5,304,343 | 1,178 | 30.0  | -60.0 |
| NV04-99  | 49,661 | 9,838  | 2,514,442 | 5,304,484 | 1,188 | 30.0  | -60.0 |
| NV04-100 | 49,722 | 9,813  | 2,514,482 | 5,304,432 | 1,183 | 30.0  | -60.0 |
| NV04-101 | 49,660 | 9,756  | 2,514,400 | 5,304,413 | 1,182 | 30.0  | -60.0 |
| NV04-102 | 49,601 | 9,830  | 2,514,386 | 5,304,507 | 1,194 | 30.0  | -60.0 |
| NV04-103 | 49,658 | 9,940  | 2,514,490 | 5,304,574 | 1,204 | 30.0  | -60.0 |
| NV04-104 | 49,659 | 9,880  | 2,514,461 | 5,304,521 | 1,192 | 31.0  | -60.0 |
| NV04-105 | 50,300 | 10,112 | 2,515,132 | 5,304,402 | 1,176 | 30.0  | -60.0 |
| NV04-106 | 50,301 | 10,033 | 2,515,094 | 5,304,333 | 1,171 | 30.0  | -60.0 |
| NV04-107 | 50,475 | 10,123 | 2,515,289 | 5,304,323 | 1,148 | 30.0  | -45.0 |
| NV04-108 | 50,599 | 10,087 | 2,515,379 | 5,304,230 | 1,155 | 90.0  | -45.0 |
| NV04-109 | 49,921 | 10,044 | 2,514,770 | 5,304,532 | 1,231 | 210.0 | -60.0 |
| NV04-110 | 49,811 | 10,075 | 2,514,690 | 5,304,614 | 1,222 | 210.0 | -45.0 |
| NV04-111 | 49,809 | 10,009 | 2,514,655 | 5,304,558 | 1,229 | 210.0 | -65.0 |
| NV04-112 | 49,760 | 10,048 | 2,514,632 | 5,304,616 | 1,218 | 30.0  | -45.0 |
| NV04-113 | 49,721 | 10,038 | 2,514,593 | 5,304,627 | 1,213 | 30.0  | -45.0 |
| NV04-114 | 49,759 | 9,925  | 2,514,570 | 5,304,510 | 1,204 | 30.0  | -60.0 |
| NV04-115 | 49,719 | 9,924  | 2,514,536 | 5,304,530 | 1,204 | 29.0  | -60.0 |
| NV04-116 | 49,761 | 9,853  | 2,514,535 | 5,304,447 | 1,189 | 30.0  | -60.0 |
| NV04-117 | 49,700 | 9,885  | 2,514,500 | 5,304,505 | 1,196 | 120.0 | -45.0 |
| NV04-118 | 49,600 | 9,879  | 2,514,410 | 5,304,550 | 1,198 | 30.0  | -60.0 |
| NV04-119 | 49,600 | 9,934  | 2,514,437 | 5,304,598 | 1,201 | 30.0  | -60.0 |

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|         |  |           |           |           |          |          |
|---------|--|-----------|-----------|-----------|----------|----------|
| Diamond |  | Easting   | Northing  | Elevation | Azimuth  | dip down |
| Drill   |  | GK faja 2 | GK faja 2 | (metres)  | (wrt GK) | from     |

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| Hole     | Local E | Local N | Campo Inch | Campo Inch | HAE   | CI north) | Vertical |
|----------|---------|---------|------------|------------|-------|-----------|----------|
| NV04-120 | 49,859  | 9,814   | 2,514,602  | 5,304,364  | 1,184 | 30.0      | -60.0    |
| NV04-121 | 49,401  | 9,786   | 2,514,191  | 5,304,569  | 1,203 | 210.0     | -70.0    |
| NV04-122 | 49,324  | 9,834   | 2,514,148  | 5,304,649  | 1,211 | 30.0      | -70.0    |
| NV04-123 | 49,324  | 9,827   | 2,514,145  | 5,304,643  | 1,210 | 210.0     | -70.0    |
| NV04-124 | 49,199  | 9,905   | 2,514,075  | 5,304,773  | 1,227 | 30.0      | -80.0    |
| NV04-125 | 49,197  | 9,803   | 2,514,023  | 5,304,686  | 1,220 | 30.0      | -80.0    |
| NV04-126 | 49,248  | 9,789   | 2,514,060  | 5,304,648  | 1,215 | 28.0      | -50.0    |
| NV04-127 | 50,471  | 10,083  | 2,515,266  | 5,304,291  | 1,150 | 30.0      | -60.0    |
| NV04-128 | 50,448  | 10,122  | 2,515,266  | 5,304,336  | 1,150 | 30.0      | -60.0    |
| NV04-129 | 50,500  | 10,119  | 2,515,309  | 5,304,307  | 1,146 | 30.0      | -60.0    |
| NV04-130 | 50,500  | 10,116  | 2,515,308  | 5,304,305  | 1,146 | 30.0      | -62.0    |
| NV04-131 | 50,578  | 10,109  | 2,515,372  | 5,304,260  | 1,152 | 90.0      | -60.0    |
| NV04-132 | 49,720  | 9,756   | 2,514,452  | 5,304,384  | 1,179 | 31.0      | -60.0    |
| NV04-133 | 49,797  | 9,732   | 2,514,506  | 5,304,325  | 1,175 | 30.0      | -60.0    |
| NV05-134 | 49,253  | 9,921   | 2,514,130  | 5,304,760  | 1,222 | 30.0      | -70.0    |
| NV05-135 | 49,250  | 9,986   | 2,514,160  | 5,304,818  | 1,224 | 30.0      | -70.0    |
| NV05-136 | 49,246  | 10,093  | 2,514,210  | 5,304,913  | 1,228 | 30.0      | -70.0    |
| NV05-137 | 49,200  | 9,957   | 2,514,102  | 5,304,817  | 1,229 | 30.0      | -80.0    |
| NV05-138 | 49,250  | 9,982   | 2,514,158  | 5,304,814  | 1,224 | 210.0     | -56.0    |
| NV05-139 | 49,699  | 9,876   | 2,514,493  | 5,304,498  | 1,194 | 31.0      | -70.0    |
| NV05-140 | 49,699  | 9,842   | 2,514,476  | 5,304,469  | 1,189 | 30.0      | -60.0    |
| NV05-141 | 49,738  | 9,877   | 2,514,529  | 5,304,479  | 1,193 | 31.0      | -60.0    |
| NV05-142 | 49,738  | 9,851   | 2,514,516  | 5,304,457  | 1,189 | 30.0      | -60.0    |
| NV05-143 | 49,320  | 10,018  | 2,514,237  | 5,304,810  | 1,217 | 210.0     | -55.0    |
| NV05-144 | 49,402  | 9,952   | 2,514,275  | 5,304,712  | 1,210 | 210.0     | -65.0    |
| NV05-145 | 49,402  | 9,902   | 2,514,249  | 5,304,669  | 1,208 | 211.0     | -65.0    |
| NV05-146 | 49,499  | 9,837   | 2,514,301  | 5,304,564  | 1,199 | 30.0      | -60.0    |
| NV05-147 | 49,497  | 9,808   | 2,514,285  | 5,304,540  | 1,194 | 30.0      | -70.0    |
| NV05-148 | 49,150  | 9,871   | 2,514,016  | 5,304,768  | 1,229 | 30.0      | -80.0    |
| NV05-149 | 49,148  | 9,920   | 2,514,038  | 5,304,812  | 1,234 | 30.0      | -80.0    |
| NV05-150 | 49,101  | 9,843   | 2,513,960  | 5,304,768  | 1,230 | 30.0      | -80.0    |
| NV05-151 | 49,101  | 9,893   | 2,513,984  | 5,304,812  | 1,234 | 30.0      | -80.0    |
| NV05-152 | 49,100  | 9,944   | 2,514,010  | 5,304,856  | 1,239 | 30.0      | -80.0    |
| NV05-153 | 50,596  | 10,229  | 2,515,447  | 5,304,355  | 1,143 | 271.0     | -45.0    |
| NV05-154 | 50,602  | 10,231  | 2,515,453  | 5,304,354  | 1,143 | 30.0      | -45.0    |
| NV05-155 | 50,660  | 10,172  | 2,515,474  | 5,304,273  | 1,149 | 90.0      | -45.0    |
| NV05-156 | 50,562  | 10,152  | 2,515,379  | 5,304,305  | 1,149 | 90.0      | -60.0    |
| NV05-157 | 49,856  | 9,772   | 2,514,578  | 5,304,330  | 1,178 | 30.0      | -60.0    |
| NV05-158 | 49,758  | 9,775   | 2,514,494  | 5,304,381  | 1,180 | 30.0      | -60.0    |
| NV05-159 | 49,922  | 9,762   | 2,514,631  | 5,304,288  | 1,175 | 29.0      | -60.0    |
| NV05-160 | 50,000  | 9,836   | 2,514,735  | 5,304,313  | 1,182 | 30.0      | -60.0    |
| NV05-161 | 49,762  | 9,887   | 2,514,554  | 5,304,476  | 1,195 | 30.0      | -60.0    |
| NV05-162 | 49,360  | 10,015  | 2,514,269  | 5,304,788  | 1,214 | 210.0     | -55.0    |
| NV05-163 | 49,453  | 9,832   | 2,514,259  | 5,304,583  | 1,197 | 30.0      | -70.0    |
| NV05-164 | 49,548  | 9,819   | 2,514,335  | 5,304,524  | 1,194 | 30.0      | -70.0    |
| NV05-165 | 49,548  | 9,873   | 2,514,361  | 5,304,571  | 1,202 | 30.0      | -70.0    |

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| Diamond Drill Hole | Local E | Local N | Easting<br>GK faja 2<br>Campo Inch | Northing<br>GK faja 2<br>Campo Inch | Elevation<br>(metres)<br>HAE | Azimuth<br>(wrt GK)<br>CI north) | dip down<br>from<br>Vertical |
|--------------------|---------|---------|------------------------------------|-------------------------------------|------------------------------|----------------------------------|------------------------------|
| NV05-166           | 49,503  | 9,917   | 2,514,345                          | 5,304,632                           | 1,206                        | 30.0                             | -65.0                        |
| NV05-167           | 49,100  | 9,945   | 2,514,010                          | 5,304,857                           | 1,239                        | 210.0                            | -60.0                        |
| NV05-168           | 49,100  | 10,007  | 2,514,041                          | 5,304,911                           | 1,236                        | 210.0                            | -60.0                        |
| NV05-169           | 49,048  | 9,887   | 2,513,936                          | 5,304,833                           | 1,234                        | 30.0                             | -80.0                        |
| NV05-170           | 49,051  | 9,938   | 2,513,964                          | 5,304,876                           | 1,237                        | 30.0                             | -80.0                        |
| NV05-171           | 49,053  | 9,978   | 2,513,985                          | 5,304,909                           | 1,238                        | 210.0                            | -70.0                        |
| NV05-172           | 49,321  | 9,861   | 2,514,159                          | 5,304,674                           | 1,212                        | 30.0                             | -60.0                        |
| NV05-173           | 49,285  | 9,972   | 2,514,184                          | 5,304,788                           | 1,221                        | 210.0                            | -80.0                        |
| NV05-174           | 49,361  | 9,963   | 2,514,245                          | 5,304,742                           | 1,214                        | 210.0                            | -55.0                        |

Total Metres Drilled

Core designated for sampling is cut with an electric-powered table saw with a diamond tipped blade. The core was sawn in half and one half was sampled and the remainder was stored in the core box. In a few areas the core was broken or rubblely and could not be sawn. In such cases the recovered material was sampled by spoon and if necessary was split with a knife or chisel. Rarely, due to hard core or problems with the saw, core was split with a mechanical splitter.

Alex Stewart (Assayers) Argentina S.A. ("Alex Stewart") of Mendoza, Argentina was the primary lab for all drill core samples. All samples are weighed on receipt in the sample bag prior to drying and this weight is reported with the analytical data. Sample preparation comprised drying at 90(degree) C for up to 40 hours, followed by crushing of the entire sample to #10 mesh. Next the sample was split down to 1.5 kg with a riffle splitter for pulverization to 85% passing #200 mesh. Between each sample the crusher and the pulverizor were cleaned with barren quartz.

All drill core samples were submitted for 30 gram fire-assay for silver with gravimetric finish and also a fire assay for Au (with AAS finish). The lab is required to report all sample weights used in fire assays.

In addition, all samples were analyzed by Alex Stewart's ICP-ORE technique which uses a strong multi-acid attack on a sample size of 0.2 grams. The method has been optimized to handle a wide range or concentrations of base and other metals, but with some sacrifice in the higher than normal detection limits for typical ICP analyses. Elements included in the package are Ag, As, Bi, Ca, Cd, Co, Cu, Fe, Hg, Mg, Mn, Mo, Ni, P, Pb, S, Sb, Tl and Zn. Extensive testing was undertaken by the Company on the ICP-ORE technique that confirmed its suitability for the Navidad mineralization. That testing included a precision test on 30 samples as well as a blind duplicate pulp test on 32 samples both with satisfactory results. Furthermore, ICP-ORE was used in characterization of the in-house standards developed (see below) and was found to correlate well with methods used by other labs. In fact all of the ICP-ORE results for Cu and Pb lay within the two standard deviation limit and hence were used in the definition of the accepted values for the standards.

### QUALITY CONTROL

A comprehensive quality control and quality assurance program for analyses of drill core was put in place well prior to the start of drilling. This program comprises controls including blind certified standards, blanks, core duplicates and a secondary laboratory. The primary laboratory for all drilling samples was Alex Stewart and the secondary lab was ALS-Chemex La Serena and/or Vancouver. In each set of 42 samples sent to the primary lab a blind high-grade, low-grade,

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blank and duplicate core sample were included in randomized positions.

In addition to the above, a systematic program of reanalysis of pulps by a second independent lab has been used throughout the program. Randomly pre-selected samples are sent from the primary laboratory and they include blanks and standards. Two samples from each set of 42 samples, or 4.8% percent of the pulps are therefore being checked. At the time of this writing results were available for 726 duplicates.

The purpose of this work is to confirm the reproducibility of the analytical method at a second lab.

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Results of the control by the secondary lab and through the inclusion of blanks, standards, and duplicates confirm the high quality of the data generated in the drilling program.

### CHAIN OF CUSTODY

Core is delivered to the core shack by the drill contractor or picked-up by the Company's employees and stored in the core shack in Gastre. The core shack is kept under lock and key when the Company's employees are not present.

Core cutting is supervised by the geologist logging core who ensures that the sequence of blanks, duplicates and standards is followed. Cut core is placed into clean new transparent plastic sample bags into which two pre-printed custom sample tickets are placed. The lab uses one of these for the pulp bag and one for the reject bag. A third sample ticket is stapled into the core tray along with the meterage represented by the sample. The fourth and final sample ticket remains in the sample tag book with the hole numbers and meterages filled in. Once samples have been cut and bagged the bags are double sealed with two zip-strips. The first ordinary zip strip will close the bag around the neck of the bag under as much tension as it will support. A second, custom printed zip-strip seal with the Company's name and the matching sample number to the sample ticket inside will be affixed to the bag above the zip-strip under tension. The numbered seal will pierce the bag above the neck of the bag where it is sealed by the first zip strip so as to make it impossible to slip the ordinary zip-strip over the neck of the back. The lab is required to notify the Company if the samples do not arrive with the Company seals intact. All seals are being stored by the assay lab to present as proof of use.

Sealed sample bags are placed in rice sacks in sequence for shipment to the lab. A record of all samples shipped is kept by the geologist sending the sample shipment. Samples are transported by a company contracted to transport samples directly from the core shack in Gastre to the assay laboratory in Mendoza (some 1,500km). They are not allowed to carry other cargo or make other stops.

### GENERAL GEOLOGICAL UNDERSTANDING

Drilling of the Navidad Hill, Galena Hill, Calcite Hill and intervening areas has greatly increased the geological understanding of the main geological units and their relationships. Most of this information was gained by drilling along the Navidad Trend (Barite Hill to Calcite Hill), but advances have also been made at Esperanza and at the Argenta Trend.

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Stratigraphy at the Navidad property is comprised of three primary sedimentary and volcanic units which vary in thickness and composition but can generally be traced across the property. The lowermost unit is comprised of epiclastic, volcanoclastic and volcanic rocks that are virtually always unmineralized and unaltered where they have been tested to date. This is overlain by a volcanic cycle comprising trachyandesitic volcanic rocks, generally with quartz eyes, that is altered and mineralized with silver, lead, and to a lesser degree copper. The trachyandesite sequence comprises massive flows, amygdaloidal flows, flow breccias and volcanoclastic breccias. This unit varies in stratigraphic thickness from a few metres to well over 200 metres. The trachyandesite is in turn overlain by pelitic mudstones and limestones of which the lowermost portion may be highly mineralized with silver, lead, and often zinc. On the southwestern portions of the property (Loma de la Plata and the Argenta trend) the upper unit is dominated by coarse grained, poorly sorted sandstones and conglomerates that are composed predominantly of granitic rock interpreted to be derived from the Paleozoic granites which form the regional basement rocks in the area.

The contact between the lower volcanic cycle and the latite cycle is of great interest due to the dramatic change between unaltered and unmineralized rocks below and high mineralized rocks above, particularly in the Galena Hill and Barite Hill areas. The upper part of the lower cycle is generally reddish as if affected by a lateritic weathering. On some sections such as 51,160E, the contact is quite planar whereas on others it is quite irregular, possible due to faulting or paleotopography. In some cases a dark grey, soft material with an unusual texture and structure of partings and slip surfaces is present below the latites on the contact. This is interpreted as a paleosol.

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### GALENA HILL DRILLING RESULTS

Results of the drilling at Galena Hill have been very positive. The amount and continuity and grade of the mineralization in the subsurface exceeded even the expectations that existed based on the surface work.

The geometry of the mineralization, a gently-dipping, exposed to shallowly-buried zone of significant thickness suggests potential for bulk mining. Hence in determining how to select the mineralized intercepts for tabulation and data manipulation it was decided to use a minimum of approximately 50 g/t silver irrespective of the copper, lead and zinc grades. The minimum grade was not strictly applied to the selection of the intercepts as samples with sub-fifty gram per tonne silver values were permitted for several samples in some instances. In some cases where there were long intercepts of mineralization somewhat below 50 g/t silver, but where there were significant lead values these intercepts were also listed below. At this time definitive "cut-off" grade can not be established since metallurgical and engineering parameters have not been determined. For the purpose of the resource estimates discussed below, a 50 g/t silver equivalent cut-off grade was used. The following intercepts reflect the potential of Galena Hill in a bulk mining scenario. Some higher grade intercept are also shown. These higher grades tend to occur at or near the upper contact of the latite sequence with the overlying mudstones, or even in the lower part of the mudstones.

In total, 39 drill holes have been drilled into the Galena Hill deposit. These holes outline a silver-lead deposit ranging in vertical thickness from about 10 to 115 metres with horizontal dimensions of approximately 400 by 500 metres at generally greater than 50 g/t silver. The top of the mineralized body is exposed at surface in some areas and in other areas is covered by as much as 40 metres

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of barren sedimentary cap rock. The shape and aspect of the mineralized body suggests that it could be bulk mineable. Grade distributions show a zone of high-grade silver values with lesser copper and relatively low lead values along the northeastern boundary of the deposit; this area is interpreted to be the source or feeder zone for mineralizing fluids which created the deposit. Moving to the southwest from this feeder zone, lead:silver ratios increase and are interpreted as more distal portions of the deposit.

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MINERALIZED INTERCEPTS FROM DRILLHOLES AT THE GALENA HILL DEPOSIT

| DDH       | Inclin-<br>ation | From<br>metres | To<br>metres | Composite<br>Length<br>metres | Vertical<br>Thickness<br>metres | g/t<br>Silver<br>LWA | %<br>Copper<br>LWA | %<br>Lead<br>LWA |
|-----------|------------------|----------------|--------------|-------------------------------|---------------------------------|----------------------|--------------------|------------------|
| NV03-03   | -45              | 3.00           | 178.50       | 175.50                        | 124.61                          | 26.2                 | 0.00               | 1.35             |
| including |                  | 3.00           | 128.30       | 125.30                        | 88.96                           | 33.0                 | 0.00               | 1.68             |
| including |                  | 72.50          | 107.50       | 35.00                         | 24.85                           | 49.9                 | 0.01               | 3.47             |
| including |                  | 86.20          | 95.45        | 9.25                          | 6.57                            | 76.8                 | 0.01               | 5.43             |
| NV03-04   | -45              | 2.80           | 266.70       | 263.90                        | 187.37                          | 74.1                 | 0.00               | 2.04             |
| including |                  | 2.80           | 203.00       | 200.20                        | 142.14                          | 92.3                 | 0.00               | 2.49             |
| including |                  | 39.60          | 176.45       | 136.85                        | 97.16                           | 117.3                | 0.00               | 2.99             |
| including |                  | 39.60          | 121.25       | 81.65                         | 57.97                           | 141.5                | 0.00               | 3.15             |
| including |                  | 39.60          | 94.70        | 55.10                         | 39.12                           | 164.3                | 0.00               | 2.97             |
| including |                  | 65.00          | 94.70        | 29.70                         | 21.09                           | 189.5                | 0.00               | 3.06             |
| including |                  | 65.00          | 83.50        | 18.50                         | 13.14                           | 241.2                | 0.00               | 3.40             |
| NV03-05   | -60              | 43.30          | 126.25       | 82.95                         | 72.17                           | 229.2                | 0.01               | 4.24             |
| including |                  | 46.70          | 113.25       | 66.55                         | 57.90                           | 271.8                | 0.01               | 4.82             |
| including |                  | 46.70          | 55.90        | 9.20                          | 8.00                            | 578.9                | 0.04               | 6.82             |
| including |                  | 89.00          | 107.25       | 18.25                         | 15.88                           | 503.0                | 0.01               | 11.19            |
| NV04-12   | -65              | 18.80          | 27.80        | 9.00                          | 8.19                            | 41.6                 | 0.00               | 8.01             |
| including |                  | 27.80          | 35.45        | 7.65                          | 6.96                            | 70.8                 | 0.00               | 9.60             |
| combined  |                  | 18.80          | 35.45        | 16.65                         | 15.15                           | 55.0                 | 0.00               | 8.74             |
| within    |                  | 18.80          | 60.60        | 41.80                         | 38.04                           | 35.5                 | 0.00               | 4.46             |
| NV04-13   | -45              | 20.00          | 64.70        | 44.70                         | 31.74                           | 223.4                | 0.16               | 0.56             |
| NV04-14   | -70              | 27.70          | 142.80       | 115.10                        | 109.35                          | 453.6                | 0.08               | 5.26             |
| including |                  | 27.70          | 75.10        | 47.40                         | 45.03                           | 775.6                | 0.17               | 6.42             |
| including |                  | 32.70          | 50.70        | 18.00                         | 17.10                           | 1421.2               | 0.42               | 5.24             |
| NV04-15   | -60              | 46.55          | 115.65       | 69.10                         | 60.12                           | 113.5                | 0.02               | 1.46             |
| including |                  | 47.05          | 55.55        | 8.50                          | 7.40                            | 461.7                | 0.08               | 6.54             |
| NV04-16   | -55              | 63.45          | 72.45        | 9.00                          | 7.56                            | 34.2                 | 0.00               | 2.47             |

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|           |     |       |        |       |       |       |      |       |
|-----------|-----|-------|--------|-------|-------|-------|------|-------|
| NV04-17   | -85 | 21.20 | 40.20  | 19.00 | 18.81 | 96.7  | 0.01 | 7.79  |
| including |     | 30.20 | 40.20  | 10.00 | 9.90  | 161.6 | 0.02 | 12.98 |
| NV04-18   | -55 | 232.0 | 244.00 | 12.00 | 9.96  | 70.1  | 0.06 | 0.40  |
| NV04-19   | -80 | 24.00 | 90.50  | 66.50 | 65.17 | 100.3 | 0.00 | 2.74  |
| including |     | 25.10 | 37.10  | 12.00 | 11.76 | 165.2 | 0.02 | 3.20  |
| including |     | 49.35 | 57.75  | 8.40  | 8.23  | 177.4 | 0.02 | 4.22  |
| including |     | 74.00 | 81.55  | 7.55  | 7.40  | 174.0 | 0.00 | 4.69  |

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| DDH       | Inclin-<br>ation | From<br>metres | To<br>metres | Composite<br>Length<br>metres | Vertical<br>Thickness<br>metres | g/t<br>Silver<br>LWA | %<br>Copper<br>LWA | %<br>Lead<br>LWA |
|-----------|------------------|----------------|--------------|-------------------------------|---------------------------------|----------------------|--------------------|------------------|
| NV04-20   | -70              | 35.50          | 40.60        | 5.10                          | 4.79                            | 54.8                 | 0.02               | 1.82             |
| NV04-21   | -45              | 42.45          | 126.00       | 83.55                         | 56.81                           | 321.7                | 0.23               | 0.47             |
| including |                  | 49.95          | 70.50        | 20.55                         | 13.97                           | 703.0                | 0.47               | 0.54             |
| NV04-22   | -75              | 38.65          | 101.65       | 63.00                         | 61.11                           | 418.4                | 0.15               | 1.82             |
| including |                  | 42.50          | 55.60        | 13.10                         | 12.71                           | 923.3                | 0.26               | 1.70             |
| NV04-23   | -85              | 48.40          | 71.20        | 22.80                         | 22.57                           | 26.3                 | 0.00               | 0.47             |
| NV04-24   | -50              | 3.00           | 5.65         | 2.65                          | 1.88                            | 917.9                | 0.28               | 1.13             |
| NV04-26   | -75              | none           |              |                               | 0.00                            |                      |                    |                  |
| NV04-28   | -60              | 45.70          | 134.75       | 89.05                         | 77.47                           | 120.4                | 0.01               | 1.77             |
| including |                  | 45.70          | 67.75        | 22.05                         | 19.18                           | 23.0                 | -0.01              | 0.65             |
| including |                  | 67.75          | 134.75       | 67.00                         | 58.29                           | 152.5                | 0.01               | 2.14             |
| including |                  | 68.10          | 71.55        | 3.45                          | 3.00                            | 760.9                | 0.05               | 10.96            |
| NV04-29   | -80              | 28.50          | 38.65        | 10.15                         | 9.95                            | 71.8                 | 0.00               | 1.84             |
| NV04-30   | -80              | 44.80          | 52.70        | 7.90                          | 7.74                            | 47.8                 | 0.00               | 1.11             |
| NV04-31   | -80              | 3.05           | 23.85        | 20.80                         | 20.38                           | 51.7                 | 0.00               | 1.25             |
| and       |                  | 47.35          | 78.45        | 31.10                         | 30.48                           | 71.0                 | 0.00               | 2.62             |
| including |                  | 73.85          | 75.95        | 2.10                          | 2.06                            | 618.6                | -0.01              | 18.82            |
| NV04-36   | -80              | 8.00           | 57.90        | 49.90                         | 48.90                           | 179.1                | 0.08               | 1.21             |
| including |                  | 35.30          | 49.30        | 14.00                         | 13.72                           | 209.5                | 0.10               | 0.97             |
| NV04-37   | -80              | 12.80          | 89.10        | 76.30                         | 74.77                           | 139.4                | 0.04               | 1.28             |
| including |                  | 13.80          | 17.70        | 3.90                          | 3.82                            | 597.4                | 0.02               | 7.23             |

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|           |     |        |        |        |        |       |      |       |
|-----------|-----|--------|--------|--------|--------|-------|------|-------|
| NV04-38   | -80 | 20.70  | 61.20  | 40.50  | 39.69  | 104.5 | 0.04 | 0.40  |
| including |     | 34.10  | 52.55  | 18.45  | 18.08  | 166.8 | 0.07 | 0.15  |
| NV04-41   | -45 | 58.10  | 129.00 | 70.90  | 50.34  | 78.5  | 0.08 | 0.33  |
| NV04-42   | -80 | 48.35  | 161.55 | 113.20 | 110.94 | 150.8 | 0.03 | 1.98  |
| including |     | 67.90  | 121.90 | 54.00  | 52.92  | 239.1 | 0.04 | 3.04  |
| including |     | 148.90 | 161.55 | 12.65  | 12.40  | 121.6 | 0.04 | 1.74  |
| NV04-43   | -75 | 44.20  | 127.25 | 83.05  | 81.39  | 153.2 | 0.01 | 5.48  |
| including |     | 44.20  | 89.00  | 44.80  | 43.90  | 216.9 | 0.01 | 6.81  |
| NV04-44   | -75 | 13.35  | 103.90 | 90.55  | 88.74  | 177.8 | 0.01 | 5.33  |
| including |     | 13.35  | 28.90  | 15.55  | 15.24  | 445.3 | 0.02 | 8.77  |
| NV04-45   | -80 | 43.00  | 69.85  | 26.85  | 26.31  | 355.4 | 0.00 | 5.34  |
| including |     | 43.00  | 51.05  | 8.05   | 7.89   | 958.4 | 0.01 | 15.31 |
| NV04-46   | -80 | 30.40  | 167.00 | 136.60 | 133.87 | 30.9  | 0.00 | 1.06  |
| including |     | 30.40  | 65.00  | 34.60  | 33.91  | 61.8  | 0.00 | 1.51  |

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| DDH       | Inclin-<br>ation | From<br>metres | To<br>metres | Composite<br>Length<br>metres | Vertical<br>Thickness<br>metres | g/t<br>Silver<br>LWA | %<br>Copper<br>LWA | %<br>Lead<br>LWA |
|-----------|------------------|----------------|--------------|-------------------------------|---------------------------------|----------------------|--------------------|------------------|
| NV04-47   | -75              | 12.90          | 131.00       | 118.10                        | 113.38                          | 36.6                 | 0.00               | 2.06             |
| including |                  | 84.50          | 116.00       | 31.50                         | 30.24                           | 59.5                 | 0.00               | 4.31             |
| NV04-48   | -45              | 16.50          | 32.85        | 16.35                         | 11.61                           | 30.6                 | 0.00               | 0.53             |
| including |                  | 26.70          | 31.80        | 5.10                          | 3.62                            | 49.7                 | 0.01               | 0.54             |
| NV04-49   | -80              | 63.45          | 82.80        | 19.35                         | 18.96                           | 31.6                 | 0.00               | 0.38             |
| NV04-50   | -80              | 20.80          | 101.00       | 80.20                         | 78.60                           | 254.7                | 0.14               | 0.93             |
| including |                  | 20.80          | 65.00        | 44.20                         | 43.32                           | 391.0                | 0.23               | 0.44             |
| NV04-51   | -45              | 64.50          | 81.85        | 17.35                         | 12.32                           | 185.9                | 0.05               | 2.37             |
| NV04-52   | -45              | 16.50          | 62.55        | 46.05                         | 32.70                           | 270.6                | 0.10               | 0.62             |
| NV04-53   | -50              | 15.70          | 30.80        | 15.10                         | 10.72                           | 52.0                 | 0.04               | 0.72             |
| NV04-56   | -45              | 19.30          | 127.75       | 108.45                        | 76.69                           | 102.0                | 0.08               | 0.09             |
| including |                  | 22.50          | 64.50        | 42.00                         | 26.70                           | 164.0                | 0.09               | 0.12             |
| NV04-57   | -80              | 35.90          | 170.50       | 134.60                        | 132.56                          | 181.0                | 0.01               | 4.71             |
| including |                  | 39.40          | 61.25        | 21.85                         | 21.52                           | 718.0                | 0.03               | 10.62            |



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### Notes:

1. All length weighted average (LWA) results are "uncut"
2. Vertical thicknesses are calculated considering the dip of the drill holes and assuming flat lying body.

### NAVIDAD HILL DRILLING RESULTS

Fifty-three drill holes have been completed to date at Navidad Hill and have been very successful in delineating silver-copper-lead mineralization. Two distinct styles of mineralization have been intersected, the first comprises structurally-controlled, sub-vertical, tabular breccia bodies often containing very high grade silver (up to ~10,000 g/t over short intervals) and the second is a stratigraphically controlled body that occurs on the northwest flank of Navidad hill at or near the contact between trachyandesite volcanic rocks and the overlying mudstones and intercalated volcanic tuffs.

Drilling on the structurally controlled mineralization confirmed that the dip of the structures is near vertical and two somewhat unexpected aspects were encountered: firstly, significant amounts of clay alteration (argillic) are present; secondly, in between the known structures there are many areas with minor veins and stockwork veinlets. High silver grades were intersected in some of the structures in the drill holes (see table below); however, in general the grades in the drill holes are significantly less than the average grades of the structures on surface which were often in the range of 5,000 to 20,000 grams per tonne silver. This combination of the features suggests that Navidad Hill should be considered a bulk target rather than as individual high-grade vein targets. Like Galena Hill, intercepts have been calculated at a 50 g/t silver minimum grade again somewhat loosely applied at this early stage. Assuming vertical dips the true width of the mineralized intercept ranges from about 34 to 101m in width. Despite the high base metal grades of the individual structures in the detailed surface sampling and in the core samples the grades of copper and lead over the width of the bulk zone are generally less than 0.3%. This marks a significant difference from the central part of the Galena Hill deposit.

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The stratigraphically-controlled mineralization at Navidad Hill occurs on the northwest flank of the hill and is covered by 15 to 30 metres of overlying unmineralized rock. Drill hole NV04-90 intersected this style of mineralization with what is to date the best mineralized intercept recovered from the property (35.8m of 2,850 g/t silver and 3.62% lead). Mineralization occurs in the form of a blanket or gently dipping tabular body that is located at or near the contact between the trachyandesite and overlying rocks. Metal-bearing minerals include galena, stromeyerite, chalcopyrite, tetrahedrite, pyrite, sphalerite, chalcocite, Fe-Cu oxides and other oxide species. In several locations, clastic sulphides are noted in the core that are interpreted to indicate transportation of the sulphide-bearing material after it's deposition. This strongly supports the syn-volcanic, syn-sedimentary timing for mineralization that is interpreted.

Mineralized Intercepts from the Navidad Hill Drilling

-----  
Composite                      g/t                      %                      %



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| DDH       | DIP | From<br>(metres) | To<br>(metres) | Length<br>(metres) | Silver<br>(LWA) | Copper<br>(LWA) | Lead<br>(LWA) |
|-----------|-----|------------------|----------------|--------------------|-----------------|-----------------|---------------|
| NV04-70   | -45 | 3.00             | 87.75          | 84.75              | 83              | 0.09            | 0.04          |
| including |     | 58.30            | 62.85          | 4.55               | 421             | 0.23            | 0.06          |
| including |     | 81.10            | 87.75          | 6.65               | 175             | 0.12            | 0.03          |
| NV04-71   | -45 | 3.00             | 88.50          | 85.50              | 57              | 0.12            | 0.03          |
| including |     | 69.50            | 88.50          | 19.00              | 149             | 0.15            | 0.02          |
| including |     | 78.15            | 85.50          | 7.35               | 265             | 0.21            | 0.05          |

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| DDH       | DIP | From<br>(metres) | To<br>(metres) | Composite<br>Length<br>(metres) | g/t<br>Silver<br>(LWA) | %<br>Copper<br>(LWA) | %<br>Lead<br>(LWA) |
|-----------|-----|------------------|----------------|---------------------------------|------------------------|----------------------|--------------------|
| NV04-72   | -45 | 3.00             | 53.85          | 50.85                           | 26                     | 0.07                 | 0.06               |
|           |     | 45.01            | 53.85          | 8.84                            | 46                     | 0.04                 | 0.04               |
| NV04-73   | -45 | 3.00             | 36.40          | 33.40                           | 94                     | 0.04                 | 0.80               |
| including |     | 28.50            | 36.40          | 7.90                            | 292                    | 0.17                 | 1.19               |
| and       |     | 58.00            | 59.40          | 1.40                            | 3,975                  | 0.88                 | 0.16               |
| NV04-83   | -45 | 4.50             | 88.00          | 83.50                           | 97                     | 0.15                 | 0.04               |
| including |     | 53.00            | 61.91          | 8.91                            | 211                    | 0.25                 | 0.04               |
| including |     | 79.50            | 88.00          | 8.50                            | 237                    | 0.12                 | 0.03               |
| NV04-84   | -45 | 13.90            | 55.50          | 41.60                           | 56                     | 0.17                 | 0.02               |
| including |     | 22.20            | 23.53          | 1.33                            | 98                     | 0.26                 | 0.02               |
| and       |     | 77.00            | 81.97          | 4.97                            | 57                     | 0.17                 | 0.00               |
| NV04-85   | -45 | 4.50             | 28.80          | 24.30                           | 142                    | 0.21                 | 0.06               |
| including |     | 4.50             | 8.20           | 3.70                            | 689                    | 0.68                 | 0.14               |
| NV04-89   | -60 | 17.70            | 28.60          | 10.90                           | 109                    | 0.13                 | 0.89               |
| NV04-90   | -45 | 16.50            | 52.33          | 35.83                           | 2,850                  | 0.90                 | 3.62               |
| including |     | 33.00            | 46.45          | 13.45                           | 7,321                  | 2.12                 | 6.56               |
| including |     | 33.00            | 40.26          | 7.26                            | 11,995                 | 2.32                 | 10.45              |
| NV04-97   | -60 | 7.50             | 39.24          | 31.74                           | 105                    | 0.01                 | 2.43               |
| including |     | 25.50            | 39.24          | 13.74                           | 148                    | 0.03                 | 5.28               |
| NV04-98   | -60 | 40.93            | 67.70          | 26.77                           | 185                    | 0.20                 | 2.30               |
| NV04-99   | -60 | 44.60            | 74.58          | 29.98                           | 188                    | 0.14                 | 1.80               |
| including |     | 44.60            | 61.70          | 17.10                           | 280                    | 0.16                 | 3.05               |
| NV04-100  | -60 | 23.45            | 65.19          | 41.74                           | 390                    | 0.22                 | 2.61               |

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|          |           |  |       |        |        |       |      |      |
|----------|-----------|--|-------|--------|--------|-------|------|------|
|          | including |  | 40.60 | 49.70  | 9.10   | 718   | 0.32 | 5.97 |
| NV04-101 | -60       |  | none  |        |        |       |      |      |
| NV04-102 | -60       |  | 47.78 | 63.59  | 15.81  | 116   | 0.09 | 1.78 |
|          | including |  | 56.00 | 63.59  | 7.59   | 191   | 0.17 | 0.87 |
| NV04-103 | -60       |  | 11.02 | 16.80  | 5.78   | 63    | 0.05 | 0.21 |
| NV04-104 | -60       |  | 38.45 | 51.60  | 13.15  | 1,489 | 0.09 | 0.80 |
| NV04-109 | -60       |  | 3.00  | 105.06 | 102.06 | 73    | 0.13 | 0.15 |
|          | including |  | 3.00  | 50.07  | 47.07  | 88    | 0.13 | 0.12 |
|          | including |  | 20.66 | 50.07  | 29.41  | 111   | 0.14 | 0.11 |
| NV04-110 | -45       |  | 3.00  | 64.50  | 61.50  | 128   | 0.17 | 0.27 |
|          | including |  | 3.00  | 21.46  | 18.46  | 312   | 0.43 | 0.77 |
|          | including |  | 16.12 | 21.46  | 5.34   | 1,006 | 1.39 | 2.59 |
| NV04-111 | -65       |  | 3.00  | 35.00  | 32.00  | 28    | 0.05 | 0.06 |

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| DDH      | DIP       | From<br>(metres) | To<br>(metres) | Composite<br>Length<br>(metres) | g/t<br>Silver<br>(LWA) | %<br>Copper<br>(LWA) | %<br>Lead<br>(LWA) |
|----------|-----------|------------------|----------------|---------------------------------|------------------------|----------------------|--------------------|
| NV04-112 | -45       | 6.00             | 64.68          | 58.68                           | 208                    | 0.22                 | 0.35               |
|          | including | 6.00             | 16.26          | 10.26                           | 375                    | 0.71                 | 0.67               |
|          | including | 28.87            | 43.65          | 14.78                           | 324                    | 0.26                 | 0.83               |
| NV04-113 | -45       | 4.50             | 28.75          | 24.25                           | 60                     | 0.46                 | 0.03               |
|          | including | 4.50             | 10.50          | 6.00                            | 109                    | 0.87                 | 0.03               |
| NV04-114 | -60       | 5.56             | 39.28          | 33.72                           | 57                     | 0.09                 | 0.39               |
|          |           | 6.50             | 12.75          | 6.25                            | 83                     | 0.16                 | 0.51               |
| NV04-115 | -60       | 8.00             | 18.05          | 10.05                           | 151                    | 0.04                 | 0.35               |
| NV04-116 | -60       | 15.00            | 45.40          | 30.40                           | 243                    | 0.32                 | 2.04               |
|          | including | 15.00            | 36.42          | 21.42                           | 322                    | 0.39                 | 2.85               |
| NV04-117 | -45       | 25.50            | 53.65          | 28.15                           | 1115                   | 0.45                 | 0.98               |
|          | including | 42.04            | 48.01          | 5.97                            | 4579                   | 1.82                 | 2.47               |
| NV04-118 | -60       | 44.00            | 51.62          | 7.62                            | 155                    | 0.09                 | 0.79               |
| NV04-119 | -60       | 44.10            | 55.30          | 11.20                           | 92                     | 0.03                 | 1.00               |

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|           |     |        |        |       |         |      |      |
|-----------|-----|--------|--------|-------|---------|------|------|
| NV04-120  | -60 | 7.12   | 65.65  | 58.53 | 47      | 0.07 | 0.22 |
| including |     | 26.00  | 31.24  | 5.24  | 84      | 0.04 | 0.43 |
| and       |     | 62.80  | 65.65  | 2.85  | 242     | 0.23 | 0.30 |
| NV04-132  | -60 | 49.55  | 56.75  | 7.20  | 31      | 0.05 | 0.86 |
| and       |     | 96.71  | 101.00 | 4.29  | 62      | 0.10 | 0.50 |
| NV04-133  | -60 | 94.80  | 105.32 | 10.52 | 80      | 0.14 | 0.38 |
| and       |     | 153.97 | 172.80 | 18.83 | 113     | 0.13 | 0.11 |
| including |     | 163.80 | 167.70 | 3.90  | 450     | 0.30 | 0.36 |
| NV05-139  | -70 | 26.00  | 43.84  | 17.84 | 1036.80 | 2.00 | 0.82 |
| including |     | 36.20  | 42.90  | 6.70  | 2373.20 | 4.98 | 0.43 |
| NV05-140  | -60 | 29.00  | 61.71  | 32.71 | 85      | 0.09 | 0.62 |
| including |     | 29.00  | 41.56  | 12.56 | 171     | 0.14 | 1.52 |
| NV05-141  | -60 | 8.00   | 34.45  | 26.45 | 148.52  | 0.07 | 0.72 |
| including |     | 19.15  | 24.13  | 4.98  | 410.85  | 0.13 | 1.31 |
| NV05-142  | -60 | 11.00  | 45.45  | 34.45 | 1220    | 1.04 | 1.64 |
| including |     | 23.00  | 43.22  | 20.22 | 1979    | 1.67 | 1.39 |
| NV05-157  | -60 | 14.10  | 63.88  | 49.78 | 53      | 0.06 | 1.20 |
| including |     | 14.10  | 37.56  | 23.46 | 70      | 0.03 | 2.48 |
| NV05-158  | -60 | 35.10  | 68.10  | 33.00 | 90      | 0.09 | 0.51 |
| including |     | 47.10  | 65.10  | 18.00 | 147     | 0.15 | 0.75 |
| NV05-159  | -60 | 14.10  | 92.94  | 78.84 | 52      | 0.06 | 0.34 |
| including |     | 14.10  | 50.92  | 36.82 | 65      | 0.05 | 0.51 |
| NV05-160  | -60 | 29.15  | 33.26  | 4.11  | 623     | 0.33 | 1.12 |
| NV05-161  | -60 | 3.05   | 21.16  | 18.11 | 44      | 0.05 | 0.44 |

Notes

1. All length weighted average (LWA) results are "uncut"

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CALCITE HILL DRILLING RESULTS

Thirty-six drill holes have been completed to date on Calcite Hill and have demonstrated the presence of a significant mineralized body. Mineralization encountered at Calcite Hill is predominantly hosted within trachyandesite volcanic rock and to a lesser degree within mudstone which overlies the volcanic rock. The volumetrically most important style of mineralization consists of calcite-barite veinlets and breccias with argentite-acanthite, native silver and lesser galena and chalcopyrite. In general, this style of mineralization contains high silver grades with minor amounts of lead and copper. In the upper portions of the host volcanic unit, and in the overlying mudstone, mineralization tends to be lead-rich and consists predominantly of medium-grained galena with moderate silver values. Mineralization at Calcite Hill has now been defined over a strike length of 500m and varies in horizontal width from approximately 50 to 150 metres and vertical thickness from 10 to 110

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metres. At the time of writing Phase III drilling is continuing to expand the size of known mineralization at Calcite Hill, the ultimate size and grade of the mineralized body is as yet unknown.

### Mineralized Intercepts from Calcite Hill Drilling

| DDH             | DIP | From<br>(metres) | To<br>(metres) | Composite<br>Length<br>(metres) | g/t<br>Silver<br>(LWA) | %<br>Copper<br>(LWA) | %<br>Lead<br>(LWA) |
|-----------------|-----|------------------|----------------|---------------------------------|------------------------|----------------------|--------------------|
| NV04-88         | -80 | 70.30            | 142.63         | 72.33                           | 202                    | 0.05                 | 3.45               |
| including       |     | 81.61            | 142.63         | 61.02                           | 226                    | 0.05                 | 2.87               |
| including       |     | 70.30            | 110.92         | 40.62                           | 89                     | 0.02                 | 5.95               |
| including       |     | 110.92           | 123.36         | 12.44                           | 672                    | 0.14                 | 0.50               |
| NV04-121        | -70 | None             |                |                                 |                        |                      |                    |
| NV04-122        | -70 | 152.27           | 199.83         | 40.78                           | 70                     | 0.08                 | 0.23               |
| including       |     | 179.61           | 199.83         | 20.22                           | 102                    | 0.13                 | 0.29               |
| NV04-123        | -70 | None             |                |                                 |                        |                      |                    |
| NV04-124        | -80 | 72.45            | 195.05         | 122.60                          | 195                    | 0.09                 | 0.74               |
| including       |     | 72.45            | 104.00         | 31.55                           | 476                    | 0.13                 | 2.46               |
| and             |     | 86.22            | 87.67          | 1.45                            | 5,761                  | 0.75                 | 4.05               |
| including       |     | 116.50           | 127.76         | 11.26                           | 308                    | 0.17                 | 0.13               |
| including       |     | 145.70           | 149.82         | 4.12                            | 129                    | 0.06                 | 0.12               |
| including       |     | 176.47           | 180.71         | 4.24                            | 500                    | 0.27                 | 0.63               |
| NV04-125        | -80 | None             |                |                                 |                        |                      |                    |
| NV04-126        | -50 | 87.40            | 283.50         | 196.10                          | 113                    | 0.05                 | 0.44               |
| including       |     | 87.40            | 187.66         | 100.26                          | 156                    | 0.05                 | 0.83               |
| including       |     | 120.72           | 187.66         | 66.94                           | 228                    | 0.07                 | 0.61               |
| ends in mineral |     | 270.17           | 283.50         | 13.33                           | 232                    | 0.06                 | -0.01              |
| NV05-134        | -70 | 71.10            | 106.01         | 34.91                           | 60                     | 0.05                 | 0.55               |
| including       |     | 90.11            | 106.01         | 15.90                           | 102                    | 0.09                 | 0.04               |
| NV05-135        | -70 | 54.43            | 84.87          | 30.44                           | 43                     | 0.06                 | 0.89               |
| including       |     | 54.43            | 65.27          | 10.84                           | 82                     | 0.12                 | 2.44               |
| and             |     | 110.57           | 110.81         | 0.24                            | 2,954                  | 0.28                 | -0.01              |
| and             |     | 222.39           | 224.88         | 2.49                            | 367                    | 0.11                 | 0.14               |
| NV05-136        | -70 | None             |                |                                 |                        |                      |                    |
| NV05-137        | -80 | 60.59            | 73.05          | 12.46                           | 13                     | 0.00                 | 1.45               |

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| DDH       | DIP | From<br>(metres) | To<br>(metres) | Composite<br>Length<br>(metres) | g/t<br>Silver<br>(LWA) | %<br>Copper<br>(LWA) | %<br>Lead<br>(LWA) |
|-----------|-----|------------------|----------------|---------------------------------|------------------------|----------------------|--------------------|
| NV05-138  | -56 | 87.74            | 211.00         | 123.26                          | 139                    | 0.09                 | 1.07               |
| including |     | 155.50           | 160.00         | 4.50                            | 654                    | 0.31                 | 0.42               |
| and       |     | 192.50           | 211.00         | 18.50                           | 387                    | 0.13                 | 0.15               |
| NV05-143  | -55 | 82.30            | 211.39         | 129.09                          | 125                    | 0.05                 | 0.16               |
| including |     | 82.30            | 88.04          | 5.74                            | 117                    | 0.07                 | 2.64               |
| and       |     | 116.30           | 126.56         | 10.26                           | 1257                   | 0.35                 | 0.18               |
| combined  |     | 82.30            | 128.86         | 46.56                           | 300                    | 0.10                 | 0.39               |
| and       |     | 190.31           | 200.45         | 10.14                           | 157                    | 0.14                 | 0.06               |
| NV05-144  | -65 | 69.27            | 82.62          | 13.35                           | 19                     | 0.00                 | 0.80               |
| NV05-145  | -65 | 68.54            | 76.60          | 8.06                            | 16                     | 0.00                 | 1.12               |
| NV05-146  | -60 | 55.50            | 83.39          | 27.89                           | 34                     | 0.06                 | 0.32               |
| including |     | 71.35            | 83.39          | 12.04                           | 59                     | 0.14                 | -0.01              |
| and       |     | 150.68           | 153.70         | 3.02                            | 297                    | 0.10                 | 0.41               |
| NV05-147  | -70 | 74.10            | 87.72          | 13.62                           | 37                     | 0.07                 | 0.06               |
| and       |     | 163.37           | 170.10         | 6.73                            | 43                     | 0.10                 | 0.07               |
| NV05-148  | -80 | 77.87            | 160.85         | 82.98                           | 209                    | 0.08                 | 1.23               |
| including |     | 115.81           | 120.40         | 4.59                            | 1197                   | 0.23                 | 1.16               |
| NV05-149  | -80 | 70.97            | 195.17         | 124.20                          | 135                    | 0.09                 | 0.29               |
| including |     | 90.66            | 131.30         | 40.64                           | 229                    | 0.09                 | 0.21               |
| NV05-150  | -80 | 70.17            | 75.53          | 5.36                            | 35                     | -0.01                | 0.75               |
| and       |     | 83.69            | 92.18          | 8.49                            | 38                     | 0.02                 | 1.81               |
| NV05-151  | -80 | 60.24            | 140.46         | 80.22                           | 246                    | 0.09                 | 0.78               |
| including |     | 77.10            | 140.46         | 63.36                           | 309                    | 0.12                 | 0.56               |
| including |     | 107.10           | 132.43         | 25.33                           | 476                    | 0.21                 | 0.17               |
| NV05-152  | -80 | 68.10            | 119.40         | 51.30                           | 89                     | 0.13                 | 0.31               |
| including |     | 76.04            | 81.96          | 5.92                            | 249                    | 0.57                 | 0.82               |
| and       |     | 117.22           | 119.40         | 2.18                            | 1218                   | 0.54                 | 0.02               |
| NV05-162  | -55 | 86.53            | 118.80         | 32.27                           | 176                    | 0.15                 | 0.13               |
| including |     | 112.67           | 118.80         | 6.13                            | 721                    | 0.35                 | 0.12               |
| NV05-163  | -70 | 64.80            | 80.33          | 15.53                           | 149                    | 0.08                 | 1.17               |
| NV05-164  | -70 | 75.10            | 95.76          | 20.66                           | 24                     | 0.14                 | 0.03               |
| and       |     | 139.97           | 143.75         | 3.78                            | 76                     | 0.25                 | 0.13               |
| NV05-165  | -70 | 45.49            | 96.05          | 50.56                           | 102                    | 0.21                 | 0.92               |
| including |     | 58.77            | 72.32          | 13.55                           | 240                    | 0.21                 | 0.71               |
| NV05-166  | -65 | 46.60            | 108.22         | 61.62                           | 44                     | 0.11                 | 0.18               |
| including |     | 46.60            | 59.10          | 12.50                           | 92                     | 0.14                 | 0.61               |

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|          |           |  |        |        |       |      |      |      |
|----------|-----------|--|--------|--------|-------|------|------|------|
|          | and       |  | 89.10  | 108.22 | 19.12 | 55   | 0.13 | 0.14 |
| NV05-167 | -60       |  | 83.94  | 113.55 | 29.61 | 236  | 0.06 | 5.38 |
|          | including |  | 83.94  | 88.80  | 4.86  | 1251 | 0.36 | 9.19 |
|          | and       |  | 99.66  | 113.55 | 13.89 | 60   | 0.01 | 7.87 |
| NV05-168 | -60       |  | 86.10  | 87.70  | 1.60  | 53   | 0.11 | 3.60 |
|          | and       |  | 113.10 | 164.10 | 51.00 | 168  | 0.26 | 0.04 |
|          | including |  | 128.95 | 142.32 | 13.37 | 333  | 0.58 | 0.01 |

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| DDH      | DIP       | From<br>(metres) | To<br>(metres) | Composite<br>Length<br>(metres) | g/t<br>Silver<br>(LWA) | %<br>Copper<br>(LWA) | %<br>Lead<br>(LWA) |
|----------|-----------|------------------|----------------|---------------------------------|------------------------|----------------------|--------------------|
| NV05-169 | -80       | 80.45            | 107.40         | 26.95                           | 48                     | 0.01                 | 0.89               |
| NV05-170 | -80       | 83.52            | 134.40         | 50.88                           | 124                    | 0.18                 | 1.93               |
|          | including | 83.52            | 110.21         | 26.69                           | 183                    | 0.19                 | 3.66               |
|          | and       | 117.76           | 134.40         | 16.64                           | 83                     | 0.24                 | 0.02               |
| NV05-171 | -70       | 89.65            | 133.52         | 43.87                           | 171                    | 0.16                 | 2.82               |
|          | including | 95.50            | 113.85         | 18.35                           | 220                    | 0.21                 | 5.11               |
| NV05-172 | -60       | 89.10            | 101.29         | 12.19                           | 67                     | 0.05                 | 1.07               |
| NV05-173 | -80       | 69.31            | 80.80          | 11.49                           | 127                    | 0.05                 | 0.96               |
|          | and       | 204.50           | 220.33         | 15.83                           | 50                     | 0.06                 | -0.01              |
| NV05-174 | -55       | 84.53            | 129.50         | 44.97                           | 35                     | 0.03                 | 1.41               |
|          | including | 111.50           | 129.50         | 18.00                           | 57                     | 0.07                 | 0.70               |

Notes

1. All length weighted average (LWA) results are "uncut"

OTHER AREAS DRILLING RESULTS

A number of drill holes have been completed in areas such as the Connector Zone, Barite Hill, Esperanza Zone and stratigraphic holes outside of named zones. Significant results from these holes and their locations are shown in the table below.

Mineralized Intercepts from Drilling Other Targets



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| DDH                  | LOCATION    | DIP | FROM<br>(METRES) | TO<br>(METRES) | COMPOSITE<br>LENGTH<br>(METRES) | G/T<br>SILVER<br>(LWA) |
|----------------------|-------------|-----|------------------|----------------|---------------------------------|------------------------|
| NV04-27<br>and       | recce       | -45 | 7.00<br>66.90    | 7.73<br>68.10  | 0.73<br>1.20                    | 61<br>377              |
| NV04-32              | Connector   | -45 | 46.50            | 96.05          | 49.55                           | 78                     |
| NV04-33              | Connector   | -80 | None             |                |                                 |                        |
| NV04-34              | Connector   | -45 | 10.50            | 29.20          | 18.70                           | 75                     |
| NV04-35              | recce       | -80 | None             |                |                                 |                        |
| NV04-39              | Connector   | -80 | None             |                |                                 |                        |
| NV04-40<br>including | Connector   | -45 | 43.20<br>67.20   | 91.20<br>88.20 | 48.00<br>21.00                  | 108<br>160             |
| NV04-58              | Barite Hill | -80 | 12.80            | 41.00          | 28.20                           | 37                     |
| NV04-59              | Barite Hill | -80 | 148.70           | 152.40         | 3.70                            | 23                     |
| NV04-60              | Barite Hill | -80 | None             |                |                                 |                        |
| NV04-61              | Esperanza   | -45 | 52.50            | 55.50          | 3.00                            | 353                    |
| NV04-62              | Esperanza   | -45 | 7.20             | 9.90           | 2.70                            | 831                    |

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| DDH   | LOCATION  | DIP | FROM<br>(METRES)                          | TO<br>(METRES)                               | COMPOSITE<br>LENGTH<br>(METRES)        | G/T<br>SILVER<br>(LWA)        |
|---|-----------|-----|---|--|--|-------------------------------|
| NV04-63<br>including<br>including<br>and<br>including | Esperanza | -45 | 31.60<br>31.60<br>33.55<br>42.80<br>66.50 | 77.40<br>38.95<br>37.50<br>77.40<br>70.50    | 45.80<br>7.35<br>3.95<br>34.60<br>4.00 | 94<br>162<br>246<br>89<br>185 |
| NV04-64<br>and<br>including<br>including<br>and       | Esperanza | -45 | 6.00<br>69.20<br>69.20<br>96.65<br>140.10 | 28.30<br>102.10<br>70.60<br>102.10<br>144.00 | 22.30<br>32.90<br>1.40<br>5.45<br>3.90 | 25<br>47<br>101<br>153<br>47  |

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|           |                |     |        |        |       |      |
|-----------|----------------|-----|--------|--------|-------|------|
| NV04-66   | Connector      | -45 | None   |        |       |      |
| NV04-67   | Connector      | -45 | 50.84  | 63.70  | 12.86 | 145  |
| NV04-68   | Connector      | -45 | 52.20  | 81.75  | 29.55 | 98   |
| NV04-74   | Barite Hill    | -80 | 29.00  | 37.16  | 8.16  | 29   |
| NV04-75   | Barite Hill    | -80 | 53.93  | 55.52  | 1.59  | 63   |
| NV04-76   | Barite Hill    | -80 | 10.10  | 32.20  | 22.10 | 34   |
| and       |                |     | 100.50 | 122.20 | 21.70 | 88   |
| including |                |     | 106.10 | 114.47 | 8.37  | 191  |
| NV04-77   | recce          | -45 | None   |        |       |      |
| NV04-79   | Esperanza      | -45 | 34.72  | 47.28  | 12.56 | 513  |
| NV04-80   | Esperanza      | -45 | 4.50   | 8.05   | 3.55  | 258  |
| NV04-81   | Esperanza      | -45 | 58.20  | 62.48  | 4.28  | 41   |
| and       |                |     | 86.87  | 99.76  | 12.89 | 23   |
| NV04-82   | Esperanza      | -45 | 6.00   | 58.55  | 52.55 | 57   |
| including |                |     | 34.50  | 58.55  | 24.05 | 95   |
| and       |                |     | 102.15 | 109.30 | 7.15  | 149  |
| NV04-86   | Connector      | -45 | 34.63  | 101.18 | 66.55 | 46   |
| including |                |     | 47.80  | 49.02  | 1.22  | 104  |
| NV04-87   | Connector      | -45 | 22.40  | 24.06  | 1.66  | 129  |
| and       |                |     | 52.02  | 52.80  | 0.78  | 654  |
| and       |                |     | 66.25  | 76.50  | 10.25 | 25   |
| NV04-91   | Barite Hill    | -45 | 3.00   | 16.50  | 13.50 | 12   |
| and       |                |     | 123.50 | 153.95 | 30.45 | 13   |
| NV04-92   | Barite Hill    | -65 | None   |        |       |      |
| NV04-93   | recce          | -80 | 93.68  | 94.81  | 1.13  | 42   |
| and       |                |     | 137.93 | 147.00 | 9.07  | 11   |
| NV04-94   | Connector      | -45 | 103.32 | 116.39 | 13.07 | 43   |
| NV04-95   | Connector      | -60 | 49.08  | 64.80  | 15.72 | 55   |
| NV04-96   | Connector      | -45 | None   |        |       |      |
| NV04-105  | Connector      | -60 | 33.43  | 46.70  | 13.27 | 545  |
| NV04-106  | Connector Zone | -60 | 45.80  | 70.70  | 24.90 | 147  |
| including |                |     | 65.56  | 67.70  | 2.14  | 1196 |

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| DDH                                | LOCATION       | DIP | FROM<br>(METRES)            | TO<br>(METRES)          | COMPOSITE<br>LENGTH<br>(METRES) | G/T<br>SILVER<br>(LWA) | C |  |
|------------------------------------|----------------|-----|-----------------------------|-------------------------|---------------------------------|------------------------|---|--|
| NV04-107<br>including              | Connector      | -45 | 52.90<br>71.60              | 99.56<br>97.10          | 46.66<br>25.50                  | 334<br>548             |   |  |
| NV04-108<br>including              | Connector      | -45 | 31.50<br>54.07              | 70.50<br>70.50          | 39.00<br>16.43                  | 485<br>1028            |   |  |
| NV04-127                           | Connector Zone | -60 | 97.08                       | 111.39                  | 14.31                           | 56                     |   |  |
| NV04-128                           | Connector      | -60 | 54.60                       | 80.09                   | 25.49                           | 58                     |   |  |
| NV04-129                           | Connector      | -60 | none - did not reach target |                         |                                 |                        |   |  |
| NV04-130<br>and                    | Connector Zone | -62 | 38.56<br>66.33              | 41.04<br>78.46          | 2.48<br>12.13                   | 111<br>33              |   |  |
| NV04-131<br>including<br>including | Connector      | -60 | 10.33<br>60.57<br>79.22     | 91.45<br>67.80<br>91.45 | 81.12<br>7.23<br>12.23          | 61<br>152<br>126       |   |  |
| NV05-153<br>including<br>and       | Connector Zone | -45 | 0<br>0<br>37.48             | 88.80<br>7.36<br>88.80  | 88.80<br>7.36<br>51.32          | 107<br>226<br>124      |   |  |
| NV04-154                           | Connector Zone | -45 | 3.05                        | 31.80                   | 28.75                           | 148                    |   |  |
| NV05-155                           | Connector Zone | -45 | 0                           | 9.10                    | 9.10                            | 105                    |   |  |
| NV05-156<br>including<br>and       | Connector Zone | -60 | 8.73<br>8.73<br>29.1        | 75.99<br>13.80<br>75.99 | 67.26<br>5.07<br>46.89          | 63<br>53<br>83         |   |  |

Notes

1. All length weighted average (LWA) results are "uncut".

ESTIMATED RESOURCES

Two resource estimations have been completed on deposits at the Navidad Project. The first was released on May 25, 2004 and estimated an Indicated Resource of 63.6 million tonnes at 101 g/t silver and 1.76% lead at the Galena Hill deposit. The second estimate was publicly released on December 1, 2004 and increased the project total Indicated Resources to 80.8 million tonnes at 103 g/t silver and 1.45% lead by including the Navidad Hill and Connector zones. Both resource estimations were completed by Snowden Mining Industry Consultants, 43-101 compliant reports documenting these estimates have been filed with the appropriate regulatory bodies and are publicly available on the SEDAR website.

Navidad Project Indicated Resources using a 50g/t silver equivalent cut-off:

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| INDICATED RESOURCES<br>(50g/t silver<br>equivalent cut-off) | TONNES<br>(MILLIONS) | SILVER<br>(G/T) | LEAD<br>(%) | COPPER<br>(%) | ZINC<br>(%) | CONTAINED<br>SILVER<br>(M OZS) | CON<br>L<br>(1,00 |
|---|----------------------|-----------------|-------------|---------------|-------------|--------------------------------|-------------------|
| NAVIDAD HILL  |                      |                 |             |               |             |                                |                   |
| Indicated   | 15.17                | 115             | 0.35        | 0.12          | 0.09        | 56.1                           |                   |
| Inferred  | 3.37                 | 97              | 0.74        | 0.09          | 0.16        | 10.5                           |                   |

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| INDICATED RESOURCES<br>(50g/t silver<br>equivalent cut-off) | TONNES<br>(MILLIONS) | SILVER<br>(G/T) | LEAD<br>(%) | COPPER<br>(%) | ZINC<br>(%) | CONTAINED<br>SILVER<br>(M OZS) | CON<br>L<br>(1,00 |
|---|----------------------|-----------------|-------------|---------------|-------------|--------------------------------|-------------------|
| CONNECTOR ZONE  |                      |                 |             |               |             |                                |                   |
| Indicated   | 2.05                 | 74              | 0.27        | 0.03          | 0.09        | 4.9                            |                   |
| Inferred  | 6.50                 | 100             | 0.2         | 0.04          | 0.1         | 20.9                           |                   |
| GALENA HILL   |                      |                 |             |               |             |                                |                   |
| Indicated   | 63.58                | 101             | 1.76        | 0.03          | 0.24        | 207.4                          |                   |
| Inferred  | 5.79                 | 43              | 0.56        | 0.01          | 0.08        | 8.0                            |                   |
| NAVIDAD PROJECT TOTAL                                       |                      |                 |             |               |             |                                |                   |
| Indicated   | 80.80                | 103             | 1.45        | 0.05          | 0.21        | 267.5                          |                   |
| Inferred  | 15.66                | 78              | 0.45        | 0.04          | 0.11        | 39.3                           |                   |

Note: Silver equivalent was calculated using US\$5.50/oz silver, \$0.30/lb lead, \$1.10/lb copper, and \$0.40/lb zinc. (AgEq = Ag + (%Pb\*10,000/242.5) + (%Cu\*10,000/66.1) + (%Zn\*10,000/181.9).

PLANNED FUTURE WORK

Phase III drilling is currently planned to encompass an additional 10,000m which will be completed in June or July, 2005. The primary focus of this drilling will be continuing to delineate mineralization at Calcite Hill, however there are also drill holes planned at Galena Hill and 'stratigraphic' or 'recce' holes planned elsewhere on the property.

A resource estimate on the portions of Calcite Hill that have been drilled to date is planned for May and June, 2005. Any resources determined at Calcite Hill will be additional to those described above from the Galena Hill, Navidad Hill, and Connector zones.

Additional surface prospecting, mapping, geochemical sampling, and geophysics may be carried out as deemed appropriate by the Company's Exploration Team.

Navidad Area Properties (Other than the Navidad Project)

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The following properties are 100% owned by the Company unless stated otherwise.

### TAQUETREN PROPERTY

The Taquetren claim (File Number: 14015/03; 10,000 hectares) is located directly east of the Rio Chubut, approximately 70 kilometres to the southwest of Navidad. The area is mapped as being underlain by Jurassic Canadon Asphalto and Lonco Trapial Formation volcanic and sedimentary rocks similar to those that host the Navidad discovery. Very preliminary prospecting and stream sediment sampling has shown anomalous values of antimony; no source has yet been located for this anomaly. Regional mapping and terrain analysis shows an important northwest trending structure to bisect the Taquetren property; this orientation is similar to structures that control mineralization at the Navidad Project.

### REGALO PROPERTY

The Regalo property is located 25 kilometres north-northwest of Cerro Condor and 90 kilometres south-southwest of the Navidad project. The Regalo claim (File Number: 14016/03; 10,000 hectares) covers ground mapped as prospective Jurassic Canadon Asphalto and Lonco Trapial Formation rocks and includes several regionally-important northwest trending structures. Preliminary stream-sediment sampling has returned highly anomalous gold values. Gold values from nine stream sediment samples, along 6 kilometres of one drainage (and adjoining tributaries), range in value from 0.134 to 0.831 ppm. The Company has entered into an option agreement dated August 12, 2003 with Consolidated Pacific Bay Minerals Ltd. ("Consolidated Pacific Bay") whereby Consolidated Pacific Bay can acquire up to a 70% interest in the Regalo mineral claim through the issuance of 900,000 shares of Consolidated Pacific Bay to the Company, and work expenditures totalling US\$625,000 over three years. Consolidated Pacific Bay must issue all 900,000 shares (which have been issued, with a deemed value of \$180,000) and

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expend US\$50,000 on the property by August 12, 2004, in order to earn a 51% interest in the claims. A further 19% interest in the claims can be earned by Pacific Bay if it completes a feasibility study and finances the property to production. A second cateo (Regalo II) has been staked to the north of the primary Regalo claim, adding another 10,000 hectares to the property subject to the Company's agreement with Consolidated Pacific Bay. On May 16, 2005, Consolidated Pacific Bay will liberate 4,000 hectares. These 4,000 hectares have already been covered by the Company through a recent manifestation.

### NOEL PROPERTY

The Noel claim (File Number: 14036/03; 9,406 hectares) is adjacent to the Regalo and Trucha claims and also contains a significant, multi-sample, gold-in-stream sediment anomaly. Government maps show the claim to be underlain primarily by Canadon Asphalto Formation sedimentary and volcanic rocks, with overlying Cretaceous sandstone along the eastern side of the claim. Five stream sediment samples taken from two drainages over approximately 5 kilometres range in value from 0.114 to 1.570 ppm gold. The apparent source area for these extremely anomalous values is has not been prospected to date and is considered a high-priority target for follow-up work.

### TRUCHA PROPERTY

The Trucha claim (File Number: 14014/03; 9,915 hectares) is contiguous with the

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Regalo and Noel claims and also includes a stream sediment sample highly anomalous in gold (single sample, 0.556 ppm Au). Regional mapping shows the claim to be underlain by prospective Jurassic Canadon Asphalto and Lonco Trapial Formation rocks, cut by several regional-scale structures. In conjunction with evaluation of the Noel claims, the Trucha claim requires detailed prospecting to identify the source of gold producing the high stream-sediment values.

### MARA PROPERTY

The Mara claim (File Number: 14018/03; 9,945 hectares) is located approximately 95 kilometres to the south-southwest of Navidad. Regional mapping shows the property to be underlain by Jurassic Canadon Asphalto and Lonco Trapial Formation rocks, which unconformably overly granitic basement rocks. Several mapped and interpreted northwest-trending structures are present on the property and are considered to be prospective for both Navidad-style mineralization and traditional low-sulphidation gold veins. No fieldwork has been carried out to date on the property.

### CONDOR AND ALAMO PROPERTIES

The Condor claim (File Number: 14017/03; 6,000 hectares) and Alamo claim (file number: 14032/03; 10,000 hectares) are located directly south of the Regalo/Noel/Trucha claims and were staked based on prospective stratigraphy, structure and the presence of known barite occurrences. The known barite together with Navidad-age stratigraphy and similar structure makes these claims highly prospective for Navidad-style mineralization. No fieldwork has been completed on these claims to date; management believes a first-pass evaluation is warranted. 4,000 hectares were liberated last year.

### NINA AND CARLOTA PROPERTIES

The Nina claim (file number: 14018/03; 10,000 hectares) and Carlota claim (file number: 14034/03; 10,000 hectares) are located 40 kilometres southeast of Paso De Indios and were staked based on the presence of prospective Canadon Asphalto stratigraphy and regional northwest trending structures. No fieldwork has been completed to date on these claims; management believes a first-pass evaluation is warranted. Both cateos will be liberating 4,000 hectares each on May 16, 2005 as required by Argentinian Mining laws.

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### PAMPA 3 PROPERTY

The Pampa 3 claim (File Number: 14004/03; 2,500 hectares) is located adjacent to the Navidad Project, along trend and immediately to the southeast. Although predominantly covered with recent alluvium, it is interpreted to be underlain by the Canadon Asphalto Formation limestone and volcanoclastic rocks which host mineralization at Navidad. Work to date has been minimal with only two stream-sediment samples collected, both of which drain areas peripheral to the claim. In January, 2005, the Company liberated 250 hectares under this cateo. These 250 hectares were subsequently recovered by a manifestation covering the whole cateo; file #14446/04.

### COLONIA PROPERTY

The Colonia claim (File Number: 14005/03; 6,000 hectares) covers a large area of highly prospective ground directly along strike from the Navidad discovery. Most

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of the 10,000 hectare claim is underlain by prospective Canadon Asphalto Formation rocks. Preliminary stream-sediment sampling has defined highly anomalous values of antimony, an important "pathfinder" element at the Navidad discovery. Minor prospecting (four rock samples collected) has not yet unveiled the source of these stream-sediment values, management believes significant additional work is warranted. The Company liberated 4,000 hectares in this cateo last year.

### JULIE PROPERTY

The Julie claim (File Number: 14035/03; 5,675 hectares) is approximately 30 kilometres southease of the Navidad project and lies at the regional contact between granitic rocks that underlie the prospective Jurassic stratigraphy, and Jurassic volcanic rocks. Several important LandSat-interpreted structures are present on this claim; regional structure has been shown to be of critical importance at the Navidad discovery. Preliminary stream-sediment sampling shows anomalous values of copper and antimony, although management believes it is strongly warranted, no significant follow-up work has been done.

### SIERRA 1 PROPERTY

The Sierra 1 claim (File Number: 14006/03; 9,996 hectares) covers a large area of prospective Canadon Asphalto Formation rocks and the underlying volcanic rocks and a portion of the granitic basement. It is located immediately to the east of the Julie Property. Significant areas of LandSat-interpreted alteration are present in the northeastern portion of the claim, the imagery shows patterns very similar to those seen in the area of the Navidad discovery. Preliminary stream-sediment sampling has shown anomalous copper values, these results have yet to be followed up on.

### SIERRA 2 PROPERTY

The Sierra 2 claim (File Number: 14007/03; 10,000 hectares) covers an area of complex geology in the hinge zone of a regional-scale anticline and is located immediately south of the Sierra 1 property in the Navidad area. Mapped rock units include the Canadon Asphalto Formation and overlying Cretaceous sandstone. Essentially no work has been done in the central portions of this claim as the local land owners could not be contacted to gain permission for entry onto their land.

Mina Yanquetreu is a small abandoned barite mine in the central portions of the claim. This occurrence is highly encouraging as both strataform (exhalative) and vein-controlled barite is intimately associated with the Navidad system. Management believes this area is considered highly prospective and warrants a significant early-stage exploration program.

### SIERRA 3 PROPERTY

The Sierra 3 claim (File Number: 14008/03; 9,999 hectares) covers the southwestern portions of mapped Canadon Asphalto Formation rocks in the Navidad area. Also present on the claim are Jurassic volcanic rocks and underlying granitic basement. Major LandSat-interpreted structures are present as are possible zones of alteration. Preliminary stream-sediment sampling has returned strongly anomalous copper values. No follow-up prospecting or rock sampling has been undertaken to date. Management believes the Sierra 3 claim is considered highly prospective and warrants considerable follow-up work. In October 2004, 4,000 hectares were liberated. These 4,000 hectares were subsequently recovered through a manifestation; file #14369/04 "Sierra".

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### PRINCIPAL OFFICE

The Company's principal office is located at #709 - 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6. The Company leases a portion of its office space from Bearegard Holdings Corp. ("Bearegard"). See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions".

On September 1, 2002 the Company started to share office facilities, capital assets and personnel with Amera. During the fiscal year ended December 31, 2003, the Company received \$35,110 (2002 - \$6,000) from Amera. On July 7, 2004 Golden Arrow began sharing the office facilities, capital assets and personnel. During the fiscal year ended December 31, 2004, the Company received \$66,390 from Amera and \$57,000 from Golden Arrow. See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

### Other Assets

### MARKETABLE SECURITIES

The Company has entered into option and sale agreements on certain of its non-core mineral property holdings in which the Company received common shares of publicly-traded companies as partial consideration. As at December 31, 2004 the Company held 300,000 shares of Tinka Resources and 900,000 shares of Consolidated Pacific Bay with a quoted market value of \$270,000. As at December 31, 2003 the Company held 600,000 shares of Amera Resources Corporation with a quoted market value of \$546,000 and 500,000 shares of Ballad Gold & Silver Ltd. with a quoted market value of \$325,000 which were transferred to Golden Arrow.

### ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS.

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The following discussion of the results of operations of the Company for the fiscal years ended December 31, 2004, 2003 and 2002 should be read in conjunction with the consolidated financial statements of the Company and related notes included therein.

#### Critical Accounting Policies

Reference should be made to significant accounting policies contained in Note 3 of the December 31, 2004 consolidated financial statements of the Company attached hereto. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

#### USE OF ESTIMATES

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

#### MINERAL PROPERTIES AND DEFERRED COSTS



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

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

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

The Company's consolidated financial statements are in Canadian dollars (CDN\$) and are prepared in accordance with Canadian GAAP, the application of which, in the case of the Company, conforms in all material respects for the periods presented with U.S. GAAP except for the measurement differences referred to in Note 11 of the consolidated financial statements of the Company included herein. The noon rate of exchange on May 5, 2005, reported by the United States Federal Reserve Bank of New York for the conversion of Canadian dollars into United States dollars was CDN\$.8033 (US\$1.2448 = CDN\$1.00). The effects of inflation and price changes have not had a material impact on the Company's income or net sales revenues during the past three years.

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

### Overview

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

The Company's accounting policy under Canadian GAAP is to defer all direct costs related to the acquisition, exploration and development of mineral properties held or controlled by the Company on an individual property basis until viability of a property is determined. Under US GAAP, the costs would be expensed. General exploration costs are expensed as incurred. When a property is placed in commercial production, such deferred costs are depleted using the

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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 or its carrying value has been impaired, a write down to fair value is taken for any expected loss on the project or property. At December 31, 2004, the Company had capitalized \$6,551,598 (2003 -\$1,469,026, 2002 -\$148,618) on its Argentine properties.

During the year ended December 31, 2002, the Company completed the following four private placements:

- i) 637,000 units at a price of \$0.38 for cash proceeds of \$222,695, net of share issue costs of \$19,365. Each unit consisted of one common share of the Company and one warrant. Two warrants entitled the holder to purchase an additional common share for the exercise price of \$0.45 on or before March 31, 2003. In addition, agents warrants were issued to purchase 63,700 common shares at a price of \$0.45 on or before March 31, 2003.
- ii) 1,777,778 units at a price of \$0.45 per unit for cash proceeds of \$686,132, net of share issue costs of \$118,868. Each unit consisted of one common share of the Company and one warrant. Two warrants entitled the holder to purchase an additional common share at a price of \$0.54 per share on or before April 9, 2003. In addition, the Company issued 11,111 shares to the agents, at a price of \$0.45 per share. The agents also received agents warrants to purchase 355,556 common shares at a price of \$0.54 per share on or before April 9, 2003.
- iii) 1,722,222 units at a price of \$0.45 per unit, for cash proceeds of \$751,000, net of share issue costs of \$24,000. Each unit consisted of one common share of the Company and one warrant. Each warrant entitled the holder to purchase an additional common share of the Company at a price of \$0.53 per share on or before May 23, 2003 and \$0.60 per share on or before May 23, 2004. The agents also received agents warrants to purchase 66,666 common shares at a price of \$0.53 per share on or before May 23, 2003. Certain directors have purchased 191,111 units.
- iv) 1,554,915 units at a price of \$0.47 for cash proceeds of \$698,987, net of share issue costs of \$31,823. Each unit consisted of one common share of the Company and one warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.55 per share on or before September 27, 2003 and \$0.60 on or before September 27, 2004. The agents also received agents warrants to purchase 37,496 common shares at a price of \$0.50 per share on or before September 27, 2003. Certain directors have purchased 325,000 units total benefit was \$9,700.

During the year ended December 31, 2003, the Company completed a brokered private placement for 2,900,000 units at a price of \$0.90 per unit, for cash

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proceeds of \$2,421,150, net of share issue costs of \$188,850 which closed in April 2003. Each unit consisted of one common share and one-half non-transferable common share purchase warrant. One whole warrant entitles the holder to purchase one common share for the exercise price of \$1.10 per share on or before April 28, 2004. In addition, options and warrants were exercised which resulted in cash proceeds of \$3,931,624 to the Company during the year.

During the year ended December 31, 2004, the Company completed a brokered private placement of 1,500,000 units at \$3.10 per unit, for proceeds of \$4,307,500 net of costs of \$411,237. Each unit consisted of one common share and one half common share purchase warrant. Each full warrant entitled the holder to purchase one additional common share for one year at \$3.70 per share. Underwriters were paid a commission of 6% cash and 200,000 compensation options. The compensation options were exercisable at a price of \$3.25 per compensation option, for a period of twelve months, into one share and one half warrant with the warrants having the same terms as described above. The underwriters' compensation options were exercisable for a period of twelve months. This financing closed February 23, 2004. From January 1, 2005 to May 5, 2005 the aggregate amount the Company received from the exercise of warrants and options was \$4,215,145.

During the year ended December 31, 2002, the Company issued 2,085,361 common shares on the exercise of warrants and agents warrants for \$837,512. During the year ended December 31, 2003, the Company issued 5,074,996 common shares on the exercise of warrants and agents warrants for \$3,035,765. As of December 31, 2003, the Company had reserved 6,042,448 common shares for issuance upon the exercise of outstanding warrants. As of December 31, 2004, the Company had reserved 1,422,017 common shares for issuance upon the exercise of outstanding warrants. As at May 5, 2005, there are no warrants outstanding.

Cash on hand at May 5, 2005 was approximately \$5,500,000. During the nine month period from March 31, 2005 to December 31, 2005, the Company plans to expend \$2,000,000 on the continuation of the Phase III drilling program at the Navidad project.

### Results of Operations

The following discussion of the results of operations of the Company for the fiscal years ended December 31, 2004, 2003 and 2002 should be read in conjunction with the consolidated financial statements of the Company attached hereto and related notes included therein.

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

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

The Company's prior period financial statements have been reclassified to reflect the reorganization in accordance with Canadian GAAP. The net assets transferred to Golden Arrow are described as "Spin-Off Assets Transferred" and the allocated expenses are described as "Loss Allocated to Spin-Off Assets" in the consolidated financial statements. This reclassification did not change previously reported total losses. The allocation of certain expenses was

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calculated on the basis of the ratio of the specific assets transferred to assets retained. The following discussion of the 2004 expenses compared to the 2003 expenses is based on expenses as originally reported.

The Company's 2004 operating expenses were \$4,312,616 an increase of \$1,148,400 from the \$3,164,216 originally reported for 2003. \$661,175 of the 2003 operating expense has been reclassified as "Loss Allocated to Spin-Off Assets" which relate to the assets transferred to Golden Arrow. In 2004 \$131,232 was allocated to the Loss from Spin-Off Assets compared to \$969,175 in 2003. The allocation was calculated on the basis of the ratio of the specific assets transferred to assets retained. Certain "Other Income and Expense" items have been allocated to spin-off assets on the basis of the nature of the income or expense. In 2004 expenses increased as a result of increased activity at the Navidad project and the support required at the corporate office.

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

In 2004 the Company recorded a gain of \$328,346 on the optioning of certain properties to other mining exploration companies (plus \$433,960 of gains relating to the Spin-Off Assets) compared to \$481,779 in total in 2003. In 2004 a write-down of \$99,762 (2003 - \$nil) for the carrying value of marketable securities was recognized. Reorganization costs of \$346,103 were recorded in 2004. An expense of \$195,285 for foreign exchange was recorded in 2004 compared to \$25,916 in 2003. The foreign exchange adjustment is as a result of the continued strength of the Canadian dollar compared to the US dollar in which the majority of the inter-company transactions are denominated; when the inter-company accounts are eliminated the difference is charged to foreign exchange. Interest and other income was \$101,589 in 2004, an increase of \$35,028 from 2003, primarily as a result of an increase of funds on deposit.

On March 5, 2004 Minera Aquiline Argentina SA, a subsidiary of Aquiline Resources Inc. commenced an action against the Company seeking damages and a constructive trust over the Navidad Area Properties. See "Item 8. Financial Information - Legal Proceedings." The Company believes the Aquiline legal action is without merit and continues to vigorously defend itself. A Statement of Defence has been filed. The trial has been set for October 11, 2005 in Vancouver, British Columbia. As of the date of this annual report the outcome is not determinable.

### YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

The Company reported a consolidated loss of \$3,418,418 (\$0.11 per share) in 2003, an increase of \$1,978,312 from the loss of \$1,440,106 (\$0.06 per share) in 2002. The loss from continuing operations, \$2,503,041, increased \$1,963,906 primarily as a result of the cost for Stock Based Compensation which increased \$1,457,729 in 2003 compared to 2002. Loss allocated to Spin-off assets was little changed in 2003 (\$969,175) compared to 2002 (\$954,775).

In early 2003 the Company focused its efforts on its Navidad Project in Chubut Province located in southern Argentina. The preliminary results of its initial

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exploration efforts were very encouraging. Phase I of a drilling program commenced in November 2003 and continued into March 2004. A second phase is scheduled to commence in May 2004. Management believes that the Navidad Project is worthy of its primary interest and accordingly has focused the majority of its available resources on this project and expects to continue to do so.

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The Company's 2003 operating expenses were \$2,503,041, an increase of \$1,993,061 from 2002. A significant portion of the increase for 2003 is attributed to the Company's application of the fair value method of accounting for stock options granted to its employees and directors. As permitted, the Company has elected prospective application, effective January 1, 2003. Previously options granted to the Company's directors and employees were only disclosed on a pro forma basis in the notes to the Company's consolidated financial statements. During 2003 the Company recorded a non-cash compensation expense of \$1,487,235 relating to stock options granted to the Company's employees, directors and consultants. In 2002, the Company recorded an expense of \$29,506 for stock options granted to its consultants. Much of the balance of the increase in the operating expenses can be attributed to the Navidad Project program: (1) Administrative and Management Services increased \$68,365 (2) Corporate development and investor relations increased \$116,325; (3) General exploration increased \$46,638; (4) Travel increased \$33,659. The increase of \$159,117 in professional fees is primarily due to legal costs incurred in connection with the Aquiline legal action.

Interest and other income was \$66,561 in 2003, an increase of \$39,976 from 2002, primarily as a result of an increase of funds on deposit.

In 2003 the Company received cash proceeds of \$6,467,245 from the sale of common shares less costs of \$188,850. The Company's total assets increased from \$7,432,489 at December 31, 2002 to \$13,419,876 at December 31, 2003. The Company's cash position at December 31, 2003 was \$4,422,334 an increase of \$2,986,210 from December 31, 2002.

On May 3, 2004 the Company announced a proposed corporate reorganization. The effect of the reorganization will be to transfer the Transferred Assets to Golden Arrow. The Company will retain the Navidad Properties and will be responsible for the Company's accounts payable. The Company's shareholders will receive Golden Arrow common shares which will result in an identical percentage ownership by the Company's shareholders before and after the reorganization. See "Item 4. Information on the Company - History and Development of the Company."

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

The Company reported a consolidated loss of \$1,440,106 (\$0.06 per share) in 2002, an increase of \$558,231 from the loss of \$881,875 (\$0.06 per share) in 2001. The loss from continuing operations, \$485,331, increased \$302,600 compared to 2001 (\$182,731). Loss allocated to Spin-off assets increased \$255,631 in 2003 (\$954,775) compared to 2002 (\$699,144).

As a result of adopting the new section of the Canadian Institute of Chartered Accountants' Handbook Section 3870 effective January 1, 2002 the Company has recognized compensation expense of \$29,506 for stock options granted to consultants which is included in the increased operating expenditures.

There were increases in to the following expenses of continuing operations: (1)

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General exploration - \$70,446 as a result of an aggressive examination of grassroots properties mainly in the Patagonia region; (2) Corporate development - \$41,066 which relates to the ongoing North America and European market awareness program; (3) Stock based compensation - \$29,506 for stock options granted to consultants, as required by the CICA Handbook Section 3870 effective January 1, 2002.

Interest and miscellaneous income reported for 2002 was \$26,585 a decrease of \$70,695 from \$97,280 reported in 2001 as a result of lower interest rates paid on funds on deposit.

The Company's total assets increased from \$5,487,374 at December 31, 2001 to \$7,432,489 at December 31, 2002. The increase is attributed to the equity financing conducted by the Company through four private placements and exercise of warrants and stock options issuing 7,958,387 common shares for proceeds of \$3,458,382 before deducting share issue costs of \$194,056.

### Liquidity and Capital Resources

The Company's cash position at December 31, 2004 was \$5,227,354, an increase of \$805,020 from December 31, 2003. Total assets decreased from \$13,419,876 at December 31, 2003 to \$12,221,856 at December 31, 2004. This decrease resulted from the transfer of net assets of \$7,364,878 to Golden Arrow on the

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reorganization of the Company offset by the increases in cash balance and Navidad carrying value. During the year ended December 31, 2004 the Company completed a brokered private placement of 1,500,000 units at \$3.10 per unit, for proceeds of \$4,238,763, net of \$339,000 agent's commission and \$72,237 of related issue costs. See "Item 5. Operating and Financial Review and Prospects - Overview."

The Company has capitalized expenditures of approximately \$2,050,000 for the period ending May 5, 2005 on the Navidad Project.

As at May 5, 2005 the Company had working capital of approximately \$5,500,000.

The Company considers that it has adequate resources to maintain its ongoing operations but currently does not have sufficient working capital to fund all of its planned exploration work and property commitments. An extension of the Phase III budget for the Navidad Project has been approved in the amount of \$2,000,000. The Company will continue to rely on successfully completing additional equity financing and/or conducting joint venture arrangements to further exploration on its properties. There can be no assurance that the Company will be successful in obtaining the required financing or negotiating joint venture agreements. The failure to obtain such financing or joint venture agreements could result in the loss of or substantial dilution of its interest in its properties.

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

During the period from January 1, 2005 through December 31, 2005, it is anticipated that the Company will have obligations totaling \$720,000 for monthly

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payments to the Grosso Group.

The Company does not know of any trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the exploration programs or the acquisition of projects.

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

### Off-Balance Sheet Arrangements

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

### Tabular Disclosure of Contractual Obligations

|   | Payments Due by Period |                     |           |         |
|---|------------------------|---------------------|-----------|---------|
|   | Total                  | Less than 1<br>Year | 1-3 Years | 3-5 Yea |
|   |                        |                     |           |         |
| Contractual Obligations   | \$Nil                  | \$Nil               | \$Nil     | \$      |
| Long-term Debt Obligations  | \$Nil                  | \$Nil               | \$Nil     | \$      |
| Capital (Finance) Lease Obligations   | \$Nil                  | \$Nil               | \$Nil     | \$      |
| Operating Lease Obligations   | \$Nil                  | \$Nil               | \$Nil     | \$      |
| Purchase Obligations  | \$Nil                  | \$Nil               | \$Nil     | \$      |
| Other Long-Term Liabilities Reflected in<br>the Company's Balance Sheet under the<br>GAAP of the Primary Financial Statements | \$Nil                  | \$Nil               | \$Nil     | \$      |
| Total   | \$Nil                  | \$Nil               | \$Nil     | \$      |
|   | \$Nil                  | \$Nil               | \$Nil     | \$      |

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### ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.

#### Directors and Senior Management

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

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| NAME, AGE AND POSITION(1)   | PRINCIPAL OCCUPATION DURING PAST<br>FIVE YEARS  | PERIOD OF<br>DIRECT  |
|---|---|--|
| <p>GERALD G. CARLSON<br/>Chairman and Director<br/>Age 59</p>                       | <p>President and Director of Copper Ridge Exploration Inc., a public British Columbia mineral exploration company from March 2002 to present. President of Nevada Star Resources Corp, from March 5, 2002 to present. President and CEO of LaTeko Resources Ltd. from December 1996 to February 2002.</p> | <p>Chairman since F<br/>Director since F</p>                                       |
| <p>JOSEPH GROSSO<br/>President, Chief Executive Officer and Director<br/>Age 67</p> | <p>Director and officer of the Company since February 1990. President of Oxbow International Marketing Corp., a private British Columbia company.</p>   | <p>President since<br/>Chief Executive<br/>February 1990.<br/>Director since F</p> |
| <p>ARTHUR LANG<br/>Chief Financial Officer,<br/>and Director<br/>Age 61</p>         | <p>Chief Financial Officer of the Company since April 2, 2004. Consultant providing financial management services to various clients from 1999 to April 2004 through Arthur G Lang Inc., a private British Columbia company.</p>  | <p>Chief Financial<br/>2, 2004.<br/>Vice-President s<br/>Director since A</p>      |
| <p>NIKOLAOS CACOS<br/>Corporate Secretary<br/>Age 38</p>                            | <p>Corporate Secretary since 1998. President, CEO and director of Amera Resources Corporation, a private British Columbia company, since April 2000. Director and Corporate Secretary of Golden Arrow Resources Corporation.</p>  | <p>Secretary since</p>   |
| <p>SEAN HURD<br/>Vice President, Investor Relations<br/>Age 38</p>                  | <p>Investor relations manager for the Company from June 2002 to present. Investor relations for Senate Capital from February 1996 to May 2002.</p>  | <p>Vice President,<br/>since March 2005</p>  |
| <p>ROBERT STUART (TOOKIE) ANGUS<br/>Director<br/>Age 56</p>                         | <p>Director of the Company from May 2003 to present. Managing Director, Mergers and Acquisitions, Endeavour Financial Ltd., November 2003 to present. Partner in law firm, Fasken Martineau DuMoulin LLP from February 2001 to October 2003. Partner in law firm, Stikeman Elliott from 1998 to 2001.</p> | <p>Director since M</p>  |



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| NAME, AGE AND POSITION(1)   | PRINCIPAL OCCUPATION DURING PAST FIVE YEARS   | PERIOD OF DIRECT        |
|---|---|-------------------------|
| <p>CHET IDZISZEK<br/>Director<br/>Age 57</p>  | <p>Director of the Company from May 2003 to present. President, CEO and director of Madison Enterprises Corp. from 1993 to present. President, CEO and director of Adrian Resources Ltd. from June 1990 to present.</p>   | <p>Director since M</p> |
| <p>DAVID TERRY<br/>Director<br/>Age 40</p>  | <p>Director of the Company from May 2004 to present. Vice President for the Company since June 2004 to present. Vice President, Exploration for Amera Resources Corporation from March 2004 to present. Regional geologist with the British Columbia Ministry of Energy and Mines in Cranbrook, British Columbia from May 2001 to March 2004. Project Geologist with Boldien Limited prior to May 2001.</p> | <p>Director since M</p> |
| <p>DAVID HORTON<br/>Director<br/>Age 69</p>   | <p>Senior Vice-President of Canaccord Capital Corporation from 1996 to present.</p>   | <p>Director since J</p> |
| <p>JUAN CARLOS BERRETTA<br/>Vice President, South American Corporate Development<br/>Age 64</p> | <p>Vice President, South American Corporate Development. Property Manager for the Company since 1994.</p>   | <p>Officer since Ap</p> |
| <p>AUGUSTO BAERTL<br/>Director (Of subsidiary)<br/>Age 62</p>                                   | <p>President of Cia. Minera Antamina from 1997 to 2001 and Executive Chairman from 2001 to 2002. Chief Executive Officer of Gestora de Negocios e Inversiones S.A. from August 2003 to present.</p>   | <p>Director since M</p> |

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

There are no family relationships between any directors or executive officers of the Company. With the exception of the agreement with Endeavour Financial Ltd. relating to Mr. Angus' appointment to the board of directors, to the best of the Company's knowledge, there are no known arrangements or understandings with any major shareholders, customers, suppliers or others, pursuant to which any of the Company's officers or directors was selected as an officer or director of the Company. See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

CONFLICTS OF INTEREST

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

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

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

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

| NAME OF DIRECTOR | NAME OF COMPANY | POSITION |
|------------------|-----------------|----------|
|------------------|-----------------|----------|

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|                              |  |  |
|------------------------------|--|--|
| Gerald G. Carlson            | Copper Ridge Explorations<br>Nevada Star Resources Corp.<br>Dentonia Resources Ltd.<br>Fairfield Minerals Ltd.<br>Orphan Bay Resources Inc.  | President & Director<br>President & Director<br>Director<br>Director<br>Director   |
| -----                        |  |  |
| Nikolaos Cacos               | Amera Resources Corporation<br>Golden Arrow Resources Corporation  | President & Director<br>Director & Secretary   |
| -----                        |  |  |
| Arthur Lang                  | Golden Arrow Resources Corporation<br>Amera Resources Corporation  | Director & CFO<br>CFO  |
| -----                        |  |  |
| Joseph Grosso                | Amera Resources Corporation<br>Golden Arrow Resources Corporation  | Chairman & Director<br>Chairman, President<br>CEO & Director   |
| -----                        |  |  |
| Sean Hurd                    | Golden Arrow Resources Corporation   | Director<br>Vice-Pres, Investor<br>Relations   |
| -----                        |  |  |
| Robert Stuart (Tookie) Angus | CMQ Resources Inc.<br>MCK Mining Corp.<br>Nevsun Resources Ltd.<br>Canico Resource Corp.<br>Plutonic Capital Inc.<br>First Quantum Minerals Ltd.<br>Blackstone Ventures Inc.<br>Adrian Resources Ltd.<br>Dynasty Gold Corp.<br>Bema Gold Corporation | Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director<br>Secretary & Director<br>Director                     |
| -----                        |  |  |
| Chet Idziszek                | Adrian Resources Ltd.<br><br>Madison Enterprises Corp.<br><br>Lund Gold Ltd.<br><br>Oromin Explorations Ltd.<br>The Havana Group Inc.  | Chairman, CEO,<br>President & Director<br>Chairman, CEO,<br>President & Director<br>CEO, President &<br>Director<br>President & Director<br>Director |

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| NAME OF DIRECTOR | NAME OF COMPANY | POSITION |
|------------------|-----------------|----------|
|------------------|-----------------|----------|

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|              |   |   |
|--------------|---|---|
| David Terry  | Amera Resources Corporation<br>Golden Arrow Resources Corporation | Vice-Pres Explorati<br>Director, Vice-Pres<br>Exploration |
| David Horton | Golden Arrow Resources Corporation                                | Director  |

Compensation

During the fiscal year ended December 31, 2004, the directors and officers of the Company, as a group, had received or charged the Company a total of \$476,226 (2003 - \$330,600; 2002 - \$136,276) for services rendered by the directors and officers or companies owned by the individuals.

The Company is required, under applicable securities legislation in Canada, to disclose to its shareholders details of compensation paid to its directors and officers. The following fairly reflects all material information regarding compensation paid by the Company to its directors and officers, which information has been disclosed to the Company's shareholders in accordance with applicable Canadian law.

EXECUTIVE COMPENSATION

"Named Executive Officers" means the Chief Executive Officer of the Company, regardless of the amount of compensation of that individual, and each of the Company's four most highly compensated executive officers, other than the Chief Executive Officer, who were serving as executive officers at the end of the most recent fiscal year and whose total salary and bonus amounted to \$100,000 or more. In addition, disclosure is also required for any individual whose total salary and bonus during the most recent fiscal year was at least \$100,000, whether or not they were an executive officer at the end of the most recent fiscal year.

During the year ended December 31, 2004, the Company had one Named Executive Officer: Joseph Grosso, President and Chief Executive Officer (the "Named Executive Officer"). The following table sets forth all annual and long-term compensation awarded, paid to or earned by the Company's Named Executive Officers during the financial years ended December 31, 2002, 2003 and 2004.

Summary Compensation Table

| NAME AND<br>PRINCIPAL POSITION | YEAR(1) | ANNUAL COMPENSATION |               |  | LONG TERM COMPENSATION                                  |   |
|--------------------------------|---------|---------------------|---------------|--|---|---|
|                                |         | SALARY<br>(\$)      | BONUS<br>(\$) | OTHER<br>ANNUAL<br>COMPEN-<br>SATION<br>(\$) | AWARDS  |   |
|                                |         |                     |               |  | SECURITIES<br>UNDER OPTIONS/<br>SARS GRANTED<br>(#) (2) | RESTRICTED<br>SHARES OR<br>RESTRICTED<br>SHARE UNITS<br>(#) |
| Joseph Grosso                  | 2004    | 102,000             | Nil           | Nil  | 150,000   | Nil   |

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|                   |      |         |       |       |         |       |
|-------------------|------|---------|-------|-------|---------|-------|
| President and CEO | 2003 | 102,000 | Nil   | Nil   | 200,000 | Nil   |
|                   | 2002 | 102,000 | Nil   | Nil   | 500,000 | Nil   |
| -----             | ---- | -----   | ----- | ----- | -----   | ----- |

(1) Fiscal years ended December 31, 2004, 2003 and 2002.

(2) See "Options and Stock Appreciation Rights".

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### LONG TERM INCENTIVE PLAN AWARDS

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

### OPTIONS AND STOCK APPRECIATION RIGHTS

Stock Appreciation Rights ("SAR's") means a right, granted by an issuer or any of its subsidiaries as compensation for services rendered or in connection with office or employment, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of the shares of the Company. No SAR's were granted to or exercised by the Named Executive Officers or directors during the most recently completed fiscal year.

### OPTION GRANTS

The following table sets forth stock options granted by the Company during the financial year ended December 31, 2004 to the Named Executive Officers of the Company:

| Name          | Securities Under<br>Options Granted<br>(#) | % of Total Options<br>Granted in<br>Financial Year(1) | Exercise or<br>Base Price(2)<br>(\$/Security) | Market Value<br>of Securities<br>Underlying Options<br>on Date of Grant<br>(\$/Security) |
|---------------|--|---|---|--|
| Joseph Grosso | 150,000                                    | 10.47%  | \$3.10  | \$2.85   |

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

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

### AGGREGATED OPTION EXERCISES AND OPTION VALUES

The following table sets forth details of all exercises of stock options by the Named Executive Officers during the most recently completed fiscal year and the

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fiscal year-end value of unexercised options on an aggregated basis:

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

- (1) All options are exercisable to acquire the Company's Common Shares.  
 (2) Value of unexercised in-the-money options calculated using the closing price of the Company's Common Shares on the TSX-V on December 31, 2004, \$4.02, less the exercise price per share of in-the-money stock options.

### PENSION PLAN

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

### TERMINATION OF EMPLOYMENT, CHANGES IN RESPONSIBILITY AND EMPLOYMENT CONTRACTS

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

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### COMPENSATION OF DIRECTORS

There are no arrangements under which directors were compensated by the Company during the most recently completed financial year ended December 31, 2004 for their services in their capacity as directors.

During the last completed financial year ending December 31, 2004, the Company paid a total of \$374,226 to its directors who are not Named Executive Officers, as a group, for salaries and professional services rendered. See also "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

### Option Grants

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

% of Total

Market Value

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| Name                                      | Securities<br>Under Options<br>Granted(1)<br>(#) | Options Granted<br>in<br>Financial Year(2) | Exercise or<br>Base Price(3)<br>(\$/Security) | of Securities<br>Underlying Options<br>on Date of Grant<br>(\$/Security) |
|---|--|--|---|--|
| Directors as a group<br>who are not Named |  |  |   |  |
| Executive Officers                        | 550,000  | 37%  | \$3.10  | \$2.85   |

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

### Aggregated Option Exercises and Option Values

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

| Name   | Securities<br>Acquired on<br>Exercise(1)<br>(#) | Aggregate Value<br>Realized<br>(\$) | Unexercised Options<br>at Fiscal Year-End<br>Exercisable/Unexercisable<br>(#) | Va<br>In-<br>F<br>Exer |
|--|---|-------------------------------------|---|------------------------|
| Directors, as a<br>group, who are not<br>Named Executive<br>Officers | Nil   | Nil                                 | 550,000/N/A   |                        |

- (1) All options are exercisable to acquire the Company Common Shares.
- (2) Value of unexercised in-the-money options calculated using the closing price of the Company's Common Shares on the TSX-V on December 31, 2004, \$4.02, less the exercise price per share of in-the-money stock options.

### PROPOSED COMPENSATION

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

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### MANAGEMENT CONTRACTS

GROSSO GROUP MANAGEMENT LTD.

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Effective January 1, 2005, the Company engaged the Grosso Group Management Ltd. to provide services and facilities to the Company. As of the date of this Annual Report, a formal agreement among the Company and the Grosso Group has not been finalized. Until such time as the formal agreement has been finalized, the Company and the Grosso Group intend to work under the terms of the proposed Administration Services Agreement by and among the Company and the Grosso Group, which is discussed below. It is anticipated that the formal agreement will have an effective date of January 1, 2005.

The Grosso Group is a private company which will be owned by the Company, Golden Arrow, Amera and Gold Point Exploration Ltd., each of which will own one share. Pursuant to the terms of the proposed Administration Services Agreement, the Grosso Group will provide its shareholder companies with geological, corporate development, administrative, and management services on a non-exclusive and on an "as needed" and "as available" basis. The administration services for each shareholder company shall include bookkeeping, accounting and services in connection with quarterly filings, material change reports and other disclosure filings on SEDAR.

The Grosso Group will provide each shareholder company with:

1. the use of the Grosso Group's offices;
2. receptionist personnel;
3. office equipment; and
4. services of administration, accounting, purchasing, secretarial and like support staff on an "as needed" and "as available" basis.

Shareholder companies may appoint the Grosso Group to manage their work programs. In such event, the Grosso Group will generally retain suppliers and contracts in connection with each shareholder company's approved work programs and will separately invoice such shareholder company for the third-party costs and such invoice will include a handling charge as a percentage of the third-party costs, such charge to be in accordance with industry standards and reviewed for reasonableness from time to time, and which would be negotiated at the time of such work program.

Each shareholder company will pay the Grosso Group a monthly fee for the Grosso Group's services. The Grosso Group intends to allocate the costs of the staff and related general and administrative expenses to its shareholder companies on a full recovery basis. The fee will be based upon a pro-rationing of the Grosso Group's costs, including its executive staff and other overhead, among each of the shareholder companies, with regard to the expected average annual level of services provided to each shareholder company. The staff of the Grosso Group will record their daily activities in connection with each shareholder company and they will retain a log for invoicing purposes. The fee is to be reviewed from time to time and the basis may be changed by the Grosso Group in the event the Grosso Group's costs change or the shareholder companies' use of the services is in excess of historical experience or in the event a greater or lesser number of shareholder companies are using the Grosso Group's services. Each shareholder company has prepaid one month's initial estimated allocation of the Grosso Group's fully recoverable costs, which for the Company amounted to \$60,000 (which as of the date of this Annual Report is the estimated initial monthly allocation for the Company).

The Grosso Group has the right to request each of the shareholder companies to allocate a reasonable number of shares in their incentive option plans to employees of the Grosso Group based upon the general amount of time and value added by such employees.

It is anticipated that the Administration Services Agreement may be terminated by a shareholder company after January 1, 2007, upon 30 days' written notice to



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the Grosso Group. Prior to January 1, 2007, if a shareholder company desires to terminate the agreement in the first year, it will pay a termination fee equal to one-year's basic administration charge and if a shareholder company desires to terminate the agreement in the second year, it will pay a termination fee equal to six-months' basic administration charge.

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

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

The members of the board of directors of the Grosso Group are appointed by the shareholder companies, with each shareholder company appointing one of its directors to serve as a director of the Grosso Group. As of May 5, 2005 it is anticipated that the directors of the Grosso Group will be Nikolaos Cacos, Joseph Grosso, Arthur Lang and Nick DeMare. Messrs. Lang and Grosso are officers and directors of the Company. Mr. Lang is an officer and director of Golden Arrow and an officer of Amera. Mr. Grosso is an officer and director of Golden Arrow and of Amera. Nikolaos Cacos is an officer of IMA, a director and officer of Golden Arrow and a director and officer of Amera. Nick DeMare is an officer and director of Gold Point Exploration Ltd. Mr. DeMare indirectly owns 100% of Chase Management Ltd., a company which provides consulting services to the Company and other Grosso Group shareholder companies.

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

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

The Board of Directors of the Company will approve the formal agreement once completed.

JOSEPH GROSSO

By agreement, made effective as of July 1, 1999, Oxbow International Marketing Corp., a private company owned by Joseph Grosso, is paid a consulting fee of

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\$8,500 per month for making available the services of Joseph Grosso as President and Chief Executive Officer of the Company. During the fiscal year ended December 31, 2004, Oxbow was paid \$102,000.

Pursuant to the terms of the agreement, in the event the agreement is terminated by the Company as a result of Mr. Grosso's death or permanent disability or by Mr. Grosso as a result of a material breach or default by the Company, Oxbow is entitled to: (i) any monthly compensation due to the date of termination, (ii) options as determined by the board of directors, (iii) an additional \$6,500 per month of compensation, payable from July 1, 1999 through the date of termination, (iv) twelve months of Mr. Grosso's monthly compensation (which may be adjusted annually), and (v) a bonus payment of \$78,000.

In the event the agreement is terminated by the Company without cause or as a result of a change of control, Oxbow is entitled to (i) any monthly compensation due to the date of termination, (ii) options as determined by the board of directors, (iii) an additional \$6,500 per month of compensation, payable from July 1, 1999 through the date of termination, (iv) three years of Mr. Grosso's monthly compensation (which may be adjusted annually), and (v) a bonus payment of \$234,000.

### NIKOLAOS CACOS

By agreement dated January 1, 1996, as amended December 10, 1996 and August 22, 2001, Nikolaos Cacos, an officer and director of the Company, was paid \$5,500 per month for professional services rendered. Mr. Cacos received a retainer of \$4,500 per month until December 1, 2001. Thereafter, the rate was increased by \$1,000. On January 5, 2004 this contract was amended to reduce the fee paid to \$1,375 per month. During the fiscal year ended December 31, 2004, Mr. Cacos was paid \$17,600 (2003 - \$66,000; 2002 - \$66,000). Mr. Cacos resigned as a director of the Company in October 2004. On January 1, 2005 Mr. Cacos's contract with the Company was cancelled and replaced with a contract with the Grosso Group.

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### SEAN HURD

By agreement dated June 11, 2001, as extended, Sean Hurd, a former director of the Company, was paid \$4,000 per month for professional services rendered. During the fiscal year ended December 31, 2004, Mr. Hurd was paid \$73,800 (2003 - \$48,000; 2002 - \$52,050). Mr. Hurd resigned as a director in October 2004. In January 2005, Mr. Hurd became an employee of the Grosso Group.

### GERALD CARLSON

By agreement dated February 15, 2001, between the Company and KGE Management Ltd., a private company owned by Gerald Carlson, Chairman of the Company, Mr. Carlson was paid a consulting fee of \$36,000 per year, plus \$550 per day if services are rendered for more than five days per month, through KGE Management Ltd. The agreement expired January 14, 2001 and was renewed until June 18, 2003. By mutual agreement on October 3, 2002, the fee was changed to \$2,000 per month plus \$550 per day if services were rendered for more than four days per month. During the fiscal year ended December 31, 2004, the Company paid \$34,749 to KGE Management Ltd. (2003 - \$41,400; 2002 - \$33,000). On April 1, 2004 a new agreement was executed providing 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. Mr. Carlson is required to provide a minimum of eight days of service per month. This agreement expired March 31, 2005 and has been renewed for six months with

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the same terms.

In the event of a change of management of the Company as a result of a takeover of the Company, Mr. Carlson is entitled to be paid two times the monthly retainer for the remaining months outstanding under the agreement.

### ARTHUR LANG

By agreement dated April 23, 2004, Arthur Lang, the Chief Financial Officer and a director of the Company, is paid a salary of \$80,000 per year for professional services rendered. Mr. Lang is also reimbursed for certain monthly club dues. During the fiscal year ended December 31, 2004, Mr. Lang was paid \$58,671. Mr. Lang became an employee of the Grosso Group in January 2005.

### DAVID TERRY

Mr. Terry, an officer and a director of the Company, had a consulting agreement with Amera dated February 16, 2004, amended June 1, 2004, which called for monthly payments of \$10,000. The Company had agreed to reimburse Amera for 50% of these fees. In the fiscal year ended December 31, 2004 the Company paid \$43,000 as a result of this arrangement. On January 1, 2005 Mr. Terry's agreement with Amera was replaced by a similar agreement with the Grosso Group.

### 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.

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### 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

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compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### Board Practices

#### REMUNERATION 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 board of directors appoints a Remuneration Committee as is needed.

#### AUDIT COMMITTEE

The Company's Audit Committee must be comprised of at least three directors, the majority of whom are not employees, control persons or members of the management of the Company or any of its associates or affiliates. As of the date of this report, Messrs. Horton, Angus, Idziszek and Lang 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 as an Exhibit.

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### Employees

As of December 31, 2004, the Company had nine full-time employees and three part-time employees in the area of management and administration compared with

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nine full-time employees and two part-time employees in the areas of management and administration at December 31, 2003 compared to eight full-time employees and two part-time employees in the area of management and administration at December 31, 2002. Exploration activities are conducted by consultants, laborers and technicians hired for the duration of the exploration program.

### Share Ownership

As of May 5, 2005, the Company had 45,479,724 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 May 5, 2005.

| TITLE OF CLASS | NAME  | SHARES AND RIGHTS<br>BENEFICIALLY OWNED OR<br>CONTROLLED (1) | PERCENTAGE |
|----------------|---|--|------------|
| Common Stock   | Joseph Grosso                                     | 1,765,175  | (2)        |
| Common Stock   | Nikolaos Cacos                                    | 243,151  | (3)        |
| Common Stock   | Sean Hurd   | 285,000  | (4)        |
| Common Stock   | Gerald Carlson                                    | 402,500  | (5)        |
| Common Stock   | David Terry                                       | 132,000  | (6)        |
| Common Stock   | Chet Idziszek                                     | 420,900  | (7)        |
| Common Stock   | Robert Stuart (Tookie) Angus                      | 220,000  | (8)        |
| Common Stock   | Arthur Lang                                       | 125,000  | (9)        |
| Common Stock   | Augusto Baertl                                    | 150,000  | (10)       |
| Common Stock   | Juan Carlos Berretta                              | 100,000  | (11)       |
| Common Stock   | David Horton                                      | 130,000  | (12)       |
| Common Stock   | Officers and Directors (as a group,<br>11persons) | 3,973,726  | (13)       |

(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 45,479,724 shares of common stock outstanding as of May 5, 2005.

(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) 1,021,113,460,13 shares held by Mr. Grosso;
- (b) 7,500 shares held by Beauregard (50%);
- (c) 27,564 shares held by Mr. Grosso's wife (50%);
- (d) 348,448 shares held by Oxbow (50%);
- (e) 9,612 shares held by Threadco (50%); and
- (f) 547,500 Options held by Mr. Grosso to acquire 547,500 shares.

See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."

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- (3) Includes 13,151 shares held by Mr. Cacos and 230,000 options held by Mr. Cacos to acquire an additional 230,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."

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- (4) Includes 285,000 options held by Mr. Hurd to acquire an additional 285,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (5) Includes 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 355,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (6) Includes 2,000 shares held by Mr. Terry and options held by Mr. Terry to acquire an additional 130,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (7) Includes 175,900 shares held by Mr. Idziszek and options held by Mr. Idziszek to acquire an additional 245,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (8) Includes options held by Mr. Angus to acquire 220,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (9) Includes options held by Mr. Lang to acquire 125,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (10) Includes options held by Mr. Baertl to acquire 150,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (11) Includes options held by Mr. Berretta to acquire 100,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (12) Includes options held by Mr. Horton to acquire 130,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (13) Includes the shares, options, and warrants set forth in footnotes 2 through 14 above. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."

### Options, Warrants and Other Rights to Acquire Securities

As of May 5, 2005, 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 4,456,000 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 meeting of shareholders of the Company held on June 24, 2004, shareholders approved by ordinary resolution to make a total of 10% of the issued and outstanding shares of IMA available for issuance

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thereunder. The purpose of the Stock Option Plan is to provide incentive to the Company's employees, officers, directors, and consultants responsible for the continued success of the Company. The following is a summary of the Stock Option Plan.

### ADMINISTRATION OF THE STOCK OPTION PLAN

The Stock Option Plan provides that it will be administered by the Company's board of directors (the "Board"), or by a stock option committee (the "Committee") of the Company's Board consisting of not less than 2 of its members. The Stock Option Plan is currently administered by the Board.

### 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.

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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 share 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 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

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

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

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

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

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

As of May 5, 2005, the Company has 4,456,000 non-transferable incentive stock options to purchase common shares outstanding to the following persons:

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| OPTIONEE       | NATURE<br>OF OPTION(1) | NUMBER<br>OF SHARES | EXERCISE<br>PRICE | EXPIRATION<br>DATE |
|----------------|------------------------|---------------------|-------------------|--------------------|
| Nikolas Cacos  | Officer                | 70,000              | \$1.87            | Aug. 27/08         |
|                |                        | 110,000             | \$3.10            | Mar. 24/09         |
|                |                        | 50,000              | \$4.16            | Mar. 16/10         |
| Joseph Grosso  | Director               | 47,500              | \$0.50            | Sept. 23/07        |
|                |                        | 200,000             | \$1.87            | Aug. 27/08         |
|                |                        | 150,000             | \$3.10            | Mar. 24/09         |
|                |                        | 150,000             | \$4.16            | Mar. 16/10         |
| Sean Hurd      | Officer                | 100,000             | \$1.87            | Aug. 27/08         |
|                |                        | 130,000             | \$3.10            | Mar. 24/09         |
|                |                        | 60,000              | \$4.16            | Mar. 16/10         |
| Gerald Carlson | Director               | 200,000             | \$0.40            | Jul. 19/06         |



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|                                 |            |  |         |        |             |
|---------------------------------|------------|--|---------|--------|-------------|
|                                 |            |  | 50,000  | \$1.87 | Aug. 27/08  |
|                                 |            |  | 85,000  | \$3.10 | Mar. 24/09  |
|                                 |            |  | 20,000  | \$4.16 | Mar. 16/10  |
| Nick DeMare                     | Consultant |  | 25,000  | \$0.84 | Mar. 07/08  |
|                                 |            |  | 50,000  | \$1.87 | Aug. 27/08  |
|                                 |            |  | 50,000  | \$3.10 | Mar. 24/09  |
|                                 |            |  | 30,000  | \$4.16 | Mar. 16/10  |
| Evelyn Grosso(2)                | Consultant |  | 67,500  | \$0.50 | Sept. 23/07 |
|                                 |            |  | 75,000  | \$3.10 | Mar. 24/09  |
| A. Sanchez                      | Consultant |  | 5,000   | \$0.40 | Jul. 19/06  |
|                                 |            |  | 15,000  | \$0.84 | Mar. 07/08  |
| Keith Patterson                 | Consultant |  | 50,000  | \$0.84 | Mar. 07/08  |
|                                 |            |  | 25,000  | \$3.10 | Mar. 24/09  |
| David Terry                     | Director   |  | 50,000  | \$3.10 | Mar. 24/09  |
|                                 |            |  | 80,000  | \$4.16 | Mar. 16/10  |
| Chet Idziszek                   | Director   |  | 150,000 | \$0.90 | May 30/08   |
|                                 |            |  | 75,000  | \$3.10 | Mar. 24/09  |
|                                 |            |  | 20,000  | \$4.16 | Mar. 16/10  |
| J. C. Berretta                  | Officer    |  | 25,000  | \$3.10 | Mar. 24/09  |
|                                 |            |  | 75,000  | \$4.16 | Mar. 16/10  |
| William Lee(3)                  | Consultant |  | 75,000  | \$1.87 | Aug. 27/08  |
|                                 |            |  | 30,000  | \$3.10 | Mar. 24/09  |
| Robert Stuart (Tookie)<br>Angus | Director   |  | 150,000 | \$0.90 | May 30/08   |
|                                 |            |  | 40,000  | \$3.10 | Mar. 24/09  |
|                                 |            |  | 30,000  | \$4.16 | Mar. 16/10  |
| Diane Reeves                    | Consultant |  | 60,000  | \$3.10 | Mar. 24/09  |
|                                 |            |  | 30,000  | \$4.16 | Mar. 16/10  |

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| OPTIONEE         | NATURE<br>OF OPTION(1) | NUMBER<br>OF SHARES | EXERCISE<br>PRICE | EXPIRATION<br>DATE |
|------------------|------------------------|---------------------|-------------------|--------------------|
| Jeanne Denee     | Consultant             | 10,000              | \$3.10            | Mar. 24/09         |
|                  |                        | 5,000               | \$4.16            | Mar. 16/10         |
| Claudia Sandoval | Consultant             | 10,000              | \$3.10            | Mar. 24/09         |
|                  |                        | 15,000              | \$4.16            | Mar. 16/10         |

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|                    |  |                   |                  |                          |
|--------------------|--|-------------------|------------------|--------------------------|
| Carlos D'Amico     | Officer (of subsidiary-exempted from reporting)  | 220,000<br>75,000 | \$1.87<br>\$3.10 | Aug. 27/08<br>Mar. 24/09 |
| Carlos Timossi     | Consultant                                       | 75,000            | \$3.10           | Mar. 24/09               |
| Steve Phillips     | Consultant                                       | 300,000<br>50,000 | \$1.87<br>\$3.10 | Aug. 27/08<br>Mar. 24/09 |
| Joanne Faccin      | Consultant                                       | 10,000            | \$3.10           | Mar. 24/09               |
| Marianna De Simone | Director (of subsidiary-exempted from reporting) | 59,500<br>80,000  | \$0.50<br>\$3.10 | May 02/07<br>Mar. 24/09  |
| I. Chiarantano     | Director (of subsidiary-exempted from reporting) | 59,500            | \$0.50           | May 02/07                |
| David J. Horton    | Director   | 100,000<br>30,000 | \$3.10<br>\$4.16 | Mar. 24/09<br>Mar. 16/10 |
| Arthur Lang        | Director   | 50,000<br>75,000  | \$3.10<br>\$4.16 | Mar. 24/09<br>Mar. 16/10 |
| Gordon James       | Consultant                                       | 7,000             | \$3.10           | Mar. 24/09               |
| R. Aragon          | Director (of subsidiary-exempted from reporting) | 50,000            | \$1.87           | Aug. 27/08               |
| A. Colucci         | Consultant                                       | 120,000           | \$1.87           | Aug. 27/08               |
| L. Salley          | Consultant                                       | 15,000            | \$1.87           | Aug. 27/08               |
| P. Hedblom         | Consultant                                       | 30,000            | \$1.87           | Aug. 27/08               |
| J. Wong            | Consultant                                       | 25,000            | \$1.87           | Aug. 27/08               |
| Larry Roth         | Consultant                                       | 50,000            | \$4.20           | Dec. 1/09                |
| Darren Tindale     | Consultant                                       | 5,000             | \$4.16           | Mar. 16/10               |
| Florian Riedl      | Consultant                                       | 30,000            | \$4.16           | Mar. 16/10               |
| Augusto Beartl     | Director   | 150,000           | \$4.16           | Mar. 16/10               |
| Ian Thomson        | Consultant                                       | 10,000            | \$4.16           | Mar. 16/10               |
| Mar Bergstrom      | Consultant                                       | 25,000            | \$4.16           | Mar. 16/10               |

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| OPTIONEE  | NATURE<br>OF OPTION(1) | NUMBER<br>OF SHARES | EXERCISE<br>PRICE | EXPIRATION<br>DATE |
|---|------------------------|---------------------|-------------------|--------------------|
| Robert Robertson  | Consultant             | 10,000              | \$4.16            | Mar. 16/10         |
| TOTAL   |                        | 4,456,000<br>=====  |                   |                    |
| Officers and directors,<br>as a group (11<br>persons) (4) |                        | 2,522,500<br>=====  |                   |                    |

- (1) Pursuant to the rules of the TSX-V, the Company has issued stock options to employees, directors, officers and consultants.
- (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 office 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.

Warrants and Other Commitments

As of May 5, 2005, there were no non-transferable common share purchase warrants exercisable.

As of May 5, 2005, the Company's officers and directors, as a group, including entities controlled or under significant influence of officers and directors of the Company, did not hold any warrants to purchase the Company's common shares.

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

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.

Principal Holders of Voting Securities

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

CHANGES IN OWNERSHIP BY MAJOR SHAREHOLDERS

In August 1999, Barrick Gold Corporation ("Barrick") acquired, through a private placement, 1.5 million units at a price of \$1.00 per unit. Each unit consists of one common share in the capital stock of the Company and one non-transferable share purchase warrant, entitling Barrick to purchase an additional common share for a period of one year at a price of \$1.50 per share. On April 19, 2000,

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Barrick exercised warrants at \$1.50 to purchase an additional 350,000 shares of the Company. On August 16, 2000, Barrick exercised its remaining warrants to buy 1,150,000 common shares of the Company. As of April 30, 2003 Barrick owned 3,000,000 common shares of the Company (9.22%). To the best of the Company's knowledge, subsequent to April 30, 2003, Barrick sold common shares of the Company and is no longer a major shareholder.

On April 28, 2003, Prudent Bear Funds, Inc. advised the Company that it had acquired control and direction, through Prudent Bear Fund, a mutual fund controlled by it, over 818,500 of the Company's common shares. This resulted in Prudent Bear Funds, Inc. having ownership of and control over a total of 3,209,637 common shares together with warrants to purchase an additional 754,137 common shares. As of April 30, 2003, if such warrants were exercised Prudent Bear Funds, Inc. would have control and direction of 3,963,774 common shares of the Company (12.18%). To the best of the Company's knowledge, as of December 31, 2004, Prudent Bear Funds Inc. had control and direction of 492,960 common shares of the Company (1.12%).

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On April 30, 2005, Sprott Asset Management Inc. advised the Company it had acquired control and direction over 3,743,732 of the Company's common shares (8.23% based on 45,479,724 outstanding shares at April 30, 2005).

### SHARES HELD IN THE UNITED STATES

As of May 5, 2005, there were approximately 70 registered holders of the Company's shares in the United States, with combined holdings of 5,865,259 shares (12.90% of the 45,479,724 outstanding shares at May 5, 2005).

### CHANGE OF CONTROL

As of May 5, 2005, 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, 2003 through May 5, 2005, 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 shared office facilities, capital assets and personnel with Amera. Joseph Grosso, Nikolaos Cacos, Arthur Lang and David Terry, officers and/or directors of the Company, are officers, directors

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and/or employees of Amera. During the fiscal year ended December 31, 2004 the Company received \$66,390 (2003 - \$35,110; 2002 - \$6,000).

2. The Company leases a portion of its office space from Beauregard, a private company owned by Mr. Grosso's wife, Mrs. Evelina Grosso. The Company commenced occupation of the office premises in January 1999. The term of the lease was for three years and had been extended for another two years. On January 1, 2004 the Company and Beauregard executed a lease for a term of three years with an option to renew for a further two years with minimum annual lease payments of \$52,200, plus operating costs. In addition, the Company is responsible for all leasehold improvements. During the fiscal year ended December 31, 2004, the Company incurred \$33,822 for leasehold improvements conducted on the office premises. The Company made no leasehold improvement expenditures in 2003. During the fiscal year ended December 31, 2004, the Company paid rent in the amount of \$74,870 (2003 - \$60,924; 2002 - \$60,924). On March 1, 2005 the Company and Beauregard executed a lease for additional premises for a term of one year and ten months with an option to renew for a further two years with minimum annual lease payments of \$38,100, plus operating costs. The Company expects that it will sublease the premises to the Grosso Group. - See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Office".
3. The Company has executed an agreement with Oxbow, pursuant to which Mr. Grosso, an officer and director of the Company, provides services to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts". During the fiscal year ended December 31, 2004, Oxbow was paid \$102,000 (2003 - \$102,000; 2002 - \$102,000).

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4. The Company has entered into an agreement with Nikolaos Cacos, an officer and former director of the Company, pursuant to which Mr. Cacos provides services to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts." During the fiscal year ended December 31, 2004, Mr. Cacos was paid \$17,600 (2003 - \$66,000; 2002 - \$66,000). Effective January 1, 2005 Mr. Cacos' contract with the Company was replaced by a new agreement between the Grosso Group and Mr. Cacos.
5. The Company's officers and directors have been granted incentive stock options enabling them to purchase common shares of the Company. See "Item 6. Directors, Senior Management and Employees - Share Ownership".
6. The Company has entered into an agreement with KGE Management Ltd., pursuant to which Gerald G. Carlson, an officer and director of the Company, provides services to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts." During the fiscal year ended December 31, 2004, Mr. Carlson, through KGE, was paid \$34,749 (2003 - \$41,400; 2002 - \$33,000).
7. The Company has entered into an agreement with Mr. Sean Hurd, an officer and former director of the Company, pursuant to which Mr. Hurd provides services to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts." During

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the year ended December 31, 2004, Mr. Hurd was paid \$73,800 (2003 - 48,000; 2002 - \$52,050). Effective January 2005 Mr. Hurd became an employee of the Grosso Group.

8. On December 16, 2003 and November 16, 2004, the Company entered into an agreement with Endeavour Financial Ltd. a company of which Mr. Angus, a director of the Company, is a shareholder. A monthly fee of US\$5,000 for services is payable under this agreement for a minimum period of one year. The agreement includes a provision for a nominee from Endeavour to be nominated to the board and for fees to be paid to Endeavour, in addition to the monthly fee, in the event of certain specified transactions. See "Item 6. Directors, Senior Management and Employees - Directors and Senior Management."
9. The Company has agreed to issue options to David Terry, an officer and director of the Company, and to reimburse Amera for a portion of Mr. Terry's salary for services provided to the Company. Mr. Terry has a consulting agreement with Amera dated February 16, 2004, amended June 1, 2004, which called for monthly payments of \$10,000. The Company had agreed to reimburse Amera for 50% of these fees. In the fiscal year ended December 31, 2004 the Company paid \$43,000 as a result of this arrangement. On January 1, 2005 Mr. Terry's agreement with Amera was replaced by a similar agreement with the Grosso Group. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."
10. The Company has entered into an agreement dated April 23, 2004, with Mr. Lang, Chief Financial Officer and a director of the Company, pursuant to which Mr. Lang provides services to the Company. During the year ended December 31, 2004, Mr. Lang was paid \$58,671. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts Effective January 1, 2005 Mr. Lang became an employee of the Grosso Group.
11. The Company has entered into an Arrangement Agreement with Golden Arrow pursuant to which the Company transferred certain assets to Golden Arrow as part of a reorganization of the Company. See "Item 4. Information on the Company - History and Development of the Company." The Company intends to enter into an indemnity agreement, for any costs or losses incurred by Golden Arrow in respect of the legal action commenced by a Minera Aquiline Argentina S.A. against the Company. See "Item 8. Financial Information - Legal Proceedings."

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### ITEM 8. FINANCIAL INFORMATION.

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Consolidated Statements and Other Financial Information

FINANCIAL STATEMENTS

DESCRIPTION

PAGE

Consolidated Financial Statements for the Years Ended  
December 31, 2004, 2003 and 2002.

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### Significant Changes

There are no significant changes to report between the year end December 31, 2004 and the date of this annual report.

### Legal Proceedings

In March 2004, Minera Aquiline Argentina S.A., a wholly-owned subsidiary of Aquiline Resources Inc., commenced a legal proceeding against the Company asserting that the Company unlawfully used confidential information, and is seeking damages and a constructive trust over the Navidad Area Properties. The Company believes the Aquiline legal action is without merit and continues to vigorously defend itself. A trial date has been scheduled for October 2005. At this date the outcome is not determinable. The Company has not made any provision for costs for which it might become liable in what management considers the unlikely event of an adverse judgment.

The Company has provided Golden Arrow with an indemnity for any costs or losses incurred by Golden Arrow in respect of the legal action commenced by Aquiline against the Company.

### 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.

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#### 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 December 2004 through April 2005.

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TSX VENTURE EXCHANGE (OR PREDECESSOR) STOCK TRADING ACTIVITY

SALES PRICE  
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| YEAR ENDED        | VOLUME     | HIGH   | LOW    |
|-------------------|------------|--------|--------|
| December 31, 2004 | 37,174,800 | \$4.80 | \$1.73 |
| December 31, 2003 | 49,855,800 | \$2.54 | \$0.49 |
| December 31, 2002 | 17,608,424 | \$0.94 | \$0.34 |
| December 31, 2001 | 5,564,250  | \$0.62 | \$0.27 |
| December 31, 2000 | 4,330,674  | \$1.15 | \$0.30 |

SALES PRICE

| QUARTER ENDED      | VOLUME     | HIGH   | LOW    |
|--------------------|------------|--------|--------|
| March 31, 2005     | 6,402,850  | \$4.45 | \$3.40 |
| December 31, 2004  | 9,181,100  | \$4.80 | \$3.22 |
| September 30, 2004 | 4,560,500  | \$3.39 | \$2.00 |
| June 30, 2004      | 7,886,600  | \$3.57 | \$1.93 |
| March 31, 2004     | 15,546,600 | \$3.81 | \$1.73 |
| December 31, 2003  | 14,206,200 | \$2.37 | \$1.42 |
| September 30, 2003 | 12,946,600 | \$2.54 | \$1.32 |
| June 30, 2003      | 9,170,600  | \$1.65 | \$0.78 |
| March 31, 2003     | 13,712,400 | \$1.06 | \$0.49 |

SALES PRICE

| MONTH ENDED       | VOLUME    | HIGH   | LOW    |
|-------------------|-----------|--------|--------|
| April 30, 2005    | 1,432,928 | \$4.00 | \$3.11 |
| March 31, 2005    | 1,721,150 | \$4.45 | \$3.50 |
| February 28, 2005 | 2,577,000 | \$4.08 | \$3.40 |
| January 31, 2005  | 2,104,700 | \$4.24 | \$3.66 |
| December 31, 2004 | 1,654,300 | \$4.68 | \$3.50 |

OVER-THE-COUNTER BULLETIN BOARD STOCK TRADING ACTIVITY

As of October 8, 2002, the Company's shares received clearance for trading on the OTC Bulletin Board operated by the National Association of Securities Dealers in the United States. The Company currently trades on the OTC Bulletin Board under the symbol "IMXPF". The following tables set forth the market price ranges and the aggregate volume of trading of the common shares of the Company on the OTC Bulletin Board system for the periods indicated:

BID PRICE (US\$)

| YEAR ENDED        | VOLUME     | HIGH   | LOW    |
|-------------------|------------|--------|--------|
| December 31, 2004 | 20,132,331 | \$4.05 | \$1.31 |
| December 31, 2003 | 6,964,497  | \$1.89 | \$0.36 |
| December 31, 2002 | 97,497     | \$0.36 | \$0.22 |

BID PRICE (US\$)



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| QUARTER ENDED      | VOLUME    | HIGH   | LOW    |
|--------------------|-----------|--------|--------|
| March 31, 2005     | 4,066,314 | \$3.86 | \$2.72 |
| December 31, 2004  | 5,394,824 | \$4.05 | \$2.53 |
| September 30, 2004 | 3,302,327 | \$2.68 | \$1.48 |
| June 30, 2004      | 2,636,425 | \$2.70 | \$1.40 |
| March 31, 2004     | 8,798,755 | \$2.93 | \$1.31 |
| December 31, 2003  | 3,376,297 | \$1.78 | \$1.01 |
| September 30, 2003 | 1,743,800 | \$1.89 | \$0.97 |
| June 30, 2003      | 983,900   | \$1.25 | \$0.52 |
| March 31, 2003     | 860,500   | \$0.75 | \$0.36 |
| December 31, 2002  | 72,497    | \$0.33 | \$0.22 |
| September 30, 2002 | 25,000    | \$0.36 | \$0.29 |

| MONTH ENDED       | VOLUME    | BID PRICE (US\$) |        |
|-------------------|-----------|------------------|--------|
|                   |           | HIGH             | LOW    |
| April 30, 2005    | 997,058   | \$3.23           | \$2.45 |
| March 31, 2005    | 1,712,600 | \$3.68           | \$2.85 |
| February 28, 2005 | 1,565,799 | \$3.34           | \$2.72 |
| January 31, 2005  | 787,915   | \$3.54           | \$2.95 |
| December 31, 2004 | 1,414,948 | \$3.80           | \$2.84 |

### ITEM 10. ADDITIONAL INFORMATION.

#### Memorandum and Articles of Association

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

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

#### AMENDMENT OF NOTICE OF ARTICLES

On March 29, 2004, the new British Columbia Business Corporations Act came into force in British Columbia and replaced the former Company Act, which is the statute that previously governed the Company. Under the BCBCA, the Company has two years within which to transition ("Transition") itself under the new statute. In accordance with the BCBCA, the Company cannot complete the

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Arrangement or amend its Articles or Notice of Articles until the Transition to the BCBCA is completed. The Board of Directors (the "Board") of the Company approved the Transition of the Company under the BCBCA on April 29, 2004. The Company filed a transition application with the Registrar of Companies British Columbia and completed the Transition on May 4, 2004.

Concurrent with the completion of the Transition, the Company was required, in accordance with the BCBCA, to incorporate certain provisions known as the "Pre-Existing Company Provisions" (the "Pre-Existing Company Provisions") into its Notice of Articles, which replaced the existing Memorandum of the Company. The Pre-Existing Company Provisions provide the Company with certain default provisions in case certain provisions which are required to be included in the Articles under the BCBCA are not included in the Company's Articles.

In order to bring the Company's Articles in line with the BCBCA, the Company intends to delete and replace its Articles in their entirety. The new Articles, will among other things, incorporate and amend certain of the information required by the Pre-Existing Company Provisions. In accordance with the BCBCA, the Company cannot alter its Articles in relation to any matter that is included in the Pre-Existing Company Provisions until the Company has removed the application of the Pre-Existing Company Provisions by special resolution of the shareholders of the Company.

Accordingly, the shareholders passed a special resolution removing the application of the Pre-Existing Company Provisions at a meeting held on June 24, 2004.

### ADOPTION OF NEW ARTICLES

The Board has determined that it is in the best interests of the Company to adopt new articles (the "New Articles") to replace its existing Articles (the "Existing Articles"). Management believes the language used in the Existing Articles of the Company is no longer appropriate and there are a number of references to provisions in the former Company Act (the "Former Act") which no longer exists. The New Articles also incorporate many key provisions of the BCBCA that should reinforce the importance of certain sections of the BCBCA including disclosing conflicts of interest, indemnification, fiduciary duties and other obligations that are imposed on the Board.

Set forth below is a discussion of the changes proposed under the New Articles. These proposed changes to the New Articles include a discussion of substantive changes included in the New Articles and changes included that are as a result of changes under the BCBCA. The New Articles incorporate a number of non-substantive changes, including the use of the new terminology adopted under the BCBCA. For example, "members" are now "shareholders" and "register of members" is now "central securities register" under the BCBCA. Many of these terminology and wording changes are not discussed in detail here, as they reflect statutory requirements that the Company cannot alter or amend.

The following is a discussion of the substantive changes proposed in the New Articles.

### BORROWING POWERS

Under the Existing Articles, the Company may borrow money, issue debt and mortgage, pledge, or give security on the undertaking, or on the whole or any part of the property and assets, of the Company (both present and future). However, under the BCBCA, companies are now also permitted, without restriction, to guarantee repayment of money by any other person or the performance of any obligation of any other person. This change reflects the modernization of corporate legislation to effectively respond to increasingly complex financial

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transactions that companies may enter into in the course of their business. As a result, the New Articles propose that the Company also be able to guarantee the repayment of money by any other person or the performance of any obligation of any other person. Management believes that it is in the best interests of the Company to allow for such a guarantee to permit the Company the maximum flexibility in possible future financial transactions, recognizing the duties directors have to ensure that the guarantee must always be in the best interest of the Company and its shareholders.

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### DIRECTORS AUTHORITY TO SET AUDITOR'S REMUNERATION

Under the BCBCA, the Company is, subject to shareholder approval, permitted to include in the New Articles authorization for the directors to set the remuneration paid to the auditors of the Company. The Former Act required the shareholders to set the remuneration or the shareholders to authorize, on an annual basis, the directors to set the remuneration. Historically, shareholders of the Company have always authorized the directors to appoint the auditors and to set the auditor's remuneration. As a result, the inclusion of the authority for directors to set the auditor's remuneration in the New Articles merely codifies existing practice. More importantly, however, this change also codifies new corporate governance rules and regulations relating to audit committees and the appointment and remuneration of auditors.

### SPECIAL MAJORITY FOR RESOLUTIONS

Under the Former Act, the majority of votes required to pass a special resolution at a general meeting was three-quarters of the votes cast on a resolution. Under the BCBCA, the Company is authorized to determine whether a special resolution requires two-thirds or three-quarters of the votes cast on a resolution. The Existing Articles did not state what the majority was for a special resolution, as this matter was dealt with under the Former Act. The New Articles propose that a special resolution require a majority of two-thirds of the votes cast on a resolution. This threshold is consistent with the threshold in most other Canadian corporate law statutes such as the Canada Business Corporations Act.

### SHARE ISSUANCES

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

The following are changes to the provisions contained in the BCBCA which have an

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effect on provisions contained in the Existing Articles:

### OFFICERS

Under the Existing Articles, the Company was required to have a least a President and Secretary as officers, and there had to be separate individuals holding those positions. In addition, the President was required to be director of the Company. These were requirements under the Former Act. However, under the BCBCA, those requirements no longer exist, and as a result, it is proposed that the New Articles remove these requirements. Management and the board of directors believe that by removing these restrictions the Company is better able to meet its corporate governance obligations as to membership of the board of directors.

### PUBLICATION OF ADVANCE NOTICE OF MEETING

Under the Existing Articles, the Company was required to publish an advance notice of a general meeting of shareholders at which directors are to be elected in the manner required under the Former Act. Under the BCBCA, the Company is no longer required to publish notice of general meetings, and recent changes to securities legislation in Canada requires that all public companies, including the Company, post advance notice of a general meeting on [www.sedar.com](http://www.sedar.com) in advance of the record date for the meeting. As a result, it is proposed that the New Articles remove the requirement to publish advance notice of the meeting.

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### SHARE CERTIFICATES

Under the Existing Articles, a shareholder is entitled to a share certificate representing the number of shares of the Company he or she holds. Under the BCBCA, a shareholder is now entitled to a share certificate representing the number of shares of the Company he or she holds or a written acknowledgement of the shareholder's right to obtain such a share certificate. As a result, the New Articles have been amended to provide for this additional right. The addition of the ability to issue a written acknowledgement is very useful for public companies such as the Company, since it permits flexibility in corporate and securities transmissions.

### DISCLOSURE OF INTEREST OF DIRECTORS

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

### INDEMNITY PROVISION

Under the Former Act, the Company could only indemnify directors where it obtained prior court approval, except in certain limited circumstances. The Existing Articles provided for the Company to indemnify directors, subject to the requirements of the Former Act. Under the BCBCA, the Company is now permitted to indemnify a past or present director or officer of the Company without obtaining prior court approval in respect of an "eligible proceeding". An "eligible proceeding" includes any legal proceeding relating to the activities of the individual as a director or officer of the Company. However, under the BCBCA, the Company will be prohibited from paying an indemnity if:

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

As a result, the New Articles propose to 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 new Articles of the Company.

### AUTHORIZED SHARE CAPITAL

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

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### HOLDING OF ANNUAL MEETINGS

Under the Former Act, annual meetings were required to be held within 13 months of the last annual meeting. The BCBCA allows for annual meetings to be held once in each calendar year and not more than 15 months after the last annual meeting and accordingly, the Company's New Articles reflect this provision.

### QUORUM FOR SHAREHOLDER MEETING

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

### ALTERATIONS TO CONSTATING DOCUMENT

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

Accordingly, the shareholders of the Company passed all of the above changes to the Company's Articles at its shareholder's 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 (as currently in effect and as proposed to be amended) and certain provisions of the BCBCA, applicable to the Company:

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### 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;

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2. the contract or transaction relates to an indemnity or insurance under the BCBCA;
3. the contract or transaction relates to the remuneration of the director or senior officer, or a person in whom the director or senior officer, employee or agent of the Company or of an affiliate of the Company;
4. the contract or transaction relates to a loan to the Company, and the director or senior officer, or a person in whom the

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- 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.

The current Articles of the Company were passed by the shareholders at the Company's annual general meeting on June 24, 2004.

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.

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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.

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### 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. A complete description is contained in the Company's Altered Memorandum and Articles.

#### COMMON SHARES

A total of 45,479,724 common shares were issued and outstanding as of May 5, 2005. 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. The Company has proposed to the shareholders to amend the Company's Articles to increase the number of authorized common shares to an unlimited number of common shares without par value.

#### PREFERRED SHARES

The Company is authorized to issue up to 100,000,000 preferred shares in one or more series. 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 May 5 2005, there were 18,283,053 Preferred Shares, Series I, outstanding. There are no sinking fund or redemption provisions 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 applicable to the preferred shares.

#### PREFERRED SHARES, SERIES I

The Company is authorized to issue 100,000,000 preferred shares of which 18,283,053 have been designated as Preferred Shares, Series I (the "Series I Shares"). The holders of Series I Shares are not entitled to receive notice of, attend or vote at any meeting of the shareholders of the Company, other than at a meeting of holders of Preferred Shares, Series I. The holders of Series I



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Shares are entitled to receive, if, as and when declared by the board of directors of the Company, non-cumulative dividends. Upon dissolution, liquidation or winding-up of the Company, the holders of Series I Shares are entitled to receive an amount equal to the redemption amount, which is determined by dividing \$3,495,800 by the number of Series I Shares issued, together with all declared and unpaid dividends thereon. The Series I Shares may be redeemed at the option of the Company or the holder of the Series I Shares. Upon redemption of the Series I Shares, the Company shall pay to the holder of the Series I Shares the Redemption Amount together with all declared and unpaid dividends thereon. As of May 5, 2005, there are 18,283,053 Series I Shares outstanding. There are no sinking fund or redemption provisions 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 applicable to the Series I Shares. The Series I Shares are not subject to further capital calls or assessments.

### CHANGES TO RIGHTS AND RESTRICTIONS OF SHARES

If the Company wishes to change the rights and restrictions of the common shares, preferred shares or the Series I Shares, the Company must obtain the approval of 3/4 of the holders of the common shares, preferred shares and the Series I Shares. Under the BCBCA and the proposed amendments to the Company's Articles, if the Company wishes to change the rights and restrictions of the common shares, preferred shares or the Series I Shares, the Company must obtain the approval of 2/3 of the holders of the common shares, preferred shares and the Series I Shares.

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### 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.

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

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Pursuant to the Company's existing Articles, the Company must hold its annual general meeting once in every calendar year (being not more than 15 months from the last annual general meeting) at such time and place to be determined by the Directors of the Company. The Company must publish an advance notice in the manner required by the Company Act of any general meeting at which Directors are to be elected. The Company must give shareholders not less than 21 days' notice of any general meeting of the shareholders.

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

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

### DIFFERENCES FROM REQUIREMENTS IN THE UNITED STATES

Except for the Company's quorum requirements, certain requirements related to related party transactions and the requirement for notice of shareholder meetings, discussed above, there are no significant differences in the law applicable to the Company, in the areas outlined above, in Canada versus the United States. In most states in the United States, a quorum must consist of a majority of the shares entitled to vote. Some states allow for a reduction of the quorum requirements to less than a majority of the shares entitled to vote. Having a lower quorum threshold may allow a minority of the shareholders to make decisions about the Company, its management and operations. In addition, most states in the United States require that a notice of meeting be mailed to shareholders prior to the meeting date. Additionally, in the United States, a director may not be able to vote on the approval of any transaction in which the director has a interest.

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### Material Contracts

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

1. The Company has executed an agreement with Oxbow, pursuant to which Mr. Grosso, an officer and director of the Company, provides services to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts" and "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."
2. The Company has entered into an agreement with KGE Management Ltd., pursuant to which Gerald G. Carlson, an officer and director of the Company, provides services to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts" and "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."
3. Lease agreements between the Company and Beauregard dated January 1, 2004 and March 1, 2005, regarding the Company's office premises. See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

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### Party Transactions."

4. In November 2004, the Company entered into an agreement with Endeavour Financial Ltd. a company with which Mr. Angus, a director of the Company is associated. A monthly fee of US\$5,000 for services is payable under this agreement for a minimum period of one year. See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."
5. The Company has entered into an Arrangement Agreement with Golden Arrow pursuant to which the Company transferred certain assets to Golden Arrow as part of a reorganization of the Company. See "Item 4. Information on the Company - History and Development of the Company."
6. The Company has entered into an indemnity agreement, for any costs or losses that may be incurred by Golden Arrow in respect of the legal action commenced by Aquiline against the Company. See "Item 8. Financial Information - Legal Proceedings."
7. Option Agreement dated August 12, 2003 between with Consolidated Pacific Bay Minerals Ltd. relating to the Regalo mineral claim. See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Properties - Argentinean Properties - Navidad Area Properties (Other than the Navidad Project) - Regalo Property."
8. The Company entered into a Management Services Agreement dated March 22, 2005 with IMA Latin America Inc., the Company's wholly owned BVI subsidiary and Gestora de Negocios E Inversiones S.A. ("Gestora") to retain Gestora to provide certain management, consulting and advisory services of Mr. Augusto Baertl ("Baertl") for the development of the Navidad project. A Confidentiality Agreement between the Grosso Group Management Ltd. and Gestora was also entered into. A Director/Officer Agreement between IMA Latin America Inc. and Baertl was also entered into as well as an Indemnity Agreement between the Company and Baertl.
9. Effective January 1, 2005, the Company engaged the Grosso Group Management Ltd. to provide services and facilities to the Company. As of the date of this Annual Report, a formal agreement among the Company and the Grosso Group has not been finalized. Until such time as the formal agreement has been finalized, the Company and the Grosso Group intend to work under the terms of the proposed Administration Services Agreement by and among the Company and the Grosso Group. It is anticipated that the formal agreement will have an effective date of January 1, 2005.

### 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".

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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 2004 is \$237,000,000. 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

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producing uranium property in Canada;

- (ii) provides any financial services;
- (iii) provides any transportation service; or
- (iv) is a cultural business.

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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

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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").

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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:

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- (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.

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### 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

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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



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gains until such net capital loss is thereby exhausted.

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### 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.

### 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.

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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.

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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.

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Not applicable.

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.

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Not applicable.

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

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Not applicable.

ITEM 15. CONTROLS AND PROCEDURES.

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An evaluation was performed under the supervision and with the participation of the Company's management, including Mr. Grosso, the Company's chief executive officer, and Mr. Lang, the Company's chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15(b) and 15d-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act") as of December 31, 2004. Based upon that evaluation, Messrs. Grosso and Lang, concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

During the fiscal year ended December 31, 2004, 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.

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### ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.

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

### ITEM 16B. CODE OF ETHICS.

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#### CODE OF BUSINESS CONDUCT AND ETHICS AND WHISTLE-BLOWER POLICY AND PROCEDURES

##### Introduction

Pursuant to applicable United States securities laws and the United States Securities and Exchange Commission ("SEC"), our Audit Committee has adopted a Code of Business Conduct and Ethics to provide principles for the purpose of promoting:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the Securities and Exchange Commission and in other public communications;
- Compliance with applicable governmental laws, rules and regulations;
- The prompt internal reporting of violations of our Code of Business Conduct and Ethics; and
- Accountability for adherence to our Code of Business Conduct and Ethics.

#### REPORTING RESPONSIBILITY

It is the responsibility of all directors, officers and employees to comply with the Code and to report violations or suspected violations in accordance with this Whistleblower Policy. In our Code of Business Conduct and Ethics these individuals are referred to as "you".

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

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#### NO RETALIATION

No director, officer or employee who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within the Corporation rather than seeking resolution outside the Corporation.

#### REPORTING VIOLATIONS

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The Code addresses the Corporation's open door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly.

In most cases, an employee's supervisor is in the best position to address an area of concern. However, if you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor's response, you are encouraged to speak with anyone in management whom you are comfortable in approaching.

Supervisors and managers are required to report suspected violations of the Code of Conduct to the Company's Compliance Officer, who has specific and exclusive responsibility to investigate all reported violations. For suspected fraud or securities law violations, or when you are not satisfied or uncomfortable with following the Corporation's open door policy, individuals should contact the Corporation's Compliance Officer directly.

### COMPLIANCE OFFICER

The Corporation's Compliance Officer is appointed by the board of directors, and is responsible for investigating and resolving all reported complaints and allegations concerning violations of the Code and, at his discretion, shall advise the President and CEO, the CFO and/or the Audit Committee. The Compliance Officer has direct access to the Audit Committee of the board of directors and is required to report to the Committee at least annually on his compliance activity.

In order to protect your anonymity, and to ensure proper record keeping as required by regulations, our Company uses an external reporting agency which is the sole link to the Compliance Officer.

THE COMPANY'S COMPLIANCE OFFICER CAN BE REACHED VIA EMAIL AT GROSSOGROUP@WHISTLEBLOWERSECURITY.COM, VIA TELEPHONE AT 1-866-921-6714 OR VIA THE INTERNET LOCATED AT [HTTP://WWW.WHISTLEBLOWERSECURITY.COM](http://WWW.WHISTLEBLOWERSECURITY.COM).

The Compliance Officer will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

### Your Responsibilities

1. You shall act with honesty and integrity in the performance of your duties, shall comply with all laws, rules and regulations of federal, provincial, state and local governments and other private and public regulatory agencies that affect the conduct of our business and our financial reporting.
2. You are responsible for full, fair, accurate, timely and understandable disclosure in the reports and documents that we file with, or submit to, any Canadian Exchange or Securities Commission and the Securities and Exchange Commission and in our other public communications. Accordingly, each of you is responsible for promptly bringing to the attention of The Compliance Officer any material information of which you may become aware that affects our disclosure in our public

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filings.

3. You shall promptly bring to the attention of The Compliance Officer any information you may have concerning evidence of a material violation of the securities or other laws, rules or regulations applicable to us and the operation of our business or any violation of this Code of Business Conduct and Ethics. In either event, any reporting is confidential and you are protected from retaliation.
4. You shall promptly bring to the attention of The Compliance Officer any information you may have concerning (a) significant deficiencies in the design or operation of internal controls which could adversely affect our ability to record, process, summarize and report financial data of (b) any fraud, whether or not material, that involves management or other employees who have a significant role in our financial reporting, disclosures or internal controls.
5. You must avoid any personal activity or association that could appear to influence your judgment or affect our best interests. You shall promptly bring to the attention of your manager or the Compliance Officer any information you may have concerning any actual or apparent conflicts of interest between personal and professional relationships, involving any management or other employees who have a significant role in our financial reporting, disclosures or internal controls.

### VIOLATIONS AND WAIVERS

The Compliance Officer determines if a special meeting of the Audit Committee is required and shall provide information about the complaint to all members of the Audit Committee at its next regularly scheduled meeting. The Chairman of the Audit Committee shall advise the Board of Directors in writing of all violations of this Code of Business Conduct and Ethics reported to him.

Anyone filing a complaint concerning a violation or suspected violation of the Code must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Code. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

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

### ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

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#### Audit Fees

For the fiscal year ended December 31, 2004, the Company's principal accountant is expected to bill approximately \$35,000, and for the fiscal year ended December 31, 2003, the Company's principal accountant billed approximately \$30,000 for the audit of the Company's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

#### Audit Related Fees

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For the fiscal years ended December 31, 2004 and 2003, the Company's principal accountant is expected to bill \$13,650 and billed \$16,000, 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"

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### Tax Fees

For the fiscal years ended December 31, 2004 and 2003, the Company's principal accountant is expected to bill \$100,000 and billed \$28,000, 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 (who are members of the audit committee) 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.

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

Beginning July 1, 2004, the Company's audit committee intends to obtain 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 will also allow 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.

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Not applicable.

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

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Not applicable.

PART III

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### ITEM 17. FINANCIAL STATEMENTS.

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See pages F-1 through F-38

### ITEM 18. FINANCIAL STATEMENTS.

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Not applicable.

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### ITEM 19. EXHIBITS.

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Exhibits

EXHIBIT  
NUMBER

EXHIBIT

- |      |   |
|------|---|
| 1.1  | Notice of Articles(8)   |
| 1.2  | Articles (1)  |
| 4.1  | Share Purchase Agreement Between Shareholders and 389863 B.C. Ltd. (1)  |
| 4.2  | Arrangement Agreement Between Viceroy Resource Corporation and IMA Resource Corporation (1)   |
| 4.3  | Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation (1)  |
| 4.4  | Employment Agreement with William Lee (1)   |
| 4.5  | Consulting Services Agreement Between Nikolaos Cacos and IMA Resource Corporation (1)   |
| 4.6  | Consulting Agreement Between KGE Management Ltd. and IMA Exploration Inc. dated April 1, 2004(8)  |
| 4.7  | Consulting Agreement Between Lindsay R. Bottomer and IMA Exploration Inc. (1)   |
| 4.8  | Exploration and Option Agreement with Barrick Exploraciones Argentina S.A. (1)  |
| 4.9  | Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing 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 Ltda) Don Alberto JJ de Piura (1) |
| 4.19 | Amendment to Option Agreement with Hugo Arturo Bosque (2)   |
| 4.20 | Amendment to Purchase Agreement with Victor Ronchietto (2)  |
| 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 (1)   |
| 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)   |

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- 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)

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### EXHIBIT NUMBER

### EXHIBIT

- 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
- 4.31 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)
- 4.40 Short Form Offering Document (5)
- 4.41 Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation (5)
- 4.43 Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. (5)
- 4.44 Amendment to Agreement between the Company and Sean Hurd (5)
- 4.45 Amendment to Exploration and Option Agreement with Barrick Exploraciones Argentina S.A. dated March 26, 2003. (6)
- 4.46 Letter of Intent dated March 6, 2003 with Amera Resources Corporation (6)
- 4.47 Letter Agreement with Amera Resources Corporation re: reimbursement of office expenses (6)
- 4.48 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)
- 4.49 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)
- 4.50 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)

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| EXHIBIT<br>NUMBER | EXHIBIT  |
|-------------------|--|
| 4.51              | Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation dated July 15, 2002 (6)  |
| 4.52              | Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. dated June 14, 2002 (6)   |
| 4.53              | Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. dated October 3, 2002 (6)   |
| 4.54              | Amendment to Agreement between the Company and Sean Hurd dated June 10, 2002 (6)   |
| 4.55              | Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation dated April 17, 2003 (6)   |
| 4.56              | Arrangement Agreement between IMA Exploration Inc., IMA Holdings Corp. and Golden Arrow Resources Corporation dated May 14, 2004 (7)   |
| 4.57              | Amendment to consulting Agreement with Nikolaos Cacos dated January 5, 2004(8)   |
| 4.58              | Amendment to Agreement with Sean Hurd dated January 5, 2004(8)   |
| 4.59              | Financial Advisory Services Agreement with Endeavour Financial Ltd. (8)  |
| 4.60              | Agreement between the Company and Amera Resources Corporation dated March 6, 2004 relating to the Lago Pico, Loma Alta and Nueva Ruta properties(8)  |
| 4.61              | Amendment to Letter of Intent with Amera Resources Corporation dated September 3, 2004   |
| 4.62              | Amendment to Letter of Intent with Amera Resources Corporation dated April 8, 2004   |
| 4.63              | Letter Agreement with Beauregard Holdings Corp. dated February 5, 2004 regarding office lease(8)   |
| 4.64              | Option Agreement dated September 22, 2003, between the Company and Cloudbreak Resources Ltd.(8)  |
| 4.65              | Option Agreement dated August 12, 2003 between the Company and Consolidated Pacific Bay Minerals Ltd.(8)   |
| 4.66              | Option agreement dated June 11, 2003, between the Company and Ballad Gold & Silver Ltd. (formerly Ballad Ventures Ltd.)(8)   |
| 4.67              | 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) |
| 4.68              | Letter Agreement with Arthur Lang dated April 23, 2004(8)  |
| 4.69              | Administration Services Agreement dated January 1, 2005  |
| 4.70              | Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. dated April 1, 2005   |
| 4.71              | Indemnity Agreement provided to Golden Arrow Resources Corporation   |
| 4.72              | Arrangement Agreement by and among the Company, Golden Arrow Resources Corporation and IMA Holdings Corp. dated May 14, 2004   |
| 4.73              | Auditor Consent Letter   |
| 4.74              | Audit Committee Charter  |

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| EXHIBIT<br>NUMBER | EXHIBIT   |
|-------------------|---|
| 8.1               | List of Subsidiaries(8)                                   |
| 12.1              | Certification of Joseph Grosso Pursuant to Rule 13a-14(a) |

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- 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 0-30464.
- (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 0-30464.
- (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 0-30464.
- (4) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 8, 2001. File Number 0-30464.
- (5) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 8, 2002. File Number 0-30464.
- (6) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 16, 2003. File Number 0-30464.
- (7) Previously filed as with the Company's Report on Form 6-K filed June 18, 2004. File Number 0-30464.
- (8) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed June 23, 2004. File Number 0-30464.

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SIGNATURES

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

IMA EXPLORATION INC.  
(Registrant)

/s/ Arthur Lang

-----  
Arthur Lang, Chief Financial Officer and Director

Date: May 5, 2005  
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IMA EXPLORATION INC.

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(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2004, 2003 AND 2002

(Expressed in Canadian Dollars)

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada and the Public Company Accounting Oversight Board (United States), and their report follows.

/s/ Joseph Grosso

Joseph Grosso  
President

/s/ Art Lang

Art Lang  
Chief Financial Officer

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April 21, 2005

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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. as at December 31, 2004 and December 31, 2003 and the consolidated statements of operations and deficit and cash flows for the years ended December 31, 2004, 2003 and 2002. 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, 2004 and 2003 and the results of its operations and its cash flows for the years ended December 31, 2004, 2003 and 2002 in accordance with Canadian generally accepted accounting principles.

/s/ PriceWaterhouseCoopers LLP

CHARTERED ACCOUNTANTS  
Vancouver, B.C., Canada  
April 21, 2005

## COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING DIFFERENCE

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the company's financial statements, such as the change described in note 3 to the financial statements. Our report to the shareholders dated April 21, 2005 is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting principles in the auditors' report when the change is properly accounted for and

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adequately disclosed in the financial statements.

/s/ PriceWaterhouseCoopers LLP

CHARTERED ACCOUNTANTS  
Vancouver, B.C., Canada  
April 21, 2005

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IMA EXPLORATION INC.  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED BALANCE SHEETS  
AS AT DECEMBER 31, 2004 AND 2003  
(EXPRESSED IN CANADIAN DOLLARS)

|   | 2004         | 2003         |
|---|--------------|--------------|
|   | \$           | \$           |
| <b>ASSETS</b>   |              |              |
| CURRENT ASSETS  |              |              |
| Cash and cash equivalents                                   | 5,227,354    | 4,422,334    |
| Amounts receivable and prepaids                             | 162,802      | 174,938      |
| Marketable securities (Note 4)                              | 186,000      | -            |
| Spin-off assets transferred (Notes 2 and 4)                 | -            | 568,199      |
|   | -----        | -----        |
|   | 5,576,156    | 5,165,471    |
| <br>  |              |              |
| EQUIPMENT AND LEASEHOLD IMPROVEMENTS (Note 5)               | 94,102       | 36,186       |
| <br>  |              |              |
| MINERAL PROPERTIES AND<br>DEFERRED COSTS (Notes 2, 3 and 9) | 6,551,598    | 1,469,026    |
| <br>  |              |              |
| SPIN-OFF ASSETS TRANSFERRED (Note 2)                        | -            | 6,749,193    |
|   | -----        | -----        |
|   | 12,221,856   | 13,419,876   |
|   | =====        | =====        |
| <br><b>LIABILITIES</b>                                      |              |              |
| CURRENT LIABILITIES   |              |              |
| Accounts payable and accrued liabilities                    | 523,378      | 418,234      |
|   | -----        | -----        |
| FUTURE INCOME TAX LIABILITIES (Note 9)                      | 885,093      | 251,180      |
| <br>  |              |              |
| SPIN-OFF LIABILITIES TRANSFERED (Note 2)                    | -            | 1,079,112    |
|   | -----        | -----        |
|   | 1,408,471    | 1,748,526    |
|   | -----        | -----        |
| <br><b>SHAREHOLDERS' EQUITY</b>                             |              |              |
| SHARE CAPITAL (Note 7)                                      | 36,982,307   | 27,707,597   |
| CONTRIBUTED SURPLUS (Note 7)                                | 3,428,382    | 1,541,116    |
| DEFICIT   | (29,597,304) | (17,577,363) |

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|            |            |
|------------|------------|
| -----      | -----      |
| 10,813,385 | 11,671,350 |
| -----      | -----      |
| 12,221,856 | 13,419,876 |
| =====      | =====      |

NATURE OF OPERATIONS (Note 1)  
CONTINGENCY (Note 6)  
COMMITMENTS (Note 8)  
SUBSEQUENT EVENTS (Note 13)

APPROVED BY THE BOARD

/s/ David Horton , Director  
-----

/s/ R.S. Angus , Director  
-----

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

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IMA EXPLORATION INC.  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT  
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002  
(EXPRESSED IN CANADIAN DOLLARS)

|  | 2004        | 2003        |
|--|-------------|-------------|
|  | \$          | \$          |
| EXPENSES                                     |             |             |
| Administrative and management services       | 240,084     | 119,921     |
| Bank charges and interest                    | 10,318      | 10,319      |
| Corporate development and investor relations | 290,680     | 173,693     |
| Depreciation                                 | 26,665      | 13,257      |
| General exploration                          | 228,961     | 226,956     |
| Office and sundry                            | 70,695      | 28,542      |
| Printing                                     | 27,307      | 22,844      |
| Professional fees                            | 894,780     | 198,876     |
| Rent, parking and storage                    | 90,629      | 35,552      |
| Salaries and employee benefits               | 313,409     | 98,202      |
| Stock based compensation (Note 7)            | 1,972,860   | 1,487,235   |
| Telephone and utilities                      | 34,165      | 18,681      |
| Transfer agent and regulatory fees           | 57,743      | 34,078      |
| Travel and accommodation                     | 203,591     | 52,175      |
| Cost recoveries (Note 8)                     | (149,271)   | (17,290)    |
|  | -----       | -----       |
|  | 4,312,616   | 2,503,041   |
|  | -----       | -----       |
| LOSS BEFORE OTHER ITEMS                      | (4,312,616) | (2,503,041) |
|  | -----       | -----       |

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OTHER EXPENSE (INCOME)

|   |              |              |
|---|--------------|--------------|
| Foreign exchange  | 195,285      | 12,763       |
| Reorganization costs (Note 2)   | 346,103      | -            |
| Interest and other income   | (101,589)    | (66,561)     |
| Gain on options and disposition of mineral properties                   | (328,346)    | -            |
| Write-down of marketable securities                                     | 99,762       | -            |
|   | -----        | -----        |
|   | 211,215      | (53,798)     |
|   | -----        | -----        |
| LOSS FROM CONTINUING OPERATIONS   | (4,523,831)  | (2,449,243)  |
| Loss allocated to spin-off assets (Note 2)                              | 131,232      | 969,175      |
|   | -----        | -----        |
| LOSS FOR THE YEAR   | (4,655,063)  | (3,418,418)  |
| DEFICIT - BEGINNING OF YEAR   | (17,577,363) | (14,158,945) |
| DISTRIBUTION OF EQUITY ON SPIN-OFF OF<br>ASSETS TO GOLDENARROW (Note 2) | (7,364,878)  | -            |
|   | -----        | -----        |
| DEFICIT - END OF YEAR   | (29,597,304) | (17,577,363) |
|   | =====        | =====        |
| BASIC AND DILUTED LOSS PER COMMON SHARE<br>FROM CONTINUING OPERATIONS   | \$ (0.11)    | \$ (0.08)    |
|   | =====        | =====        |
| BASIC AND DILUTED LOSS PER COMMON SHARE                                 | \$ (0.11)    | \$ (0.11)    |
|   | =====        | =====        |
| WEIGHTED AVERAGE NUMBER OF<br>COMMON SHARES OUTSTANDI G                 | 40,939,580   | 32,251,753   |
|   | =====        | =====        |

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

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IMA EXPLORATION INC.  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002  
(EXPRESSED IN CANADIAN DOLLARS)

|                                       | 2004        | 2003        |
|---------------------------------------|-------------|-------------|
|                                       | \$          | \$          |
| CASH PROVIDED FROM (USED FOR)         |             |             |
| OPERATING ACTIVITIES                  |             |             |
| Net loss for the year                 | (4,655,063) | (3,418,418) |
| Net loss allocated to spin-off assets | 131,232     | 969,175     |

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|  |             |             |
|--|-------------|-------------|
| Net loss from continuing operations  | (4,523,831) | (2,449,243) |
| Items not affecting cash   |             |             |
| Depreciation   | 26,665      | 13,257      |
| Stock based compensation   | 1,972,860   | 1,487,235   |
| Gain on options and disposition of mineral properties                                    | (328,346)   | -           |
| Write-down of marketable securities  | 99,762      | -           |
|  | (2,752,890) | (948,751)   |
| Change in non-cash working capital balances  | 74,785      | 182,698     |
|  | (2,678,105) | (766,053)   |
| Cash used in spin-off operations   | (283,629)   | (653,496)   |
|  | (2,961,734) | (1,419,549) |
| INVESTING ACTIVITIES   |             |             |
| Expenditures on mineral properties and deferred costs                                    | (4,448,659) | (1,069,228) |
| Net mineral properties and marketable securities<br>cash flow related to spin-off assets | 32,592      | (781,533)   |
| Purchase of equipment  | (93,650)    | (21,875)    |
|  | (4,509,717) | (1,872,636) |
| FINANCING ACTIVITIES   |             |             |
| Issuance of common shares  | 9,707,897   | 6,467,245   |
| Share issuance costs   | (411,237)   | (188,850)   |
|  | 9,296,660   | 6,278,395   |
| INCREASE IN CASH AND CASH EQUIVALENTS  | 1,825,209   | 2,986,210   |
| CASH TRANSFERRED TO GOLDEN ARROW (Note 2)  | (1,020,189) | -           |
| NET INCREASE IN CASH AND CASH EQUIVALENTS  | 805,020     | 2,986,210   |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR  | 4,422,334   | 1,436,124   |
| CASH AND CASH EQUIVALENTS - END OF YEAR  | 5,227,354   | 4,422,334   |
| CASH AND CASH EQUIVALENTS IS COMPRISED OF:   |             |             |
| CASH   | 927,354     | 1,622,334   |
| TERM DEPOSITS  | 4,300,000   | 2,800,000   |
|  | 5,227,354   | 4,422,334   |

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



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CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(EXPRESSED IN CANADIAN DOLLARS)

|                                   | NAVIDAD<br>\$ | NAVIDAD<br>AREAS<br>\$ | IVA TAX<br>\$ | SUBTOTAL<br>NAVIDAD<br>\$ |
|-----------------------------------|---------------|------------------------|---------------|---------------------------|
| Balance, beginning of year        | 1,253,391     | 16,178                 | 199,457       | 1,469,026                 |
| Expenditures during the year      |               |                        |               |                           |
| Assays                            | 567,364       | -                      | -             | 567,364                   |
| Contractors - surveying           | 994,912       | 2,949                  | -             | 997,861                   |
| Contractors - environmental       | 252,201       | -                      | -             | 252,201                   |
| Drilling                          | 1,663,984     | -                      | -             | 1,663,984                 |
| Communications                    | 13,729        | -                      | -             | 13,729                    |
| Supplies                          | 147,422       | 529                    | -             | 147,951                   |
| Statutory fees and taxes          | 2,094         | 19,129                 | -             | 21,223                    |
| Travel                            | 51,583        | -                      | -             | 51,583                    |
| Office                            | 170,780       | 3,657                  | -             | 174,437                   |
| Other                             | -             | -                      | -             | -                         |
| Option payments                   | 19,595        | 70,252                 | -             | 89,847                    |
| IVA Tax                           | -             | -                      | 468,479       | 468,479                   |
|                                   | 3,883,664     | 96,516                 | 468,479       | 4,448,659                 |
| Balance, before transfer          | 5,137,055     | 112,694                | 667,936       | 5,917,685                 |
| Future income tax (Note 9)        | 633,913       | -                      | -             | 633,913                   |
| Property transfer to Golden Arrow | -             | -                      | -             | -                         |
| Balance, end of year              | 5,770,968     | 112,694                | 667,936       | 6,551,598                 |

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

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IMA EXPLORATION INC.  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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(EXPRESSED IN CANADIAN DOLLARS)

|   | NAVIDAD<br>\$                               | NAVIDAD<br>AREAS<br>\$                      | IVA TAX<br>\$                               | SUBTOTAL<br>NAVIDAD<br>\$                   |
|---|---|---|---|---|
| Balance, beginning of year                  | 5,090                                       | -   | 143,528                                     | 148,618                                     |
| <hr style="border-top: 1px dashed black;"/> |   |   |   |   |
| Expenditures during the year                |   |   |   |   |
| Assays                                      | 62,232                                      | -   | -   | 62,232                                      |
| Contractors - surveying                     | 113,518                                     | -   | -   | 113,518                                     |
| Contractors - environmental                 | 40,664                                      | -   | -   | 40,664                                      |
| Drilling                                    | 222,259                                     | -   | -   | 222,259                                     |
| Geological                                  | 467,569                                     | -   | -   | 467,569                                     |
| Statutory fees and taxes                    | 2,900                                       | 16,178                                      | -   | 19,078                                      |
| Travel                                      | 37,369                                      | -   | -   | 37,369                                      |
| Office                                      | 10,791                                      | -   | -   | 10,791                                      |
| Other                                       | 39,819                                      | -   | -   | 39,819                                      |
| Option payments                             | -   | -   | -   | -   |
| IVA Tax                                     | -   | -   | 55,929                                      | 55,929                                      |
|   | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
|   | 997,121                                     | 16,178                                      | 55,929                                      | 1,069,228                                   |
|   | <hr style="border-top: 1px dashed black;"/> |   |   |   |
| Balance, before adjustments                 | 1,002,211                                   | 16,178                                      | 199,457                                     | 1,217,846                                   |
| Future income tax (Note 9)                  | 251,180                                     | -   | -   | 251,180                                     |
| Cost recoveries                             | -   | -   | -   | -   |
| Write-off mineral properties                | -   | -   | -   | -   |
| Proceeds on sale of mineral properties      | -   | -   | -   | -   |
|   | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Balance, end of year                        | 1,253,391                                   | 16,178                                      | 199,457                                     | 1,469,026                                   |
|   | <hr style="border-top: 3px double black;"/> |   |   |   |

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

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IMA EXPLORATION INC.  
(AN EXPLORATION STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002  
(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS

The Company is a natural resource company engaged in the business of acquisition, exploration and development of mineral properties in Argentina. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently the Company considers itself to be an exploration stage company. The amounts 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. The underlying value of the mineral properties and deferred costs is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete development, and future profitable production. The Company considers that it has adequate resources to maintain its core operations for the next fiscal year but currently does not have sufficient working capital to fund all of its planned exploration and development work. The Company will continue to rely on successfully completing additional equity financing.

2. SPIN-OFF OF ASSETS

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

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

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

|  | 2004        | DECEMBER 31,<br>2003 |
|--|-------------|----------------------|
|  | \$          | \$                   |
| Cash and cash equivalents                                      | 1,020,189   | 31,908               |
| Marketable securities and other current assets and liabilities | 548,841     | 536,291              |
| Mineral properties and deferred cost and equipment             | 6,874,960   | 6,749,193            |
| Future income tax liabilities                                  | (1,079,112) | (1,079,112)          |
|  | -----       | -----                |
|  | 7,364,878   | 6,238,280            |
|  | =====       | =====                |

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IMA EXPLORATION INC.  
 (AN EXPLORATION STAGE COMPANY)  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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2. SPIN-OFF OF ASSETS (continued)

The Company's Statement of Loss and Deficit includes an allocation of General and Administrative Expenses as Loss allocated to spin-off assets. The allocation was calculated on the basis of the ratio of the specific assets transferred to assets retained. Certain "Other Income and Expense" items have been allocated to spin-off assets on the basis of the nature of the income or expense.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

USE OF ESTIMATES

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

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### PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and all its subsidiaries, all of which are wholly owned. The Company's principal subsidiary is Inversiones Mineras Argentinas S.A.. All inter-company transactions and balances have been eliminated.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term investments maturing within 90 days of initial investment.

### MARKETABLE SECURITIES

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

### MINERAL PROPERTIES AND DEFERRED COSTS

Direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company are deferred on an individual property basis until the viability of a property is determined. Administration costs and general exploration costs are expensed as incurred. When a property is placed in commercial production, deferred costs will be depleted using the units-of-production method. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the costs are written-off, or if its carrying value has been impaired, then the costs are written down to fair value.

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.

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

### EQUIPMENT

Equipment, which comprises leasehold improvements and office furniture and equipment, is recorded at cost less accumulated depreciation calculated using the straight-line method over their estimated useful lives of five years.

### ASSET RETIREMENT OBLIGATIONS

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded initially at fair value as a liability with a corresponding increase to the carrying amount of the related long-lived asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying cash flows. The related asset is adjusted only as a result of changes in the amount or timing of the underlying cash flows. The capitalized asset retirement cost is depreciated on the same basis as the related asset; discount accretion is included in determining the results of operations. As at December 31, 2004, the Company does not have any asset retirement obligations.

### LONG-LIVED ASSETS IMPAIRMENT

Long-lived assets are reviewed for impairment when events or changes in 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.

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IMA EXPLORATION INC.  
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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

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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 and cash equivalents and amounts receivable. The Company limits its exposure to credit loss by placing its cash and cash-equivalents with major financial institutions.

### FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of the Company's financial instruments consisting of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of those instruments. As of December 31, 2004, the market value of marketable securities was \$270,000 (2003 - \$1,032,546).

### INCOME TAXES

The Company uses the liability method of accounting for future income taxes. Under this method of tax allocation, future income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Potential future income tax assets are not recognized, as they are not considered likely 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. 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 7.

### STOCK BASED COMPENSATION

Effective January 1, 2003, the Company prospectively adopted the requirements of CICA Handbook Section 3870. Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation is charged to expense as awards vest, with offsetting amounts recognized as contributed surplus.

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IMA EXPLORATION INC.  
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

COMPARATIVE FIGURES

Certain of the 2003 and 2002 fiscal year figures have been reclassified to conform with the presentation used in fiscal 2004.

4. MARKETABLE SECURITIES

|   | 2004                    |                                 |
|---|-------------------------|---------------------------------|
|   | RECORDED<br>VALUE<br>\$ | QUOTED<br>MARKET<br>VALUE<br>\$ |
| Tinka Resources - 300,000 common shares               | 96,000                  | 180,000                         |
| Cons Pacific Bay Minerals - 900,000 common shares     | 90,000                  | 90,000                          |
| Ballad Gold & Silver Ltd. - 500,000 common shares     | -                       | -                               |
| Amera Resources Corp. - 600,000 common shares         | -                       | -                               |
| Other   | -                       | -                               |
|   | 186,000                 | 270,000                         |
| Less amounts allocated to spin-off assets transferred | -                       | -                               |
|   | 186,000                 | 270,000                         |

The Company has entered into option and sale agreements on certain of its non-core mineral property holdings in which the Company received common shares of publicly-traded companies as partial consideration. All securities associated with option and sale agreements for all properties, other than Navidad and Navidad area properties were transferred to Golden Arrow with a recorded value of \$543,460 at December 31, 2003 (see Note 2).

5. EQUIPMENT AND LEASHOLD IMPROVEMENTS

|                                | 2004<br>\$ | 2003<br>\$ |
|--------------------------------|------------|------------|
| Office equipment and computers | 231,724    | 179,425    |
| Leasehold improvements         | 96,634     | 62,812     |
|                                | 328,358    | 242,237    |
| Less: Accumulated depreciation | (234,256)  | (206,051)  |
|                                | 94,102     | 36,186     |



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IMA EXPLORATION INC.  
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## 6. CONTINGENCY

In March 2004, Aquiline Resources Inc. ("Aquiline") commenced an action against the Company, seeking a constructive trust over the Navidad properties and damages. The Company believes the Aquiline legal action is without merit and continues to vigorously defend itself. A trial date has been scheduled for October 2005. At this date the outcome is not determinable. The Company has not made any provision for costs for which it might become liable in what management considers the unlikely event of an adverse judgment.

## 7. SHARE CAPITAL

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

Issued - common shares

|                                       | NUMBER     | \$         |
|---------------------------------------|------------|------------|
|                                       | -----      | -----      |
| Balance, December 31, 2001            | 18,592,219 | 18,090,497 |
| Private placements                    | 5,703,026  | 2,552,870  |
| Exercise of options                   | 170,000    | 68,000     |
| Exercise of warrants                  | 2,085,361  | 837,512    |
| Less share issue costs                | -          | (194,056)  |
|                                       | -----      | -----      |
| Balance, December 31, 2002            | 26,550,606 | 21,354,823 |
| Private placement                     | 2,900,000  | 2,610,000  |
| Exercise of options                   | 1,855,850  | 895,859    |
| Exercise of warrants                  | 4,969,066  | 2,940,428  |
| Exercise of agent's options           | 105,930    | 95,337     |
| Less share issue costs                | -          | (188,850)  |
|                                       | -----      | -----      |
| Balance, December 31, 2003            | 36,381,452 | 27,707,597 |
| Private placements                    | 1,500,000  | 4,650,000  |
| Exercise of options                   | 441,650    | 597,910    |
| Exercise of agents' options           | 121,820    | 184,838    |
| Contributed surplus reallocated       |            |            |
| on exercise of options                | -          | 226,630    |
| Exercise of warrants                  | 5,371,285  | 4,275,149  |
| Proceeds collected and paid on behalf |            |            |
| of Golden Arrow shares                | -          | (107,544)  |

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|                            |            |            |
|----------------------------|------------|------------|
| Less share issue costs     | -          | (552,273)  |
|                            | -----      | -----      |
| Balance, December 31, 2004 | 43,816,207 | 36,982,307 |
|                            | =====      | =====      |

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

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7. SHARE CAPITAL (continued)

- (b) During fiscal 2003, the Company completed a brokered private placement for 2,900,000 units at a price of \$0.90 per unit, for cash proceeds of \$2,421,150, net of share issue costs of \$188,850. Each unit consisted of one common share of the Company and one-half non-transferable common share purchase warrant. One whole warrant entitles the holder to purchase one common share for the exercise price of \$1.10 per share on or before April 28, 2004. Certain officers and directors of the Company purchased 445,000 units of the private placement.
- (c) During fiscal 2002, the Company completed the following private placements:
- i) 637,000 units at a price of \$0.38 for cash proceeds of \$222,695, net of share issue costs of \$19,365. Each unit consisted of one common share of the Company and one warrant. Two warrants entitled the holder to purchase an additional common share for the exercise price of \$0.45 on or before March 31, 2003. The Company also issued agents warrants to purchase 63,700 common shares at a price of \$0.45 on or before March 31, 2003;
  - ii) 1,777,778 units at a price of \$0.45 per unit for cash proceeds of \$686,132, net of share issue costs of

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\$118,868. Each unit consisted of one common share of the Company and one warrant. Two warrants entitled the holder to purchase an additional common share at a price of \$0.54 per share on or before April 9, 2003. The Company also issued 11,111 shares to the agents, at a price of \$0.45 per share. The Company also issued agents warrants to purchase 355,556 common shares at a price of \$0.54 per share on or before April 9, 2003;

- iii) 1,722,222 units at a price of \$0.45 per unit, for cash proceeds of \$751,000 net of share issue costs of \$24,000. Each unit consisted of one common share of the Company and one warrant. Each warrant entitled the holder to purchase an additional common share of the Company at a price of \$0.53 per share on or before May 23, 2003 and \$0.60 per share on or before May 23, 2004. Certain directors purchased 191,111 units. The Company also issued agents warrants to purchase 66,666 common shares at a price of \$0.53 per share on or before May 23, 2003; and
- iv) 1,554,915 units at a price of \$0.47 for cash proceeds of \$698,987, net of share issue costs of \$31,823. Each unit consisted of one common share of the Company and one warrant. Each warrant entitled the holder to purchase an additional common share of the Company at a price of \$0.55 per share on or before September 27, 2003 and \$0.60 on or before September 27, 2004. Certain directors purchased 325,000 units. The Company also issued agents warrants to purchase 37,496 common shares at a price of \$0.50 per share on or before September 27, 2003.
- v) In connection with the financing, the Company granted the agent an option to purchase 195,750 units on the same basis and terms as the private placement. The agent has exercised options to purchase 195,750 units, for \$176,175 cash.

(d) Stock options and stock based compensation

The Company grants stock options in accordance with the policies of the TSX Venture Exchange ("TSXV"). The stock options vest over periods that vary from three months to one year. A summary of the Company's outstanding options at December 31, 2004, 2003 and 2002 and the changes for the years ending on those dates is presented below:

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7. SHARE CAPITAL (continued)

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|                               | 2004   |  | 2003   |  |
|-------------------------------|--|--|--|--|
|                               | OPTIONS<br>OUTSTANDING<br>AND<br>EXERCISABLE | WEIGHTED<br>AVERAGE<br>EXERCISE<br>PRICE<br>\$ | OPTIONS<br>OUTSTANDING<br>AND<br>EXERCISABLE | WEIGHTED<br>AVERAGE<br>EXERCISE<br>PRICE<br>\$ |
| Balance,<br>Beginning of year | 2,528,150                                    | 1.32   | 2,465,500                                    | 0.44   |
| Granted                       | 1,512,000                                    | 3.14   | 1,918,500                                    | 1.60   |
| Exercised                     | (441,650)                                    | 1.14   | (1,855,850)                                  | 0.44   |
| Cancelled                     | (30,000)                                     | 3.10   | -  | -  |
| Balance,<br>End of year       | <u>3,568,500</u>                             | 2.10   | <u>2,528,150</u>                             | 1.32   |

Stock options outstanding and exercisable at December 31, 2004 are as follows:

| NUMBER           | EXERCISE PRICE<br>\$ | EXPIRY DATE        |
|------------------|----------------------|--------------------|
| 205,000          | 0.40                 | July 19, 2006      |
| 119,000          | 0.50                 | May 2, 2007        |
| 117,500          | 0.50                 | September 23, 2007 |
| 90,000           | 0.84                 | March 7, 2008      |
| 300,000          | 0.90                 | May 30, 2008       |
| 1,305,000        | 1.87                 | August 27, 2008    |
| 1,382,000        | 3.10                 | March 24, 2009     |
| 50,000           | 4.20                 | December 01, 2009  |
| <u>3,568,500</u> |                      |                    |

During fiscal 2004, the Company granted 1,512,000 stock options (2003 - 1,918,500; 2002 - 1,050,000). 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:

|                         | 2004      | 2003          | 2002          |
|-------------------------|-----------|---------------|---------------|
| Risk-free interest rate | 2.38%     | 3.76% - 4.16% | 3.89% - 4.25% |
| Estimated volatility    | 77%       | 74% - 78%     | 73% - 87%     |
| Expected life           | 2.5 years | 2.5 years     | 2.5 years     |
| Expected dividend yield | 0%        | 0%            | 0%            |

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The weighted average fair value per share of stock options, calculated using the Black-Scholes Option Pricing Model, granted during the year was \$1.28 per share (2003 - \$0.63, 2002 - \$0.26). 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.

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7. SHARE CAPITAL (continued)

During fiscal 2002, the Company granted 540,000 stock options to its employees and directors and applied the intrinsic value based method of accounting. Had the Company followed the fair value based method of accounting in fiscal 2002, the Company would have recorded an additional compensation expense of \$140,840 in respect of its employees and directors' stock options. Pro-forma loss and loss per share information determined under the fair value method in fiscal 2002 are as follows:

|                                  | \$          |
|----------------------------------|-------------|
| Net loss for fiscal 2002         |             |
| - as reported                    | (1,440,106) |
| - compensation expense           | (140,840)   |
|                                  | -----       |
| - pro-forma                      | (1,580,946) |
|                                  | =====       |
| Basic and diluted loss per share |             |
| - as reported                    | (0.06)      |
| - pro-forma                      | (0.07)      |

(e) Warrants

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agents warrants outstanding at December 31, 2004, 2003 and 2002 and the changes for the years ending on those dates is as follows:

|  | 2004  | 2003  | 2002  |
|--|-------|-------|-------|
|  | ----- | ----- | ----- |

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|                            |             |             |             |
|----------------------------|-------------|-------------|-------------|
| Balance, beginning of year | 6,042,448   | 9,511,550   | 6,588,967   |
| Issued                     | 810,909     | 1,502,965   | 5,007,944   |
| Exercised                  | (5,371,285) | (4,969,066) | (2,085,361) |
| Cancelled                  | (38,955)    | -           | -           |
| Expired                    | (21,100)    | (3,001)     | -           |
|                            | -----       | -----       | -----       |
| Balance, end of year       | 1,422,017   | 6,042,448   | 9,511,550   |
|                            | =====       | =====       | =====       |

Common shares reserved pursuant to warrants and agent warrants outstanding at December 31, 2004 are as follows:

| NUMBER    | EXERCISE PRICE<br>\$ | EXPIRY DATE       |
|-----------|----------------------|-------------------|
| 663,667   | 0.90                 | March 16, 2005    |
| 758,350   | 3.70                 | February 23, 2005 |
| -----     |                      |                   |
| 1,422,017 |                      |                   |
| =====     |                      |                   |

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IMA EXPLORATION INC.  
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8. RELATED PARTY TRANSACTIONS

- (a) During fiscal 2004, the Company paid \$476,226 (2003 - \$330,600; 2002 - \$136,276) to directors and officers or companies controlled by directors and officers of the Company, for accounting, management and consulting services provided.
- (b) The Company has agreements with a company controlled by the wife of the President of the Company for the rental of office premises. During fiscal 2004, the Company paid \$74,870 (2003 - \$60,924; 2002 - \$60,924) for rent.
- (c) The Company shares its office facilities with Amera Resources Corporation "Amera" and Golden Arrow. All three companies are public companies with common management. During fiscal 2004, the Company received \$66,390 (2003 - \$35,110; 2002 - \$6,000) from Amera and \$57,000 (2003 and 2002 - \$Nil) from Golden Arrow for shared rent and administration costs.
- (d) The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President. The President is paid an annual amount of \$102,000. The contract also provides that, in the

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event the services are terminated without cause or upon a change in control of the Company, a termination payment would include a bonus of \$6,500 per month, retroactive to July 1, 1999, plus an additional three years of compensation at \$15,000 per month. If the termination had occurred on December 31, 2004, the amount under the agreement would be \$969,000.

- (e) Other related party transactions are disclosed elsewhere in these consolidated financial statements.

### 9. INCOME TAXES

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

|   | 2004<br>\$  | 2003<br>\$  | 2002<br>\$  |
|---|-------------|-------------|-------------|
| Statutory tax rate  | 35.62%      | 37.62%      | 39.62%      |
|   | =====       | =====       | =====       |
| Loss for the year   | (4,655,063) | (3,418,418) | (1,440,106) |
|   | =====       | =====       | =====       |
| Provision for income taxes based on<br>statutory Canadian combined federal<br>and provincial income tax rates | (1,658,133) | (1,286,009) | (570,570)   |
| Differences in foreign tax rates  | (114,390)   | (383,116)   | (4,234)     |
| Losses for which an income tax benefit<br>has not been recognized   | 1,722,523   | 1,669,125   | 574,804     |
|   | -----       | -----       | -----       |
|   | -           | -           | -           |
|   | =====       | =====       | =====       |

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### 9. INCOME TAXES (continued)

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

|      |      |
|------|------|
| 2004 | 2003 |
|------|------|

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|   | \$          | \$          |
|---|-------------|-------------|
| Future income tax assets                  |             |             |
| Financing costs                           | 192,369     | 116,985     |
| Operating loss carryforward               | 3,594,455   | 4,051,130   |
|   | -----       | -----       |
|   | 3,786,824   | 4,168,115   |
| Valuation allowance for future tax assets | (3,786,824) | (4,168,115) |
|   | -----       | -----       |
|   | -           | -           |
|   | =====       | =====       |

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, 2004, the Company recorded a future income tax liability of \$633,913 (2003 - \$251,180) and a corresponding adjustment to mineral properties.

|                               | 2004    | 2003    |
|-------------------------------|---------|---------|
|                               | \$      | \$      |
| Future income tax liabilities | 885,093 | 251,180 |
|                               | =====   | =====   |

The Company has Canadian non-capital loss carryforwards of \$9,998,489 that may be available for tax purposes. The losses expire as follows:

| EXPIRY DATE | \$        |
|-------------|-----------|
| 2005        | 1,173,356 |
| 2006        | 1,255,915 |
| 2007        | 1,261,932 |
| 2008        | 841,160   |
| 2009        | 1,317,729 |
| 2010        | 1,545,964 |
| 2014        | 2,602,433 |
|             | -----     |
|             | 9,998,489 |
|             | =====     |

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10. SEGMENTED INFORMATION

The Company is involved in mineral exploration and development activities, which are conducted principally in Argentina. The Company



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is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of fiscal 2004, 2003 and 2002.

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

|                                       | 2004      |           |      |
|---------------------------------------|-----------|-----------|------|
|                                       | CORPORATE | ARGENTINA | PERU |
|                                       | \$        | \$        | \$   |
|                                       |           |           |      |
| Current assets                        | 5,438,079 | 138,077   | -    |
| Equipment                             | 93,177    | 925       | -    |
| Mineral properties and deferred costs | -         | 6,551,598 | -    |
|                                       | 5,531,256 | 6,690,600 | -    |

|                                       | 2003      |           |           |
|---------------------------------------|-----------|-----------|-----------|
|                                       | CORPORATE | ARGENTINA | PERU      |
|                                       | \$        | \$        | \$        |
|                                       |           |           |           |
| Current assets                        | 5,075,092 | 65,637    | 24,742    |
| Equipment                             | 28,974    | 7,032     | 4,466     |
| Mineral properties and deferred costs | -         | 4,406,421 | 3,807,512 |
|                                       | 5,104,066 | 4,479,090 | 3,836,720 |

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IMA EXPLORATION INC.  
 (AN EXPLORATION STAGE COMPANY)  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002  
 (EXPRESSED IN CANADIAN DOLLARS)

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.

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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:

|   | 2004  | 2003  |
|---|---|---|
|   | \$  | \$  |
| <hr style="border-top: 1px dashed black;"/>   |   |   |
| CONSOLIDATED STATEMENTS OF OPERATIONS   |   |   |
| Loss for the year under Canadian GAAP   | (4,655,063)                                 | (3,418,418)                                 |
| Mineral properties and deferred costs for the year (i)  | (5,212,625)                                 | (2,134,757)                                 |
| Future income tax recovery (i)  | 633,913                                     | 322,217                                     |
| Write down of marketable securities   | 99,762                                      | -   |
| Mineral properties and deferred costs written off during the year which would have been expensed in the year incurred (i) | -   | 776,626                                     |
| Stock-based compensation (iii)  | -   | (144,000)                                   |
|   | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Loss for the year under US GAAP   | (9,134,013)                                 | (4,598,332)                                 |
| Unrealized gains (losses) on available-for-sale securities (ii)   | (387,160)                                   | 434,346                                     |
|   | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Comprehensive loss (iv)   | (9,521,173)                                 | (4,163,986)                                 |
|   | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Basic and diluted loss per share under US GAAP  | (0.22)                                      | (0.14)                                      |
|   | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Weighted average number of common shares outstanding  | 40,939,580                                  | 32,251,753                                  |
|   | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| <hr style="border-top: 1px dashed black;"/>   |   |   |
|   | 2004  | 2003  |
|   | \$  | \$  |
| <hr style="border-top: 1px dashed black;"/>   |   |   |
| SHAREHOLDERS' EQUITY  |   |   |
| Balance per Canadian GAAP   | 10,813,385                                  | 11,671,350                                  |
| Mineral properties and deferred costs expensed (i)  | (6,551,598)                                 | (8,213,933)                                 |
| Future income tax recovery (i)  | 885,093                                     | 1,330,292                                   |
| Accumulated other comprehensive income (ii)   | 84,000                                      | 489,086                                     |
|   | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Balance per US GAAP   | 5,230,880                                   | 5,276,795                                   |
|   | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |

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

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

|  | 2004        | 2003        |
|--|-------------|-------------|
|  | \$          | \$          |
| -----  |             |             |
| MINERAL PROPERTIES AND DEFERRED COSTS                            |             |             |
| Balance per Canadian GAAP  | 6,551,598   | 8,213,933   |
| Mineral properties and deferred costs expensed under US GAAP (i) | (6,551,598) | (8,213,933) |
|  | -----       | -----       |
| Balance per US GAAP  | -           | -           |
|  | =====       | =====       |

|                                | 2004      | 2003        |
|--------------------------------|-----------|-------------|
|                                | \$        | \$          |
| -----                          |           |             |
| FUTURE INCOME TAX LIABILITY    |           |             |
| Balance per Canadian GAAP      | 885,093   | 1,330,292   |
| Future income tax recovery (i) | (885,093) | (1,330,292) |
|                                | -----     | -----       |
| Balance per US GAAP            | -         | -           |
|                                | =====     | =====       |

|       | 2004 | 2003 | 2002 |
|-------|------|------|------|
|       | \$   | \$   | \$   |
| ----- |      |      |      |

CONSOLIDATED STATEMENTS OF CASH FLOWS

OPERATING ACTIVITIES

|   |             |             |             |
|---|-------------|-------------|-------------|
| Cash used per Canadian GAAP               | (2,961,734) | (1,419,549) | (1,306,211) |
| Mineral properties and deferred costs (i) | (4,578,712) | (1,850,761) | (1,266,555) |
|   | -----       | -----       | -----       |
| Cash used per US GAAP                     | (7,540,446) | (3,270,310) | (2,572,766) |
|   | =====       | =====       | =====       |

INVESTING ACTIVITIES

|   |             |             |             |
|---|-------------|-------------|-------------|
| Cash used per Canadian GAAP               | (4,509,717) | (1,872,636) | (1,277,756) |
| Mineral properties and deferred costs (i) | 4,578,712   | 1,850,761   | 1,266,555   |
|   | -----       | -----       | -----       |
| Cash used per US GAAP                     | 68,995      | (21,875)    | (11,201)    |
|   | =====       | =====       | =====       |

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### 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 acquisition and exploration costs relating to unproven mineral properties as incurred and in addition has a related future income tax recovery. When proven and probable reserves are determined for a property, subsequent exploration and development costs of the property are capitalized. The capitalized costs of such properties would then be assessed, on a periodic basis, to determine whether the carrying value can be recovered on an

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IMA EXPLORATION INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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### 11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

undiscounted cash flow basis. If the carrying value cannot be recovered on this basis, the mineral properties would be written down to fair value determined using discounted cash flows.

### ii) Investments

The Company's marketable securities are 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.

### iii) Accounting for Stock-Based Compensation

For US GAAP purposes, the Company accounted for stock-based employee compensation arrangements using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" until December 31, 2003. Under US GAAP, when stock options are cancelled and immediately reissued at a revised price (the "Repricing"), these options are accounted for as variable compensation from the date of the Repricing. Under this method, following the repricing date, compensation expense is recognized when the quoted market value of the Company's common shares exceeds the amended exercise price. Should the quoted market value subsequently decrease, a recovery of a portion, or all of the previously recognized compensation expense, will be recognized.

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During fiscal 2004, for US GAAP purposes, the Company has adopted the fair based method of accounting for stock-based compensation on a modified prospective basis in accordance with FAS 148. This application is consistent with the early application of CICA 3870 under Canadian GAAP (Note 3). Accordingly, effective January 1, 2004, there is no difference on accounting for stock-based compensation under Canadian and US GAAP.

iv) 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.

v) Spin-Off of Assets to Golden Arrow

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

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IMA EXPLORATION INC.  
(AN EXPLORATION STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

vi) Recent Accounting Pronouncements

Consolidation of Variable Interest Entities

In January 2003, the Financial Accounting Standards Board or "FASB" issued Interpretation No. 46, Consolidation of Variable Interest Entities, and an Interpretation of Accounting Research Bulletin No. 51 ("FIN 46"). FIN 46 establishes accounting guidance for consolidation of variable interest entities by the primary beneficiary. FIN 46 applies to any business enterprise, public or private, that has a controlling interest, contractual relationship or other business relationship with a variable interest entity. In December 2003, the FASB issued Interpretation No. 46R ("FIN 46 R") which supersedes FIN 46 and is effective for all Variable Interest Entities ("VIEs") created after February 1, 2003 at the end of the first interim or annual reporting period ending December 15, 2003. FIN 46 R is applicable to all VIEs created prior to February 1, 2003 by public entities at the end of the first interim or annual reporting period ending after March 15, 2004. The Company has determined that it has no VIEs.

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In June 2003, the CICA issued a new accounting guideline ACG-15, "Consolidation of Variable Interest Entities" which is effective for interim and annual periods beginning on or after November 1, 2004. ACG-15 harmonizes the accounting treatment for variable interest entities with the US GAAP treatment under FIN 46R.

### Exchanges of Non-Monetary Assets

In December 2004, the FASB issued Statement No. 153 ("SFAS 153") "Exchanges of Non-monetary Assets". SFAS 153 replaces guidance previously issued under APB Opinion No. 29, "Accounting for Non-monetary Transactions", which was based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS 153 amends Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for non-monetary exchanges occurring in fiscal periods beginning after June 15, 2005. The Company will comply with this guidance for any non-monetary transactions after the effective date for U.S. GAAP purposes.

### Whether Mineral Rights are Tangible or Intangible Assets

Effective for reporting periods beginning after April 29, 2004, the EITF released Issue 04-2, "Whether Mineral Rights are Tangible or Intangible Assets". The consensus was that mineral rights acquired on a business combination are tangible assets and should be recorded as a separate component of property, plant and equipment either on the face of the financial statements or in the notes. The Company has not been involved to date in a business combination but will comply with the Issue in the future as required.

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IMA EXPLORATION INC.  
(AN EXPLORATION STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002  
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11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

#### Mining Assets: Impairment and Business Combinations

Effective for reporting periods beginning after March 31, 2004, the EITF released Issue No. 04-3, "Mining Assets: Impairment and Business Combinations". The EITF reached consensus that an entity should include value beyond proven and probable reserves in the value allocated to mining assets

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in a purchase price allocation to the extent a market participant would include such value in determining the fair market value of the asset. The EITF also reached consensus that an entity should include the effects of anticipated changes in market prices of minerals when determining the fair market value of mining assets in a purchase price equation in a manner consistent with expectations of the marketplace.

An entity should also include cash flows associated with value beyond proven and probable reserves in estimates of future cash flows for determining if a mining asset is impaired under SFAS 144. An entity should also anticipate fluctuations in market prices when determining these cash flows.

The Company will comply with this Issue for any future business combinations and impairment reviews.

### Financial Instruments

On January 27, 2005, the CICA issued Section 3855 of the Handbook titled "Financial Instruments - Recognition and Measurement". It expands Handbook section 3860, "Financial Instruments - Disclosure and Presentation" by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. All financial instruments will be required to be classified into various categories. Held to maturity investments loans and receivables are measured at amortized cost with amortization of premium or discounts and losses and impairment included in current period interest income or expense. Held for trading financial assets and liabilities are measured at fair market value with all gains and losses included in net income in the period in which they arise. All available for sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet except that other than temporary losses due to impairment are included in net income. All other financial liabilities are to be carried at amortized cost. This new Handbook section will bring Canadian GAAP more in line with U.S. GAAP. The mandatory effective date is for fiscal years beginning on or after October 1, 2006, with optional early recognition for fiscal years beginning on or after December 31, 2004. At present, the Company's most significant financial instruments are cash, accounts receivable and accounts payable. This new section requires little difference in accounting for these financial instruments from current standards.

### Hedge Accounting

New Handbook Section 3865, "Hedges" provides alternative treatments to Handbook Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. The effective date of this section is for fiscal years beginning on or after October 1, 2006, with optional early recognition for fiscal years beginning on or after December 31, 2004.

The Company does not currently have any hedging relationships.

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IMA EXPLORATION INC.  
 (AN EXPLORATION STAGE COMPANY)  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002  
 (EXPRESSED IN CANADIAN DOLLARS)

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

Comprehensive Income

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

At present, the Company has investments in shares of arm's length corporations that may be classified as available for sale investments. The Company would be required to recognize unrealized gains and losses on these securities and include these amounts in comprehensive income. The effective date of this section is for fiscal years beginning on or after October 1, 2006, with optional early recognition for fiscal years beginning on or after December 31, 2004. Implementation of this section will more closely align Canadian GAAP with U.S. GAAP.

12. SUPPLEMENTARY CASH FLOW INFORMATION

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

|   | 2004<br>\$ | 2003<br>\$ |
|---|------------|------------|
| Investing activities                          |            |            |
| Proceeds on disposition of mineral properties | (252,000)  | (272,982)  |
| Acquisition of marketable securities          | 252,000    | 272,982    |
|   | -          | -          |
| Financing activities                          |            |            |



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|  |           |          |
|--|-----------|----------|
| Finder's fees payable                      | -         | -        |
| Shares issued for payment of finder's fees | -         | -        |
| Shares issued on exercise of options       | 204,070   | 74,379   |
| Contributed surplus                        | (204,070) | (74,379) |
|  | -----     | -----    |
|  | -         | -        |
|  | =====     | =====    |

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IMA EXPLORATION INC.  
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13. SUBSEQUENT EVENTS

- a) Subsequent to December 31, 2004, the Company:
- (i) granted 900,000 stock options for \$4.16 per share to its directors, employees and consultants for a period of five years; and
  - (ii) issued 1,663,517 common shares for \$4,267,345 on the exercises of stock options and warrants.
- b) Effective January 1, 2005, the Company engaged Grosso Group Management Ltd., ("Grosso Group") to provide services and facilities to the Company. As of April 21, 2005, a formal agreement among the Company and the Grosso Group has not been finalized. Until such time as the formal agreement has been finalized, the Company and the Grosso Group intend to work under the terms of the proposed Administration Services Agreement by and among the Company and the Grosso Group. It is anticipated that the formal agreement will have an effective date of January 1, 2005. The Grosso Group is a private company which will be owned by the Company, Golden Arrow, Amera and Gold Point Exploration Ltd., each of which will own one share. The Grosso Group will provide its shareholder companies with geological, corporate development, administrative and management services.

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IMA EXPLORATION INC.  
 MANAGEMENT DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

INTRODUCTION

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The following management discussion and analysis and financial review, prepared as of April 21, 2005, should be read in conjunction with the Company's consolidated financial statements and related notes. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Except as otherwise disclosed all dollar figures in this report are stated in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### FORWARD LOOKING STATEMENTS

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

### OVERVIEW

The Company is a natural resource company engaged in the business of acquisition, exploration and development of mineral properties in Argentina. At present, the Company has no producing properties and consequently has no current operating income or cash flow. As of this date the Company is an exploration stage company and has not generated any revenues. The Company is entirely dependent on the equity market for its source of funds. There is no assurance that a commercially viable mineral deposit exists on any of the properties. Further evaluation and exploration will be required before the economic viability of any of the properties is determined.

During the year ended December 31, 2004 the Company completed its reorganization, which had the effect of transferring all the non-Navidad mineral properties and related assets to a new corporation, Golden Arrow Resources Corporation ("Golden Arrow"). The reorganization allowed the Company to focus all its efforts and resources on the Navidad project located in Chubut Province, Argentina. A Phase I drilling program commenced in November 2003 and continued into March 2004. Phase II commenced in May 2004 and was completed in September 2004. Phase III commenced in November 2004 and is ongoing. These drilling programs have returned excellent results. In March 2005 the Company engaged the services of Augusto Baertl of Lima Peru to determine the economic feasibility of the Navidad Project, through a contract with Mr. Baertl's company, Gestora de Negocios e Inversiones SA. The Company expects that, with Mr. Baertl's assistance, a pre-feasibility study will be undertaken as a first step in the determination of the economic viability of Navidad. Mr. Baertl's mandate is a continuing one whose objective is ultimately the achievement of commercial production.

In March 2004 Aquiline Resources Inc. ("Aquiline") commenced an action against the Company seeking a constructive trust over the Navidad properties and damages. The Company believes the Aquiline legal action is without merit and continues to vigorously defend itself. A trial date has been scheduled for October 2005. At this date the outcome is not determinable. The Company has not made any provision for costs for which it might become liable in what management considers the unlikely event of an adverse judgement.

### PROPERTIES UPDATE

All mineral properties held by the Company, with the exception of the Navidad property and the Navidad area properties discussed below, were transferred to Golden Arrow in July 2004 on completion of the Company's reorganization.

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NAVIDAD

On February 3, 2003 the Company announced the discovery of high-grade silver-lead-copper mineralization at its 100% owned 10,000 hectare (24,700 acres) Navidad property in north central Chubut Province, Argentina. A Phase I drilling program commenced in November, 2003 and was completed in late March 2004. A Phase II drill program commenced in late May 2004 and was completed in September 2004. Subsequent to completion of the Phase II program, a program of surface exploration including prospecting, geological mapping, ground geophysics and soil sampling was commenced. A Phase III drilling program commenced in November 2004 and, other than a break for Christmas, drilling continued to March 7, 2005. Subsequently the Company has announced that the Phase III program budget has been increased to include an additional 10,000 metres of drilling and drilling will resume in mid April 2005. In addition to its active exploration program, the Company has an ongoing program of environmental baseline data collection in the project area.

On May 25, 2004 the Company announced results of a resource estimation carried out for the Galena Hill deposit and portions of the adjacent connector zone by Snowden Mining Consultants Inc. The resource estimation for the Galena Hill deposit, the first systematically drilled target on the Navidad property, outlined an Indicated Resource of 207 million ounces of silver and 1.1 million tonnes of lead at a 50 g/t silver equivalent cut-off grade (63.6 M tonnes at 101 g/t Silver and 1.76% lead). This resource includes a higher-grade core containing 117 million ounces of silver and 495,047 tonnes of lead at a 300 g/t silver equivalent cut-off grade (13.2 M tonnes at 277 g/t silver and 3.76% lead). Inferred Resources at Galena Hill total 36 million ounces of silver and 56,776 tonnes of lead at a 50 g/t silver equivalent cut-off grade (16.9 M tonnes at 67 g/t silver and 0.3% lead).

Subsequent to the Phase II drill program, on December 1, 2004, the Company announced the results of an updated resource estimate by Snowden Mining Industry Consultants Inc. including the Navidad Hill and Connector Zone deposits. This increased the overall project Indicated Resources by 61 million ounces of contained silver using a 50 g/t silver equivalent cut-off grade. Resources estimated to date on the project are presented in the table below.

|                | TONNES<br>(m) | SILVER<br>(g/t) | SILVER<br>(oz/t) | LEAD<br>(%) | CONTAINED<br>SILVER<br>(million<br>ounces) | CONTAINED<br>LEAD<br>(1,000<br>tonnes) |
|----------------|---------------|-----------------|------------------|-------------|--|--|
| -----          |               |                 |                  |             |  |  |
| GALENA HILL    |               |                 |                  |             |  |  |
| Indicated      | 63.6          | 101             | 2.95             | 1.76        | 207  | 1,118                                  |
| Inferred       | 5.8           | 43              | 1.26             | 0.56        | 8  | 33                                     |
| -----          |               |                 |                  |             |  |  |
| NAVIDAD HILL   |               |                 |                  |             |  |  |
| Indicated      | 15.2          | 115             | 3.36             | 0.35        | 56   | 52                                     |
| Inferred       | 3.4           | 97              | 2.83             | 0.74        | 11   | 25                                     |
| -----          |               |                 |                  |             |  |  |
| CONNECTOR ZONE |               |                 |                  |             |  |  |
| Indicated      | 2.1           | 74              | 2.16             | 0.27        | 5  | 6                                      |
| Inferred       | 6.5           | 100             | 2.92             | 0.20        | 21   | 13                                     |
| -----          |               |                 |                  |             |  |  |

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PROJECT TOTAL  
RESOURCES

|           |      |     |      |      |     |       |
|-----------|------|-----|------|------|-----|-------|
| Indicated | 80.8 | 103 | 3.01 | 1.45 | 268 | 1,176 |
| Inferred  | 15.7 | 78  | 2.28 | 0.45 | 39  | 71    |

\* Estimated using a 50 g/t silver equivalent cut-off grade

Detailed review of the geological interpretation and block model shows that the Navidad Hill deposit and the Connector Zone remain open and insufficiently drill tested in several areas. The Phase III drill program currently underway will more fully test the boundaries of the Navidad Hill zone, with the intent to increase the Indicated Resource at Navidad Hill and the Connector Zone.

The Phase I drill program at Navidad comprised 8,859.6 metres in 53 holes, 37 of which were drilled on Galena Hill. Phase II drilling comprised 9,596.5 metres of diamond core drilling in 67 holes. Drilling in the Phase II program focused on the Esperanza Trend, the Barite Hill target, and on the Navidad Hill and Connector Zone targets. Phase III drilling to date has comprised 9,526.2 metres in 54 holes for a project total of 27,982.3 metres in 174 holes. Results from the Phase III drilling have been described in news releases dated January 13, March 4 and March 22, 2005. The Phase III drill program has focussed on drilling in the Calcite Hill area and expansion and infill drilling on the Navidad Hill and Connector Zone areas.

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Galena Hill

The Galena Hill Deposit is hosted primarily within gently dipping trachyandesitic volcanic breccias with a matrix of galena, pyrite, calcite, and barite. These breccias are interpreted to have formed primarily by multiple hydrothermal fluid pulses. Calcareous mudstones overlie the mineralized volcanic breccias; these generally contain significant silver, lead and zinc values within one to five metres of the volcanic-mudstone contact. Sulphides occur in the mudstone both as crosscutting veinlets and as strataform beds suggesting a syn-depositional timing for the mineralization event. The Galena Hill deposit measures approximately 450 by 500 metres in plan view (at 50 g/t AgEq cut-off) and is up to 125 metres thick in its centre. A total of 39 drillholes have been completed to date to delineate the Galena Hill resource. Highlights from Phase I drilling on Galena Hill include 115 metres of 497 g/t silver and 5.71% lead in Drill Hole 14 and 63.0 metres of 418.4 g/t silver, including 20.6m of 703.0 g/t silver, in Drill Hole 22.

Navidad Hill

A total of 53 drill holes have been completed to date at Navidad Hill. In addition to the structurally controlled mineralization located on top of Navidad Hill, near-surface stratigraphically controlled silver mineralization has now been identified along the southwest and southeast flanks of Navidad Hill.

Intercepts of structurally controlled, near vertical mineralized bodies on the top of Navidad Hill include hole NV04-110 which intersected 61.5 metres of 128 grams per tonne silver, including 5.34 metres of 1,006 grams per tonne silver.

Highlights of stratigraphically-controlled mineralization on the western flank of the Navidad volcanic dome include the exceptional intercept from Drill Hole NV04-90 that returned 35.8 metres of 2,850 grams per tonne (83.2 ounces per ton)

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silver including 7.3 metres of 11,995 grams per tonne (350.3 ounces per ton) silver starting from 16.5 metres depth. Drill Hole 90 was drilled at an inclination of -45(degree) towards the northeast on the western flank of Navidad Hill, approximately 275 metres northwest of Drill Holes 1 and 2 and in an area of little or no outcrop. Bonanza-grade mineralization in Drill Hole 90 contains semi-massive silver-copper-lead sulphides and/or sulphosalts. In several locations native silver occurs as fine veinlets and grains up to 5 millimetres in size. Further intercepts in the area include 28.15 metres of 1,115 grams per tonne silver (32.6 ounces per ton) including 5.97 metres of 4,579 grams per tonne (133.7 ounces per ton) in Drill Hole 117 and 58.68 metres of 208 grams per tonne silver (6.1 ounces per ton) in Drill Hole 112.

Phase III drilling in the area of Drill Hole 90 included Drill Holes 139 to 142 which were completed to provide more detailed information on this zone of very high-grade silver mineralization. Of these, Drill Holes 139 (17.8 metres of 1,037 g/t silver) and 142 (34.5 metres of 1,220 g/t silver) intersected significantly higher grade than that predicted by the Snowden resource block model. Drill Holes 157 to 161 were collared along the southern boundary of the known resource at Navidad Hill and demonstrate that mineralization continues beyond the limits of the Indicated portion of current resource estimation.

### Connector Zone

At the Connector Zone 24 drill holes have been completed to date. Drilling has demonstrated that both structurally and stratigraphically controlled high-grade silver mineralization occurs in this area, as at Navidad Hill. In the northwestern part of the Connector Zone (Drill Holes 40, 68, 105, 106, and 107), the control on mineralization appears to be stratigraphic with the mineralization occurring in the same stratigraphic position as at the Galena Hill deposit and on the flank of Navidad Hill (Drill Hole 90). Highlights from this mineralization style include 46.7 metres of 334 grams per tonne silver from hole 107 and 13.3 metres of 545 grams per tonne silver from hole 105. In the southeastern Connector Zone (Drill Holes 32, 86, 87, 108, 131, 153, 154, 155, and 156), the controls on mineralization and the stratigraphic correlations are less clear. Drill Hole 108 was drilled towards the east to cross a northerly trending structural zone partially exposed on surface and intersected an impressive 485 grams per tonne silver over 39.0 metres.

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Phase III drilling at the Connector Zone (holes 153-156) has intersected silver mineralization over long intervals outside of the current Indicated Resource. Results include 88.8 metres of 107 g/t silver in Drill Hole 153 and 28.8m of 148 g/t silver in Drill Hole 154; both intercepts start at surface. Mineralization in Drill Holes 153 and 154 is open to expansion to the north and northwest. Both step-out and infill drilling is required in this area and an updated resource estimate will be undertaken when this is completed.

### Calcite Hill

Near the end of the Phase II program a single hole, NV04-88, was drilled to test favourable stratigraphy on the edge of Calcite Hill in an area where there are few indications of mineralization or geochemical anomalies at surface. The hole intersected 72.3 metres averaging 202 grams per tonne silver and 3.45% lead from 70.3 to 142.6 metres depth and included a higher-grade interval containing 12.4 metres averaging 672 grams per tonne silver. Drill Holes 88 was located approximately 400 metres west of the nearest holes on Navidad Hill. The major Calcite Hill silver-lead soil anomaly is located a further 340 metres to the

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northwest of Drill Hole 88. The mineralization in NV04-88 comprises galena, calcite and barite with minor amounts of native silver and argentite-acanthite (native silver had not been observed in any of the drill core from the Navidad Project prior to Drill Hole 88).

Phase III drilling has now defined a mineralized zone approximately 275 metres long by 100 metres wide by 50 to 120 metres deep at Calcite Hill. Highlights from Phase III drilling at Calcite Hill include: 122.6 metres of 195 g/t silver in Drill Hole 124; 196.1 metres of 113 g/t silver in Drill Hole 126; 123.6 metres of 139 g/t silver in Drill Hole 138; 46.6 metres of 300 g/t silver including 10.3 metres of 1,257 g/t silver in Drill Hole 143; 83.0 metres of 209 g/t silver in Drill Hole 148; and 80.2 metres of 246 g/t silver including 25.3m of 476 g/t silver in Drill Hole 151.

Mineralization encountered to date at Calcite Hill is predominantly hosted within trachyandesite volcanic rock and to a lesser degree within mudstone which overlies the volcanic rock. The volumetrically most important style of mineralization consists of calcite-barite veinlets and breccias with argentite-acanthite, native silver and lesser galena and chalcopyrite. In general, this style of mineralization contains high silver grades with minor amounts of lead and copper. In the upper portions of the host volcanic unit, and in the overlying mudstone, mineralization tends to be lead-rich and consists predominantly of medium-grained galena with moderate silver values. The Calcite Hill soil anomaly extends for 1.4 km to the northwest of current drilling. A resource estimate has not yet been done for Calcite Hill.

### Esperanza Trend

A total of 10 drill holes have been completed to date in two areas along the 6 kilometre Esperanza Trend. Highlights include 2.7 metres of 831 grams per tonne silver in Drill Hole 62 and 2.6 metres of 513 grams per tonne silver in Drill Hole 79. Interestingly, Drill Hole 79 shows signs of the mineralization being stratigraphically rather than structurally controlled as had been interpreted to date in this area. Drill Hole 63 intersected 45.8 metres of 94 grams per tonne silver, including 4.0 metres of 246 grams per tonne silver, 800 metres to the northwest. In the same area, Drill Hole 82 intersected 54.6 metres of 64 grams per tonne silver, including 26.1 metres of 106 grams per tonne silver and also 6.0 metres of 140 grams per tonne silver. These results confirm the high grades and potential for a significant structurally and/or stratigraphically controlled zone at Esperanza. Significantly more drilling will be required to evaluate the 6-kilometre Esperanza Trend.

### Barite Hill

A total of 8 holes were completed at Barite Hill in Phase II. Although many of these holes contain significant near surface intersections of galena matrix breccia similar in style to that at Galena Hill, they have generally lower silver and lead values. The most significant intercept was from Drill Hole NV04-76 that cut 22.1 metres of galena matrix breccia averaging 34 grams per tonne silver and 0.63% lead in the upper part of the hole and then intersected a different style of mineralization deeper in the hole that contained 21.7 metres of 88 grams per tonne silver including 8.4 metres of 191 grams per tonne silver. This deeper mineralization is associated with calcite veining within a fine-grained muddy sedimentary rock and is characterized by high silver to base metal ratios.

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### Loma de la Plata

The surface exploration program launched September 2004 resulted in the discovery of the Loma de la Plata Zone, approximately 4 kilometres west of the Galena Hill deposit, through grid soil sampling. At Loma de la Plata, an area of approximately 400 x 400 metres has been systematically sampled with twelve lines of continuous and semi-continuous channel samples; these sample lines range in length from 12.5 to 135.9 metres. Highlights of channel samples include:

|             |                                |
|-------------|--------------------------------|
| Line LP-1:  | 40.1 metres of 740 g/t silver  |
| Line LP-3:  | 42.9 metres of 684 g/t silver  |
| Line LP-4:  | 135.9 metres of 159 g/t silver |
| Line LP-7:  | 48.5 metres of 315 g/t silver  |
| Line LP-2:  | 103.3 metres of 290 g/t silver |
| Line LP-9:  | 49.5 metres of 410 g/t silver  |
| Line LP-10: | 56.0 metres of 452 g/t silver  |

The Loma de la Plata zone is hosted within quartz-eye phyric trachyandesite volcanic rocks that dip to the northeast at 15 to 45 degrees. Mineralization occurs in micro-veinlets and breccia zones and consists primarily of minor galena and copper oxides with common native silver. Preliminary geological assessment indicates that the zone is hosted by a similar sequence of volcanic and sedimentary rocks, in a similar stratigraphic position, to those that host the Galena Hill deposit. The possibility of leaching, or alternatively concentration, of silver values at or near surface cannot be determined from the data available and drilling will be required to constrain this. No drilling has been carried out on the Loma de la Plata zone to date.

### Sector Zeta

At Sector Zeta, approximately 5 kilometres west of the Galena Hill Deposit, seven sample lines ranging in length from 6.7 to 60.0 metres have been completed covering an area of approximately 80 by 100 metres. Highlights of the Sector Zeta results include:

|           |  |
|-----------|--|
| Line Z-5: | 8.0 metres of 105 g/t Silver and 1.14% Copper  |
| Line Z-6: | 12.0 metres of 112 g/t Silver and 1.13% Copper |
| Line Z-7: | 12.0 metres of 133 g/t Silver and 3.27% Copper |

Mineralization at Sector Zeta predominantly consists of green copper oxides within argillicly altered latite volcanic rocks that are often brecciated. The Company's geologists interpret that the volcanic rocks which host mineralization here are part of the same volcanic unit that hosts mineralization at Galena and Navidad Hills and also at Loma de la Plata. At present, the orientation of the mineralized zone at Sector Zeta is unknown; drill data will be needed to unambiguously define the geometry and size of the mineralization. The possibility of leaching, or alternatively, concentration of silver and copper values at or near surface, particularly at Sector Zeta in the case of copper, cannot be determined from the data available to date and drilling will be required; no drilling has been carried out in the Sector Zeta area.

### Argenta Trend

On January 21, 2005 the Company released the results from a large expansion to the soil sample grid and follow-up prospecting which uncovered a series of new mineralized zones to the southeast of Loma de la Plata. The newly named "Argenta Trend" includes Sector Zeta and Loma de la Plata and extends approximately six kilometres to the southeast, parallel with the Esperanza and Navidad Trends.

A total of 1,366 new soil samples (including blanks and duplicates) were collected at 50 metre intervals on lines spaced 200 metres apart and cover an

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area of over 1,300 hectares to the south of the previous grid. The Argenta Trend is highlighted by anomalous silver, lead and zinc values with subordinate and sporadic anomalous copper. Prospecting and geological mapping along the Argenta Trend has found several new zones of silver-lead, lead-silver, and silver-copper mineralization. Results have been reported for 32 rock chip and grab samples which range from below detection to high-grade silver, lead, and copper.

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Highlights include eight samples containing over 100 g/t silver (up to 290 g/t silver), ten samples with over 10% lead (up to 29.7% lead), and two samples with over 1% copper (up to 1.42%).

### NAVIDAD AREA PROPERTIES

The Company has 18 exploration properties in Chubut Province in addition to Navidad, several of which are the subject of joint venture agreements.

#### Regalo

Work by Consolidated Pacific Bay Minerals Ltd. ("Pacific Bay") on the Regalo Property, currently under option from the Company, has identified highly anomalous gold in soils and silt samples over a large area. In Pacific Bay's January 12, 2005 news release, they report that in one zone, "Yastekt South", the strong gold anomalies are consistent over almost one square kilometre. The Yastekt South anomaly comprises 98 soil analyses that average 299 ppb gold. Normal, "background" gold values in the area are less than 5 ppb. Two of the 98 soil analyses returned values in excess of 3 grams per tonne gold. Pacific Bay is exploring the property for epithermal gold deposits and is planning to carry out a trenching program on the property in the near future.

Other parties to the joint venture agreements in the Navidad area have agreed not to seek TSXV approval for the agreements until certain legal and political uncertainties can be resolved. Accordingly the Company did not complete the terms of the agreements in 2004.

### SELECTED ANNUAL FINANCIAL INFORMATION

The following selected consolidated financial information is derived from the audited consolidated financial statements and notes thereto. The information has been prepared in accordance with Canadian GAAP.

|                                     | YEARS ENDED DECEMBER 31, |            |           |
|-------------------------------------|--------------------------|------------|-----------|
|                                     | 2004                     | 2003       | 2002      |
|                                     | \$                       | \$         | \$        |
| Total Assets                        | 12,221,856               | 13,419,876 | 8,636,895 |
| Long Term Financial Liabilities     | Nil                      | Nil        | Nil       |
| Total Revenues                      | Nil                      | Nil        | Nil       |
| General and Administrative Expenses | 4,312,616                | 2,503,041  | 509,980   |



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|   |             |             |             |
|---|-------------|-------------|-------------|
| Loss from Continuing Operations                     | (4,523,831) | (2,449,243) | (485,331)   |
| Loss per Common Share from<br>Continuing Operations | (0.11)      | (0.08)      | (0.02)      |
| Loss allocated to Spin-Off Assets                   | (131,232)   | (969,175)   | (954,775)   |
| Net Loss  | (4,655,063) | (3,418,418) | (1,440,106) |
| Net Loss per Common Share Basic<br>and Diluted      | (0.11)      | (0.11)      | (0.06)      |

Total assets decreased \$1,198,021 from December 31, 2004 and 2003 as a result of the transfer of assets to Golden Arrow offset by corresponding increases in the Company's cash balance and in the Navidad property carrying value. The increase between 2003 and 2002 was a result of the increase in the Company's cash balance and property additions. General and administrative expenses have increased due to the increases in the activity level related to continued exploration at the Navidad project and the necessary support required.

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SELECTED QUARTERLY FINANCIAL INFORMATION

The following selected consolidated financial information is derived from the unaudited consolidated interim financial statements of the Company. The information has been prepared in accordance with Canadian GAAP.

|  | 2004        |           |           |             | DEC. 31     | S  |
|--|-------------|-----------|-----------|-------------|-------------|----|
|  | DEC. 31     | SEP. 3    | JUN. 30   | MAR. 31     |             |    |
|  | \$          | \$        | \$        | \$          | \$          |    |
| Revenues   | Nil         | Nil       | Nil       | Nil         | Nil         |    |
| Loss from Continuing<br>Operations                     | (1,164,504) | (492,562) | (466,021) | (2,400,744) | (1,436,078) | (5 |
| Loss per Common Share<br>from Continuing<br>Operations | (0.03)      | (0.01)    | (0.01)    | (0.06)      | (0.04)      |    |
| Income (Loss)<br>Allocated to<br>Spin-off Assets       | Nil         | (Nil)     | (355,252) | 224,020     | (702,420)   |    |
| Net Loss   | (1,164,955) | (492,562) | (821,273) | (2,176,273) | (2,138,498) | (5 |
| Net Loss per Common<br>Share Basic<br>and Diluted      | (0.02)      | (0.01)    | (0.02)    | (0.06)      | (0.07)      |    |

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In the quarter ended December 31, 2004 the Company recorded stock-based compensation of \$101,150 compared to \$1,141,415 in the comparable 2003 period. Legal costs were substantially greater in the current period compared to the previous year.

### SUMMARY OF FINANCIAL RESULTS

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

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

### RESULTS OF OPERATIONS

The Company's 2004 operating expenses were \$4,312,616 an increase of \$1,148,400 from the \$3,164,216 originally reported for 2003. \$661,175 of the 2003 operating expense has been reclassified as "Loss Allocated to Spin-Off Assets" which relate to the assets transferred to Golden Arrow. In 2004 \$131,232 was allocated to the Loss from Spin-Off Assets compared to \$969,175 in 2003. The allocation was calculated on the basis of the ratio of the specific assets transferred to assets retained. Certain "Other Income and Expense" items have been allocated to spin-off assets on the basis of the nature of the income or expense. In 2004 expenses increased as a result of increased activity at the Navidad project and the support required at the corporate office.

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

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In 2004 the Company recorded a gain of \$328,346 on the optioning of certain properties to other mining exploration companies (plus \$433,960 of gains relating to the Spin-Off Assets) compared to \$481,779 in total in 2003. In 2004 a write-down of \$99,762 (2003 - \$nil) for the carrying value of marketable

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securities was recognized. Reorganization costs of \$346,103 were recorded in 2004. An expense of \$195,285 for foreign exchange was recorded in 2004 compared to \$25,916 in 2003. The foreign exchange adjustment is as a result of the continued strength of the Canadian dollar compared to the US dollar in which the majority of the inter-company transactions are denominated; when the inter-company accounts are eliminated the difference is charged to foreign exchange. The Company wrote down the value of its mineral properties and deferred costs by \$776,626 in 2003. In 2004 there were no write offs of mineral properties and deferred costs. Interest and other income was \$101,589 in 2004, an increase of \$35,028 from 2003, primarily as a result of an increase of funds on deposit.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at December 31, 2004 was \$5,227,354, an increase of \$805,020 from December 31, 2003. Total assets decreased from \$13,419,876 at December 31, 2003 to \$12,221,856 at December 31, 2004. This decrease in assets resulted from the transfer of \$7,364,878 net assets to Golden Arrow on the reorganization of the Company offset by the increases in cash balance and Navidad carrying value. During the year ended December 31, 2004 the Company completed a brokered private placement for 1,500,000 units at \$3.10 per unit, for proceeds of \$4,238,763, net of \$339,000 agent's commission and \$72,237 of related issue costs.

In addition during 2004, options and warrants were exercised which resulted in cash proceeds of \$5,057,897 during the year. The Company paid \$107,544 to Golden Arrow from the exercise of warrants that resulted in the issue of Golden Arrow's shares as required by the terms of the reorganization.

The Company has received \$4,267,345 from the exercise of warrants and options from January 1 to April 21, 2005. As at April 21, 2005 the Company had working capital of approximately \$6,500,000.

The Company considers that it has adequate resources to maintain its ongoing operations but currently does not have sufficient working capital to fund all of its planned exploration and development work. The expanded work for Phase III of the Navidad project has been approved in the amount of \$2,000,000. The Company will continue to rely on successfully completing additional equity financing to further exploration and development of Navidad. There can be no assurance that the Company will be successful in obtaining the required financing. The failure to obtain such financing could result in the loss of or substantial dilution of its interest in its properties.

The Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the exploration programs.

Effective January 1, 2005, the Company engaged Grosso Group Management Ltd., ("Grosso Group") to provide services and facilities to the Company. As of April 21, 2005, a formal agreement among the Company and the Grosso Group has not been finalized. Until such time as the formal agreement has been finalized, the Company and the Grosso Group intend to work under the terms of the proposed Administration Services Agreement by and among the Company and the Grosso Group. This is not expected to result in a significant change to the Company's costs.

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

### OPERATING CASH FLOW

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Cash outflow from operating activities in 2004 was \$2,961,734, compared to cash outflow in 2003 of \$1,419,549 as a result of increases in activities.

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### FINANCING ACTIVITIES

In 2004 the Company received \$9,707,897 from the sale of common shares, less costs of \$411,237 and \$107,544 paid to Golden Arrow, compared to \$6,467,245, less costs of \$188,850, in 2003.

### INVESTING ACTIVITIES

Investing activities required cash of \$4,509,717 in 2004 (2003 - \$1,872,636), these investing activities were for additions to the Navidad properties in Argentina and \$93,650 (2003 - \$21,875) for equipment.

### RELATED PARTY TRANSACTIONS

During fiscal 2004, the Company paid \$476,226 (2003 - \$330,600; 2002 - \$136,276) to directors and officers or companies controlled by directors and officers of the Company, for accounting, management and consulting services provided. The Company has agreements with a company controlled by the wife of the President of the Company for the rental of office premises. During fiscal 2004, the Company paid \$74,870 (2003 - \$60,924; 2002 - \$60,924) for rent. The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President. The President is paid an annual amount of \$102,000. The contract also provides that, in the event the services are terminated without cause or upon a change in control of the Company, a termination payment would include a bonus of \$6,500 per month, retroactive to July 1, 1999, plus an additional three years of compensation at \$15,000 per month. If the termination had occurred on December 31, 2004, the amount under the agreement would be \$969,000.

### CRITICAL ACCOUNTING POLICIES

Reference should be made to the Company's significant accounting policies contained in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2004. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

### USE OF ESTIMATES

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

### MINERAL PROPERTIES AND DEFERRED COSTS

Consistent with the Company's accounting policy disclosed in Note 3 of the annual consolidated financial statements, direct costs related to the acquisition and exploration of mineral properties held or controlled by the

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Company have been capitalized on an individual property basis. For certain acquisitions and related payments for mineral property interests, the Company records a future income tax liability and a corresponding adjustment to the related asset carrying amount. It is the Company's policy to expense any exploration associated costs not related to specific projects or properties. 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 or its carrying value has been impaired, a provision is made for any expected loss on the project or property. In 2004 no impairment of long-lived assets was identified. In 2003 a write down of \$776,626 was recorded to reflect Barrick's notice that they would not be exercising their option on either of certain properties and allocated to the Loss from Spin-Off Assets.

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### FINANCIAL INSTRUMENTS

The Company's financial instruments consisting of cash and cash equivalents, amounts receivable, marketable securities and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of those instruments.

### RISK FACTORS

The Company's operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess.

**Metal Price Risk:** The Company's portfolio of properties have exposure to predominantly silver and lead. The prices of these metals, especially silver, greatly affect the value of the Company and the potential value of its properties and investments.

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

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

**Currency Risk:** Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect on the cash flows

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of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

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

**Title Risk:** 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.

### SHARE DATA INFORMATION

As of April 21, 2005 there were 45,479,724 common shares and 4,456,000 stock options outstanding.

### INVESTOR RELATIONS

The Company currently does not engage any outside investor relations consultant. Mr. Sean Hurd is the Company's Vice-President, Investor Relations and coordinates investor relations' activities.