

Edgar Filing: IMA EXPLORATION INC - Form 20-F

IMA EXPLORATION INC
Form 20-F
June 23, 2004

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, 2003
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, 2003.

36,381,452 COMMON SHARES AS OF DECEMBER 31, 2003

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

Edgar Filing: IMA EXPLORATION INC - Form 20-F

requirements for the past 90 days.

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

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

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

1

GENERAL INFORMATION:

UNLESS OTHERWISE INDICATED, ALL REFERENCES HEREIN ARE TO CANADIAN DOLLARS.

GLOSSARY OF TERMS

ARGILLIC ALTERATION: Development of secondary clay minerals by weathering or hydrothermal activity.

BRECCIA: A rock containing generally angular fragments of itself or some other rock.

CATEO: In Argentina, a cateo is an exploration concession granted for a period of up to 1,100 days. In areas where field work seasons are limited, only the available field season will be considered in determining the 1,100 days. A cateo gives the holder the exclusive right to explore the area, subject to certain pre-existing rights of owners of mines within the area and abutting owners of cateos. Through the process of exploration, the owner of the cateo may make and file "manifestations" of discovery (see below) and petition the mining authority for the granting of mines (see below). A cateo may be up to 10,000 hectares in size. A single legal person may not hold more than 20 cateos or 200,000 hectares of cateos in any one province. When the cateo is officially granted, a one time payment of about US \$0.35 (Pesos \$0.80) per hectare is required.

CLASTIC: Rock components consisting of fragments derived by mechanical erosion of pre-existing rocks.

COLOR ANOMALY: An atypical or unusual color pattern visible on air photos or satellite images of rock outcrop areas, often caused by hydrothermal alteration.

G/T: grams per tonne

HYDROTHERMAL ALTERATION: Those chemical and mineral changes resulting from the interaction of hot water solutions with pre-existing solid mineral phases.

INTRUSIVE ROCKS: A body of rock, that while fluid, penetrated into or between other rocks, but solidified before reaching the surface.

Edgar Filing: IMA EXPLORATION INC - Form 20-F

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
2	
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.

Edgar Filing: IMA EXPLORATION INC - Form 20-F

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 ₃ .
CHALCOPYRITE:	A sulfide mineral containing copper and iron.
FELDSPAR:	An aluminosilicate with variable amounts of potassium, sodium and calcium.
HORNBLENDE:	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.

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.

PART I

ITEM 1. DIRECTORS, SENIOR MANAGEMENT AND ADVISORS.

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. KEY INFORMATION.

SELECTED FINANCIAL DATA

The selected financial data of IMA Exploration Inc. (the "Company") for the

Edgar Filing: IMA EXPLORATION INC - Form 20-F

years ended December 31, 2003, 2002 and 2001 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, 2000 and 1999 are derived from the Company's audited consolidated financial statements, not included herein.

The information in the following table was extracted from the more detailed 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 10 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

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

	YEARS ENDED DECEMBER 31,			
	2003	2002	2001	2000
Revenue	\$0	\$0	\$0	\$0
General Corporate Expenditures	(2,937)	(1,278)	(836)	(1,066)
General Exploration Expenditures	(227)	(180)	(110)	(137)
Foreign Exchange Gain (Loss)	(26)	(8)	17	(9)

Edgar Filing: IMA EXPLORATION INC - Form 20-F

YEARS ENDED DECEMBER 31,

	2003	2002	2001	2000	
Interest and Miscellaneous Income	67	27	97	157	
Provision for Marketable Securities	-	-	(22)	(179)	
Gain (Loss) on Sale of Marketable Securities	-	-	(7)	-	
Write-off of Mineral Properties	(777)	-	(21)	(790)	
Net Income (Loss)	(3,418)	(1,440)	(882)	(2,024)	(1)
Earnings (Loss) per Share					
Basic	(0.11)	(0.06)	(0.06)	(0.17)	(0)
Diluted	(0.11)	(0.06)	(0.06)	(0.17)	(0)
Weighted Average Number of Shares Outstanding	32,252	23,188	15,104	11,939	7
Working Capital	4,747	1,431	733	1,435	1
Capital Assets	40	46	57	74	
Mineral Properties	6,884	5,848	4,581	3,282	2
Long-Term Debt	-	-	-	-	
Total Assets	12,098	7,432	5,487	4,980	3
Net Assets - Shareholder's Equity	11,671	7,324	5,372	4,790	3

6

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 10 of the accompanying consolidated audited financial statements):

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

	2003	2002	2001	2000	1999
CONSOLIDATED STATEMENT OF OPERATIONS					

Edgar Filing: IMA EXPLORATION INC - Form 20-F

Earnings (Loss) for the year under Canadian GAAP	\$ (3,418)	\$ (1,440)	\$ (882)	\$ (2,024)	\$ (1,740)
Mineral property and deferred exploration costs for the year	(1,813)	(1,267)	(1,321)	(1,989)	(780)
Mineral property and deferred exploration costs acquired from acquisition of IMPSA	-	-	-	-	(680)
Mineral property and deferred exploration costs written off during the year which would have been expensed in the year incurred	777	-	21	790	900
Stock-based compensation	(144)	(102)	-	-	-
Earnings (Loss) for the year under US GAAP before comprehensive income adjustments	\$ (4,598)	\$ (2,809)	\$ (2,181)	\$ (3,224)	\$ (3,110)
Unrealized gains on available-for-sale securities	434	55	-	-	(800)
Comprehensive Income (Loss)	\$ (4,164)	\$ (2,754)	\$ (2,181)	\$ (3,224)	\$ (3,190)
				7	
=====					
Earnings (Loss) per share under US GAAP	\$ (0.14)	\$ (0.12)	\$ (0.14)	\$ (0.26)	\$ (0.26)
Diluted Earnings (Loss) per share under US GAAP	\$ (0.14)	\$ (0.12)	\$ (0.14)	\$ (0.26)	\$ (0.26)
	2003	2002	2001	2000	1999

SHAREHOLDERS' EQUITY					
Balance per Canadian GAAP	\$11,671	\$7,324	\$5,372	\$4,790	\$3,400

Edgar Filing: IMA EXPLORATION INC - Form 20-F

Mineral property and deferred exploration costs expensed	(6,884)	(5,848)	(4,581)	(3,282)	(2,0
Accumulated other comprehensive income	489	54	-	-	
	\$5,277	\$1,530	\$790	\$1,508	\$1,3
Balance per US GAAP					
MINERAL PROPERTIES AND RELATED DEFERRED COSTS					
Balance per Canadian GAAP	\$6,884	\$5,848	\$4,581	\$3,282	\$2,0
Mineral Property exploration costs and expenses per US GAAP	\$(6,884)	\$(5,848)	\$(4,581)	\$(3,282)	\$(2,0
BALANCE PER US GAAP	\$-	\$-	\$-	\$-	

8

CONSOLIDATED STATEMENTS OF CASH FLOWS

OPERATING ACTIVITIES

Cash (used) provided per Canadian GAAP	\$(1,388)	\$(1,306)	\$(898)	\$(987)	\$(1,5
Mineral properties and deferred costs	(1,851)	(1,267)	(1,321)	(1,989)	(7
Mineral property and exploration expenditures - IMPSA	-	-	-	-	(6
Cash used per US GAAP	\$(3,238)	\$(2,573)	\$(2,219)	\$(2,976)	\$(3,0

INVESTING ACTIVITIES

Cash used per Canadian GAAP	\$(1,873)	\$(1,278)	\$(1,312)	\$(2,004)	\$(3
Mineral properties and deferred costs	1,851	1,267	1,321	1,989	7
Mineral property and exploration expenditures - IMPSA	-	-	-	-	6

Edgar Filing: IMA EXPLORATION INC - Form 20-F

Cash provided (used) per US GAAP	\$ (22)	\$ (11)	\$ 9	\$ (15)	\$ 1, 0
-------------------------------------	---------	---------	------	---------	---------

FINANCING ACTIVITIES

Cash provided per Canadian and US GAAP	\$ 6, 278	\$ 3, 264	\$ 1, 463	\$ 3, 380	\$ 2, 5
---	-----------	-----------	-----------	-----------	---------

See Note 10 of the Company's consolidated financial statements.

EXCHANGE RATE HISTORY

The noon rate of exchange on June 22, 2004, reported by the United States Federal Reserve Bank of New York for the conversion of Canadian dollars into United States dollars was CDN\$1.3592 (US\$0.7357 = CDN\$1.00).

9

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 May 31, 2004.

MONTH	HIGH	LOW
December 2003	0.7738	0.7460
January 2004	0.7880	0.7496
February 2004	0.7626	0.7439
March 2004	0.7645	0.7418
April 2004	0.7637	0.7293
May 2004	0.7364	0.7158

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

PERIOD	AVERAGE
January 1, 1999 - December 31, 1999	0.6731
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

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.

Edgar Filing: IMA EXPLORATION INC - Form 20-F

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, and will apply to the operations of Golden Arrow Resources Corporation ("Golden Arrow") in the event the arrangement is approved by the Company's shareholders (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 31, 2004 the Company had working capital of approximately \$7,600,000. 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 2004. See "Item 5. Operating and Financial Review and Prospects - Liquidity and Capital Resources".

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

ADDITIONAL FINANCING: The Company presently has sufficient financial resources to meet property commitments on its existing property holdings. The Company at present does not, however, have sufficient funds to conduct 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

10

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. It is the Company's intention to seek joint venture partners to provide funding for further work on any or all of those other properties. Joint ventures may involve significant risks and the Company may lose any investment it makes in a joint venture. Any investments, strategic alliances or related efforts are accompanied by risks such as:

1. the difficulty of identifying appropriate joint venture partners or opportunities;
2. the time the Company's senior management must spend negotiating agreements and monitoring joint venture activities;
3. the possibility that the Company may not be able to reach agreement on definitive agreements, with potential joint venture partners;
4. potential regulatory issues applicable to the mineral exploration business;
5. the investment of the Company's capital or properties and the loss of

Edgar Filing: IMA EXPLORATION INC - Form 20-F

- 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 but does not intend to construct or operate a mine.

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 and will 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. There can be no assurance that Golden Arrow will not be joined as a defendant in this action at some point in the future. 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

11

high of \$2.54 to a low of \$0.49 during the 12-month period ending December 31, 2003. There can be no assurance that continual fluctuations in price will not

Edgar Filing: IMA EXPLORATION INC - Form 20-F

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

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

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

Edgar Filing: IMA EXPLORATION INC - Form 20-F

- o \$10,000 medical expense coverage, per accident.

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

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.

12

Carlson provides his services to the Company through KGE Management Ltd. All of the Company's other officers and directors are employed directly by the Company. The Company has entered into consulting agreements with Oxbow and KGE Management Ltd. The Company has entered into an employment agreement with Arthur Lang. The Company does not maintain "key-man" insurance in respect of any of its principals.

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

FOREIGN COUNTRIES AND REGULATORY REQUIREMENTS: The projects in which the Company has an interest are located in Argentina and Peru. Mineral exploration and mining activities in Argentina and Peru 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 and Peru as developing countries 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. Both the Argentine and Peruvian economies have experienced recessions in recent years and there can be no assurance that their economies

Edgar Filing: IMA EXPLORATION INC - Form 20-F

will recover from such recessions.

As a result of the Provincial and Municipal elections in Peru held in November 2002 and the substantial investment required to advance the Rio Tabaconas project through the next exploration stage, in June 2002 the Company announced its intention to take a more measured approach to exploration on the Rio Tabaconas project to ensure that all local cultural, developmental and environmental concerns in the region have been addressed which may pertain to mining activities. The Company intends to conduct further exploration only after an agreement with the local community of Tamborapa has been finalized and a Social License to continue has been obtained. Aided by several local, national and international Peruvian Social-Economic consultants, a Company-Community plan has been prepared and the Company has made its social-economic policies and procedures available to the public.

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 and Peru.

13

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 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

Edgar Filing: IMA EXPLORATION INC - Form 20-F

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.

PERU

MINING INDUSTRY

Peru has a lengthy history of mining activities that predates the Spanish conquistadors. Although political unrest and instability have slowed the development of some of Peru's ore bodies in recent years, mining continues to be an important contributor to the national economy and exploration by foreign companies is accelerating due to the

14

abundance of mineral sources. Peru is already a substantial producer of at least six metals and may have unexplored and unexploited reserves in these and other metals. Peru ranks among the top 20 gold producing nations, and the newly expanded Yanacocha mine is Latin America's largest single gold producer and Antamina is the world's largest zinc and copper mine.

MINERAL CONCESSIONS IN PERU

Under Peruvian law the right to explore for and exploit minerals is granted by way of concessions. A Peruvian mining concession is a property-related right, distinct and independent from the ownership of land on which it is located, even when both belong to the same person. The rights granted by a mining concession are defensible against third parties, transferable, chargeable and in general,

Edgar Filing: IMA EXPLORATION INC - Form 20-F

may be the subject of any transaction or contract. The basic unit for newly claimed mining concessions is 1,000 hectares and existing concessions of greater than 1,000 hectares will be reduced to that amount. Otherwise, concessions can only be divided by percentage parts or shares. Buildings and other permanent structures used in a mining operation are considered real property and as an accessory to the concession on which they are situated.

The concession holder must pay an annual rental of US\$3.00 per hectare (except for the year of acquisition, as this rental is paid as part of the concession application fee). The concession holder must sustain a minimum level of annual commercial production of greater than US\$100 per hectare in gross sales within six years of the grant of the concession or, if the concession has not been put into production within that period, from the seventh year, a penalty is due of US\$6.00 per hectare per year in addition to the annual rental. The concession will terminate if the annual rental is not paid for two consecutive or alternative years. The term of a concession is indefinite provided it is properly maintained by payment of rental duties.

The Constitution of Peru provides that foreign people or countries cannot acquire or own a land title or mining right, directly or indirectly, if such land title or mining right is located within 50 kilometers of Peru's borders. The government of Peru is permitted to grant an exemption by publishing an official statement declaring a public necessity, called a Decreto Supremo. The Decreto Supremo must be signed by the President of Peru and the Presidential Cabinet, called the Consejo de Ministros.

The Company's Rio Tabaconas project was declared of public interest on June 1, 1998, by Decreto Supremo No. 020-98-EM, in benefit of Minera IMP Peru S.A. Pursuant to Decreto Supremo No. 020-98-EM, Minera IMP Peru S.A. was authorized to own the mining rights inside of the project. Decreto Supremo No. 020-98-EM was signed by the then President of Peru, Mr. Alberto Fujimori and his Presidential Cabinet.

Many commercial activities performed by private companies are subject to some government inspection or control, including mining, which requires prior government permission, licensing or concession, and compliance with special registration procedures of the Department of Energy and Mines.

TERRORISM

Peru has been the subject of terrorism by the Sendero Luminoso, a Maoist group intent on creating a socialist government, and the Tupac Amaru Revolutionary Movement (the "MRTA"). In recent years both groups have been active. In 1997, the Sendero Luminoso was implicated in a car-bombing. In 1996-1997, more than 400 people were killed when the MRTA attacked the Japanese embassy in Peru. The Company may not be able to continue its operations in Peru if the terrorism continues. The Company cannot predict if, or when, the terrorist activities will cease. The Company may not be able to find suitable labor for its Peruvian projects, may have difficulty in obtaining financing for its Peruvian projects, and may not be able to continue its activities if the terrorism continues.

ENVIRONMENTAL REGULATIONS: The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. At present, the Company does not believe that compliance with environmental legislation and regulations will have a material affect on the Company's operations; however, any changes in environmental legislation or regulations, or in the Company's business, may cause

compliance with such legislation and/or regulation to have a material impact on the Company's operations. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to ensure that it complies fully with all environmental regulations relating to its operations in Argentina and Peru.

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 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, Peru and Canada make it subject to foreign currency fluctuations and such fluctuation may adversely affect the Company's financial position and results. The Company's property, option and mining expenses are generally 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. Until the beginning of 2004, the Canadian dollar has experienced an appreciation against the U.S. dollar, which requires the Company to spend less Canadian dollars on its projects. 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 or Peruvian currencies. 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.

In addition, it is anticipated that Golden Arrow's shares, if traded in the United States, will trade at less than US\$5.00 per share and will be subject to

Edgar Filing: IMA EXPLORATION INC - Form 20-F

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

16

ENFORCEMENT OF LEGAL PROCESS: It may be difficult to bring and enforce suits against the Company and Golden Arrow. The Company and Golden Arrow are corporations incorporated in British Columbia. None of the Company's nor Golden Arrow'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 and Golden Arrow's common shares to effect service of process on these persons within the United States or to enforce judgements obtained in the U.S. based on the civil liability provisions of the U.S. federal securities laws against the Company, Golden Arrow 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, Golden Arrow 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, Golden Arrow or their officers or directors predicated upon the U.S. federal securities laws or other laws of the United States.

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

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

Edgar Filing: IMA EXPLORATION INC - Form 20-F

- 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.

LACK OF PUBLIC MARKET IN THE UNITED STATES: In the event the arrangement is consummated, management does not believe there will be a public market for the Golden Arrow common shares in the United States. See "Item 4. Information on the Company - History and Development of the Company." Management anticipates that Golden Arrow will seek to have its common shares quoted on the Over-The-Counter Bulletin Board following completion of the Arrangement; however, there are no assurances as to if, or when, the Golden Arrow common shares will be quoted on the Over-The-Counter Bulletin Board. Consequently, Golden Arrow shareholders may not be able to use their shares for collateral or loans and may not be able to liquidate at a suitable price in the event of an emergency. In addition, Golden Arrow shareholders may not be able to resell their shares in the United States and may have to hold them indefinitely.

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

17

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

Edgar Filing: IMA EXPLORATION INC - Form 20-F

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 (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.

Edgar Filing: IMA EXPLORATION INC - Form 20-F

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

18

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

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

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

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

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

In August 1999, the Company completed a private placement with Barrick Gold Corporation ("Barrick"). Barrick was granted an option to earn an interest in either the Potrerillos or Rio de Taguas property. The funds were spent on the drilling program on the Potrerillos property. 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

Edgar Filing: IMA EXPLORATION INC - Form 20-F

"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 will have the result of dividing its present mineral resource assets between two separate public companies. Upon implementation of the corporate reorganization, the Company will 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") will continue 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") will be transferred to Golden Arrow, a new public company formed to effect

19

the reorganization. These two separate public companies will be owned by the existing shareholders of the Company and each will have a separate focus. Golden Arrow will be committed to grass roots exploration while the Company will retain the Navidad project and focus 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 remaining projects outside of Navidad will be held by Golden Arrow which will initially have the same board of directors as the Company, and it is intended that Golden Arrow will initially be managed by the same management team as the Company. Golden Arrow will then be able to focus on grass root exploration for economic mineral discoveries. Management believes the markets will then be able to fairly value these exploration assets.

The common shares of Golden Arrow will be distributed to shareholders of the Company in proportion to their present shareholdings in the Company and on the basis of one Golden Arrow share for every 10 shares of the Company held. The reorganization is 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.

The reorganization will be implemented by a Plan of Arrangement under the BCBCA. Once the Company's shareholders and optionholders have approved the Plan of Arrangement, the Supreme Court of the Province of British Columbia will be requested to grant its final approval.

Edgar Filing: IMA EXPLORATION INC - Form 20-F

The following is a summary of the steps necessary to effect the arrangement, in the sequence they will occur, and which will occur on the effective date without any action on the part of the securityholders:

- (a) the Company's authorized share structure shall be amended by:
 - (i) altering the name of the 100,000,000 common shares without par value to be 100,000,000 Class A Common shares without par value; and
 - (ii) creating the following two new classes of shares:
 - (A) an unlimited number of common shares without par value; and
 - (B) an unlimited number of special shares without par value;
- (b) Golden Arrow's authorized share structure shall be amended by creating a new class of shares consisting of an unlimited number of preferred shares without par value having the rights and restrictions set out in Golden Arrow's Articles;
- (c) Each common share of the Company issued and outstanding on the effective date (other than shares held by dissenting shareholders) will be exchanged for one new common share of the Company and one-tenth of one special share of the Company;
- (d) The common shares of the Company exchanged for the new common shares of the Company and the Company's special shares shall be cancelled;
- (e) IMA Holdings Corp. will transfer to the Company, with good and marketable title free and clear of all encumbrances, all of the shares of Inversiones Mineras Argentinas Holdings (BVI) Inc., IMPSA BVI Inc. and IMPSA Resources Corporation held by it. As consideration for such shares transferred to the Company, the Company will reduce the debt owed to it by IMA Holdings Corp. by an amount equal to the fair market value of such shares;
- (f) Each holder of the Company's special shares will transfer, with good and marketable title free and clear of all encumbrances, all such shares to Golden Arrow. As consideration for the Company's special shares transferred to it, Golden Arrow will issue to such holders, Golden Arrow common shares on the basis of one Golden Arrow common share for every one whole special share of the Company held by a respective holder;
- (g) the Company will sell and transfer the Transferred Assets to Golden Arrow in consideration for the issuance by Golden Arrow of 1,000,000 Golden Arrow preferred shares having a collective fair

20

market value equal to an amount determined by the Company's board of directors as of the effective date as being equal to the fair market value of the assets being transferred to Golden Arrow;

- (h) The Company will purchase for cancellation the Company's special shares held by Golden Arrow in consideration for the issuance by the Company to Golden Arrow of a promissory note from the Company having a principal amount and fair market value equal to the aggregate fair market value of the Company's special shares purchased for cancellation (the "IMA Note");
- (i) The authorized share structure of the Company shall be amended by eliminating the 100,000,000 Class A common shares without par value

Edgar Filing: IMA EXPLORATION INC - Form 20-F

and the unlimited special shares without par value, none of which will then be issued;

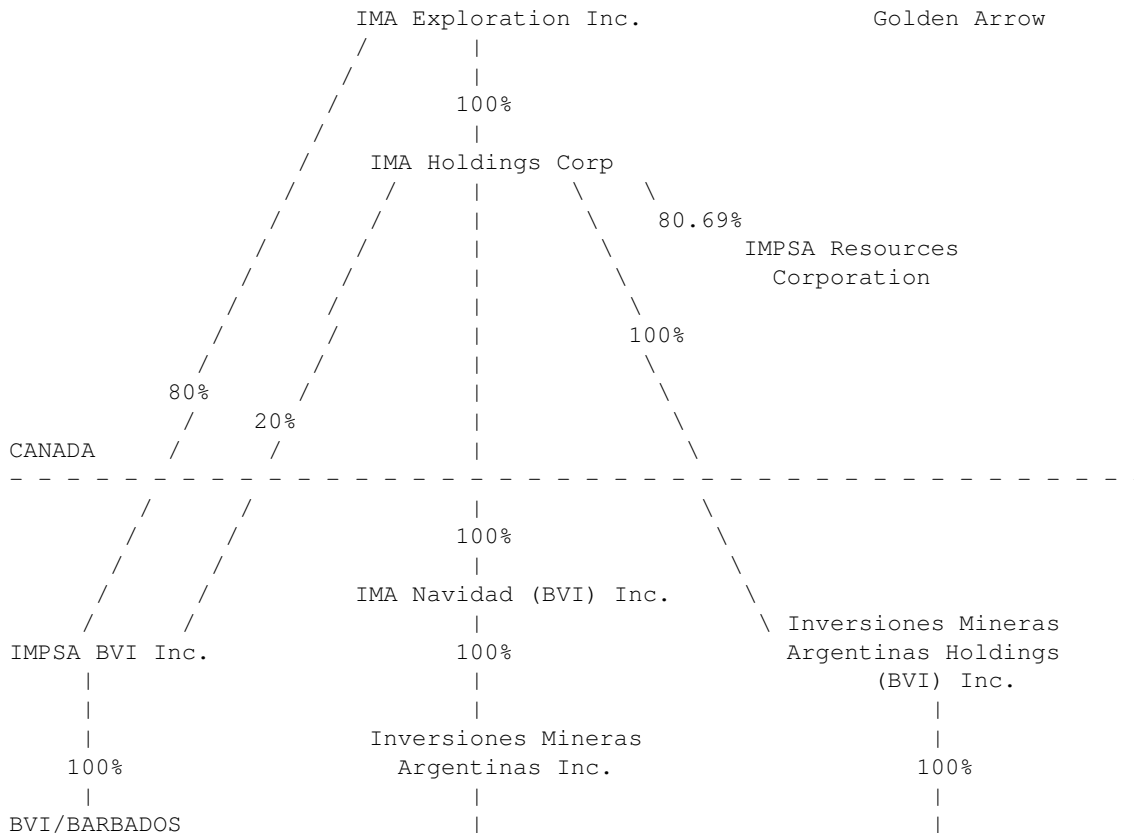
- (j) Golden Arrow will purchase for cancellation the Golden Arrow preferred shares held by the Company in consideration for the issuance by Golden Arrow to the Company of a promissory note from Golden Arrow having a principal amount and fair market value equal to the aggregate fair market value of the Golden Arrow preferred shares purchased for cancellation (the "Golden Arrow Note");
- (k) The authorized share structure of Golden Arrow shall be amended by eliminating the unlimited preferred shares without par value, none of which will then be issued; and
- (l) The Company will pay the principal amount of the IMA Note by transferring to Golden Arrow the Golden Arrow Note which will be accepted by Golden Arrow as full payment, satisfaction and discharge of the Company's obligations under the IMA Note and simultaneously, Golden Arrow will pay the principal amount of the Golden Arrow Note by transferring to the Company, the IMA Note which will be accepted by the Company as full payment, satisfaction and discharge of Golden Arrow's obligation under the Golden Arrow Note. The IMA Note and the Golden Arrow Note will both thereupon be cancelled.

The effect of the Arrangement is illustrated by the following simplified diagrams:

21

IMMEDIATELY PRIOR TO THE ARRANGEMENT

TABLE A



Edgar Filing: IMA EXPLORATION INC - Form 20-F

telephone number is (604) 687-1828.

23

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 \$1,850,761, \$1,266,555, and \$1,320,777 and capital assets of \$21,875, \$11,201, and \$8,012 for the fiscal years ended December 31, 2003, 2002, and 2001, respectively. For the three months ended March 31, 2004, the Company has made additions to mineral properties and deferred costs of approximately \$1,433,000 and additions to capital assets of approximately \$75,000.

During the fiscal year ended December 31, 2003, the Company wrote down the value of its mineral properties and deferred costs by \$776,626. This adjustment of property values reflected the expiration of the agreement with Barrick Gold Corporation on the Company's Valle de Cura area properties. During the fiscal year ended December 31, 2002 the Company did not terminate any option agreements on properties and mineral claims. During the fiscal year ended December 31, 2001, the Company terminated option agreements on properties and mineral claims resulting in the write-off of mineral properties and deferred costs in the amounts of \$21,483.

PLANNED EXPLORATION EXPENDITURES AND PROPERTY PAYMENTS

During the nine month period from March 31, 2003 to December 31, 2003, the Company has no planned exploration expenditures in Argentina for the Valle del Cura region, the Gualcamayo region, or the NW San Juan region. The Company plans to expend \$2,100,000 in Argentina on Phase II of the drilling program on the Navidad project.

For the Company's other Argentinean properties, the majority of which are proposed to be transferred to Golden Arrow, a budget of \$350,000 has been approved for work on the Laguna de los Toros property. It is the Company's intention to seek joint venture partners to provide funding for further work on any or all of those other properties. On March 6, 2003, the Company entered into an agreement granting Amera Resources Corporation ("Amera"), an Option to earn 51% undivided interest on Mogote (Arturo's) Property. Joseph Grosso, Nikolaos Cacos and David Terry, officers and/or directors of the Company, are officer, directors and/or employees of Amera. Amera can earn its interest in the property by issuing 1,650,000 common shares to the Company and incurring US\$1,250,000 of expenditures (including work programs and underlying option payments), over a period of five years. In addition, Amera has agreed to reimburse the Company for past payments made and expenditures which had been incurred by the Company on the Mogote (Arturo's) Property. As at December 31, 2003, Amera had reimbursed the Company \$192,952 and \$4,902 remained outstanding and is included in amounts receivable. As at December 31, 2003, the Company had received 100,000 shares of Amera at a recorded amount of \$45,000. On April 8, 2004, the Company and Amera entered into a further agreement whereby Amera can earn an additional 24% interest, for a total 75% interest, after earning the initial 51% interest, by issuing 300,000 common shares to the Company and conducting an additional US \$3 million of exploration expenditures over a three year period. See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Properties - Argentinean Properties - San Juan Province Properties - Northwest San Juan - Mogote (Arturo's) Property" and "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

The Company plans to spend approximately \$200,000 on the Rio Tabaconas project (formerly known as Tamborapa project) in Peru during the nine month period from

Edgar Filing: IMA EXPLORATION INC - Form 20-F

March 31, 2004 to December 31, 2004. In June 2002 the Company announced it would take a more measured approach to exploration on the project to ensure that local cultural, developmental and environmental concerns pertaining to mining activities in the region would be addressed. See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Properties - Peruvian Properties." All exploration activities have been deferred until an agreement with the local community of Tamborapa can be finalized. The Company has declared force majeure, as allowed under the property option agreement. A Company Community plan has been prepared with the aid of several Peruvian social economic consultants and has been presented for discussion to the community leaders, government officials and interested party leaders and as of the date of this report no agreement has been reached. Thus the Company (or Golden Arrow if the arrangement is approved) will continue to work with the various social economic consultants to develop a plan which will be acceptable to all parties in the community of Tabaconas. Upon acceptance by the community of the Company Community plan the Company (or Golden Arrow if the arrangement is approved) plans to proceed with the next phase of a diamond drill program.

In addition, minimum property payments of approximately US \$225,000 are required to maintain all of the existing property holdings.

24

As of June 22, 2004, 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 South America, principally in Argentina and Peru. The Company's strategy and primary corporate objective is to acquire properties for the purpose of mineral exploration and exploitation in known mining areas adjacent to, or in close proximity to, known major discoveries. The Company, therefore, expects these properties to command higher acquisition, maintenance and vendor participation fees, where these higher fees are deemed reasonable to attempt to reduce the overall risks associated with mineral exploration. In the event the Company discovers mineralization capable of economic production, it intends to seek a joint venture partner and/or to sell all or a portion of its interest in the subject property to finance the development of such property. The secondary corporate objective is to identify new frontiers through the evaluation of available historic and satellite data and acquire large parcels of land in undeveloped regions with the potential to host mineral deposits. There are no assurances that the Company's strategies will achieve the desired results and the Company may acquire interests in properties at higher prices, due to the properties' proximities to other discoveries and may have to write-off all or a portion of the value of such properties if they prove uneconomic. At present, the Company has no producing properties and consequently has no current operating income or cash flow. As of the date of this annual report, the Company is an exploration stage company and has not generated any revenues from mining operations. There is no assurance that a commercially viable mineral deposit exists on any of the Company's properties. Further exploration will be required before a final evaluation as to the economic and legal feasibility of any of the properties is determined.

Edgar Filing: IMA EXPLORATION INC - Form 20-F

Due to the seasonality of field work in the high Andes, the timing for the Valle del Cura work is generally restricted to the period from October to April, while the Patagonia region is accessible from September to June, and work on Rio Tabaconas, the Peruvian property, can be carried out year round but is generally more effective in the drier season from May to December. 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 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. During September 2003 Barrick reduced its shareholding to 1,000,000 shares.

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

In 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. Recent exploration results from Amera's work have been encouraging. See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Properties - Argentinean Properties - San

25

Juan Province Properties - Northwest San Juan - Mogote (Arturo's) Property" and "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

In September 2003, the Company granted Cloudbreak Resources Ltd. ("Cloudbreak") an option to acquire a 50% interest in the Gollette property located in the Valle de Cura. Cloudbreak can increase its interest to 75% by funding additional work expenditures and development costs.

The Company acquired the Peruvian property known as Rio Tabaconas in 1997 by way of an option. In addition the Company owns claims which surround and overlie the optioned concessions. Mine workings in the Rio Tabaconas area are believed to be on the order of 100 to 150 years old. The first modern examination of what is now the Rio Tabaconas property was conducted in the late 1980's when a government-funded Peruvian-German consortium re-opened the old mine workings on Cerro Tablon and carried out experimental geochemical and geological studies in the mine area. Since that time, the property has been briefly examined and sampled by a number of companies at the Company's invitation. The Company had

Edgar Filing: IMA EXPLORATION INC - Form 20-F

spent \$3,164,554 on Rio Tabaconas to the end of December 2003.

On June 28, 2002, the Company suspended further exploration activities at the Rio Tabaconas project. The Company has deferred any further exploration until an agreement with the local community has been finalized. The Company has declared force majeure, as allowed under the option agreement. The Company and the optionor have revised the timing of the remaining US \$1,315,000 option payments. On August 1, 2003, the Company commenced paying US \$1,500 per month to the optionor as compensation during this waiting period. The Company is working to ensure that all local cultural, developmental and environmental concerns in the region have been addressed which may pertain to mining activities. Upon acceptance by the community of a Community Agreement between the Company and the local community, the Company plans to proceed with the next phase of the diamond drill program. A detailed 3,000 metre drill plan has been drafted based upon evaluation of geological, geochemical and geophysical information. The next phase of the exploration program is expected to be completed after finalizing the Community Agreement.

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 continued into March 2004. A second phase is scheduled to commence in May 2004. At the date of this report the Company has not received any results from this program. 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.

In early 2003 the Company negotiated the sale of three non-core properties in Chubut Province to Amera, Amera has issued 500,000 shares to the Company at a deemed price of \$225,000 for these properties. In addition, in the event that a decision is made to place any of the properties into commercial production a bonus of US\$250,000 is payable and the Company has retained a net smelter returns royalty ("NSR") of 3%. See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

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"), a British Columbia company and one 80% owned subsidiary, IMPSA BVI Inc. ("IMPSA (BVI)"), a British Virgin Islands company.

26

IHC has two direct wholly-owned subsidiaries, IMA Navidad (BVI) Inc. ("IMA Navidad"), a British Virgin Islands company, and Inversiones Mineras Argentinas Holdings (BVI) Inc. ("IMA Holdings (BVI)"), a British Virgin Islands company.

Edgar Filing: IMA EXPLORATION INC - Form 20-F

IHC has one direct 80.69% owned subsidiary, IMPSA Resources Corporation ("IMPSA"), a private British Columbia company, and holds a direct 20% interest in IMPSA (BVI).

IMA Navidad 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.

IMPSA (BVI) has one wholly-owned subsidiary, Minera IMP-Peru S.A.C ("IMPSA Peru"), a Peruvian company.

IMA Holdings (BVI) has one wholly-owned subsidiary, Inversiones Mineras Australes S.A., an Argentine company.

The Company's current corporate structure is depicted in Table A (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 in known mining areas adjacent to, or in close proximity to, known major discoveries, with a focus in Argentina and Peru. 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.

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 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 sampling activity anywhere despite the area being inhabited.

CHUBUT (PATAGONIA) AREA PROPERTIES

Since 2001 the Company has acquired a 100% interest in a number of claims in western Chubut Province. These properties include the Laguna de los Toros property, Evelina (Las Bayas) property, Toros II property, Victoria properties (several), Costa properties, Lago Pico property, Corcovado property, Loma Alto property, Ruto property, Alberto property, Rolando property, Cecilia property, Pedro property, Fernando property, Ivan property and Daniel property. Together they cover an area of approximately 86,000 hectares. A number of these properties have been sold or farmed-out to joint venture partners. All of these Chubut properties are in the exploration stage.

VALLE DE CURA AREA PROPERTIES

The Company has acquired 100% interests in a number of properties in the Valle de Cura area totaling approximately 34,000 hectares. Beginning in 1999 IMA entered into an option agreement with Barrick pursuant to which Barrick could acquire an interest in the properties. Both Barrick and the Company have fulfilled all their obligations under this agreement and Barrick notified the

Edgar Filing: IMA EXPLORATION INC - Form 20-F

Company on December 15, 2003 that they would not be exercising their option. Accordingly this agreement has terminated and other partners are being considered for these drill ready projects. One of these properties has been farmed-out to another joint venture partner.

27

NORTHWEST SAN JUAN AREA PROPERTIES

The Company has acquired 100% interests in a number of properties in the Northwest area of San Juan province totaling approximately 20,000 hectares. The Arturo or Mogote property is under option to the Company and is currently the subject of a joint venture agreement with Amera whereby Amera can earn up to a 75% interest in the property. There are no current plans for work on the other properties in this area.

GUALCAMAYO AREA PROPERTIES

The Company has also acquired interests in properties in other mining areas of interest in San Juan province totaling approximately 50,000 hectares. There are no current plans for work on the properties in this area.

RIO TABACONAS PROPERTY (PERU)

The 9,000 hectare Rio Tabaconas property is located in northwestern Peru, approximately 35 kilometers south of the southernmost tip of Ecuador in the District of Tabaconas, Province of San Ignacio, Department of Cajamarca. The Company has an option to purchase three claims covering a 2,890 hectare area within the central part of the property and holds 100% ownership, with no outstanding royalties, on the remainder of the property. In June 2002 the Company announced it would take a more measured approach to exploration on the project to ensure that local cultural, developmental and environmental concerns pertaining to mining activities in the region would be addressed. All exploration activities have been deferred until an agreement with the local community of Tamborapa can be finalized. IMA has declared force majeure, as allowed under the property option agreement. A Company Community plan has been prepared with the aid of several Peruvian social economic consultants and has been presented for discussion to the community leaders, government officials and interested party leaders and as of the date of this report no agreement has been reached. Thus the Company will continue to work with the various social economic consultants to develop a plan which will be acceptable to all parties in the community of Tabaconas. Upon acceptance by the community of the Company Community plan the Company plans to proceed with the next phase of a diamond drill program.

During the fiscal years ending December 31, 2003, 2002 and 2001 the Company had capitalized and expensed costs on all of its properties as follows:

FISCAL YEAR ENDING	AMOUNT CAPITALIZED	General Exploration Expensed IN FISCAL YEAR	A Writte
December 31, 2001	\$4,581,172	\$109,875	
December 31, 2002	\$5,847,727	\$180,321	
December 31, 2003	\$6,883,641	\$226,956	

[Argentina Property Map]

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 sampling activity anywhere 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 one individual claim (cateo) in the Gastre Department of the Province of Chubut. It 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.

Edgar Filing: IMA EXPLORATION INC - Form 20-F

MINERAL TITLES INCLUDED IN THE NAVIDAD PROJECT:

FILE NUMBER	YEAR	DATE	TYPE	NAME	HECTARES
13984	2002	December 6, 2002	CATEO	Gan	10,000

ACCESSIBILITY AND INFRASTRUCTURE

The property is located in the north-central part of the Province of Chubut within the prominent Gastre structural lineament in a somewhat uplifted area. Minimum elevation within the Gan cateo is 1,060 m while the maximum elevation is 1,460 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 (rare) 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 Ingenierio Jacobacci which is larger than Gastre and has much better services including banking. From Ingenierio 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 around. 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.

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 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

30

smelter and other projects. Construction of the connection will bring the 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 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.

Edgar Filing: IMA EXPLORATION INC - Form 20-F

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 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 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.

31

DIAMOND DRILLING PROGRAM

Connors Argentina S. A. ("Connors") of Mendoza Argentina commenced drilling on November 26, 2003 and finished drilling on March 10, 2004, including a 29 day break during the Christmas/New Years holidays. During the program 8,853.58m were drilled in 53 holes for an average of 118m per day including moves and

Edgar Filing: IMA EXPLORATION INC - Form 20-F

breakdowns and excepting only the holiday break noted above.

All but one of the holes recovered HQ diameter (61mm) core. The exception was NV03-04 which was cored to 244.20m with HQ and then recovered NQ core to the end of the hole at 284.98m. The drill supplied was 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 on all but one hole using a Tropari instrument. This instrument is a magnetic compass and inclinometer with a timing mechanism that blocks the instrument once it has stabilized in the hole. It is then retrieved and read by the geologist. In general the holes had little deviation because of the relatively large diameter of the drill string and the relatively short lengths of the holes.

SURVEYED COORDINATES AND ORIENTATIONS OF NAVIDAD DRILLHOLES

Hole ID	local E	local N	E GK faja 2 (Campo Inchauspe)	N GK faja 2 (Campo Inchauspe)	elevation m HAE	Az wrt GK CI north	di do fr verti
NV03-01	50,000.6	10,005.0	2,514,819.5	5,304,458.8	1,219.5	210.0	-45
NV03-02	50,000.0	9,971.1	2,514,802.0	5,304,429.8	1,211.2	30.0	-45
NV03-03	51,160.5	9,660.1	2,515,651.6	5,303,580.3	1,178.4	210.0	-45
NV03-04	51,160.1	9,669.6	2,515,655.9	5,303,588.6	1,178.6	30.0	-45
NV03-05	51,160.1	9,802.1	2,515,722.2	5,303,703.3	1,176.6	30.0	-60
NV03-06	49,961.7	9,972.3	2,514,769.5	5,304,449.9	1,218.4	30.0	-45
NV03-07	49,919.7	9,965.9	2,514,729.9	5,304,465.4	1,222.2	30.0	-45
NV03-08	49,959.8	10,016.3	2,514,789.8	5,304,489.0	1,226.4	210.0	-45
NV03-09	49,919.9	10,027.4	2,514,760.8	5,304,518.6	1,231.4	210.0	-45
NV03-10	49,961.9	9,953.4	2,514,760.2	5,304,433.5	1,215.1	30.0	-45
NV03-11	49,625.2	10,040.0	2,514,511.9	5,304,676.8	1,209.2	120.0	-45
NV04-12	51,160.6	9,577.9	2,515,610.5	5,303,509.0	1,155.4	30.0	-65
NV04-13	50,876.5	10,015.0	2,515,583.1	5,304,029.5	1,179.4	30.0	-45
NV04-14	50,997.6	9,911.7	2,515,636.3	5,303,879.6	1,178.1	210.0	-70
NV04-15	51,159.8	9,910.5	2,515,776.1	5,303,797.4	1,167.0	30.0	-60
NV04-16	51,161.0	9,451.4	2,515,547.6	5,303,399.2	1,138.2	30.0	-55
NV04-17	50,998.8	9,614.4	2,515,488.6	5,303,621.4	1,156.7	30.0	-85

Edgar Filing: IMA EXPLORATION INC - Form 20-F

NV04-18	51,001.3	9,364.5	2,515,365.9	5,303,403.8	1,137.0	30.0	-55
NV04-19	51,001.9	9,826.2	2,515,597.2	5,303,803.4	1,181.7	210.0	-80
NV04-20	50,801.6	9,897.6	2,515,459.5	5,303,965.3	1,163.0	210.0	-70
NV04-21	50,997.6	9,948.5	2,515,654.7	5,303,911.4	1,174.2	30.0	-45
NV04-22	50,998.5	9,977.9	2,515,670.2	5,303,936.4	1,171.9	210.0	-75
NV04-23	51,000.7	9,713.6	2,515,540.0	5,303,706.4	1,177.3	210.0	-85
NV04-24	50,804.7	10,023.1	2,515,524.9	5,304,072.4	1,173.8	30.0	-50
NV04-25	51,204.1	9,014.3	2,515,366.4	5,302,999.1	1,140.0	210.0	-45
NV04-26	50,802.1	9,728.9	2,515,375.6	5,303,818.9	1,153.5	32.0	-75
NV04-27	50,100.7	9,719.0	2,514,763.2	5,304,161.1	1,164.0	30.0	-45

32

Hole ID	local E	local N	E GK faja 2 (Campo Inchauspe)	N GK faja 2 (Campo Inchauspe)	elevation m HAE	Az wrt GK CI north	di do fr verti
NV04-28	51,164.5	9,865.2	2,515,757.6	5,303,755.8	1,170.6	30.0	-60
NV04-29	51,299.1	9,847.6	2,515,865.4	5,303,673.3	1,157.6	210.0	-80
NV04-30	51,300.4	9,765.7	2,515,825.5	5,303,601.7	1,159.8	210.0	-80
NV04-31	51,160.7	9,666.8	2,515,655.1	5,303,585.9	1,178.5	30.0	-80
NV04-32	50,598.0	10,088.9	2,515,378.9	5,304,232.8	1,154.7	30.0	-45
NV04-33	50,598.4	10,016.4	2,515,343.0	5,304,169.8	1,154.8	210.0	-80
NV04-34	50,180.9	9,955.5	2,514,950.9	5,304,325.8	1,180.0	30.0	-45
NV04-35	51,199.5	9,251.1	2,515,480.9	5,303,206.5	1,134.2	30.0	-80
NV04-36	50,898.2	9,988.0	2,515,588.3	5,303,995.3	1,176.5	210.0	-80
NV04-37	50,899.9	9,914.7	2,515,553.2	5,303,931.0	1,173.8	210.0	-80
NV04-38	50,897.2	9,819.7	2,515,503.3	5,303,850.0	1,164.4	30.0	-80
NV04-39	50,400.2	9,982.9	2,515,154.5	5,304,239.9	1,157.1	210.0	-80
NV04-40	50,399.8	10,098.9	2,515,212.2	5,304,340.5	1,155.9	30.0	-45
NV04-41	51,080.8	9,943.4	2,515,724.2	5,303,865.4	1,174.9	30.0	-45
NV04-42	51,080.4	9,938.8	2,515,721.5	5,303,861.6	1,174.5	210.0	-80

Edgar Filing: IMA EXPLORATION INC - Form 20-F

NV04-43	51,080.4	9,853.2	2,515,678.7	5,303,787.4	1,180.3	210.0	-75
NV04-44	51,079.3	9,750.3	2,515,626.3	5,303,698.9	1,188.1	210.0	-75
NV04-45	51,230.9	9,861.1	2,515,813.0	5,303,719.1	1,164.0	210.0	-80
NV04-46	51,						