

EXPEDITORS INTERNATIONAL OF WASHINGTON INC
Form 8-K
May 20, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report: May 20, 2016
(Date of earliest event reported)

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

(Exact name of registrant as specified in its charter)

Washington 000-13468 91-1069248

(State or other jurisdiction of (Commission File No.) (IRS Employer
incorporation or organization) Identification Number)

1015 Third Avenue, 12th Floor, Seattle, Washington 98104
(Address of principal executive offices) (Zip Code)

(206) 674-3400
(Registrant's telephone number,
including area code)

N/A
(Former name or former address, if changed
since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure.

The following information is included in this document as a result of Expeditors' policy regarding public disclosure of corporate information.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS UNDER SECURITIES LITIGATION REFORM ACT OF 1995; CERTAIN CAUTIONARY STATEMENTS

Certain portions of this document, including the answers to questions 1, 2, 3, 4, 5, 8, 11, 12, 14, 15, 18, 19, 20, 21, 22, 23, 24, 25, 29, 30, 32, 33, 35, 36, 37, 38, 39 contain forward-looking statements which are based on certain assumptions and expectations of future events that are subject to risks and uncertainties. Actual future results and trends may differ materially from historical results or those projected in any forward-looking statements depending on a variety of factors including, but not limited to, changes in customer demand for Expeditors' services caused by a general economic slow-down, inventory build-up, decreased consumer confidence, volatility in equity markets, changes in energy prices, liquidity constraints, political changes, changes in foreign currency rates, or the creditworthiness of our customers and service providers.

SELECTED INQUIRIES RECEIVED THROUGH MAY 6, 2016

1. Cash generation due to a decrease in accounts receivable was more than \$100mm in the first quarter, marking the fourth consecutive quarter of positive cash generation due to a decrease in receivables. The last time we observed a similar pattern was in 2008-09. Does this reflect a tightening of short term credit extension to customers? Can management help us understand the dynamics at play and what, if anything, this implies for the business outlook?

We have not changed our short-term credit policies to our customers. As we note in our most recent 10-K, our cash flow fluctuates as a result of seasonality. Historically, the first quarter shows an excess of customer collections over customer billings, resulting in positive cash flow. Over the last three consecutive quarters gross revenues have declined, which resulted in lower accounts receivable and generated positive cash flow as we collected our invoices timely. It is important to remember that the first two quarters of 2015 included the impact of the U.S. West Coast port slowdown, which resulted in increased gross revenue and accounts receivable. During the second half of 2015 and the first quarter of 2016, we lowered average sell rates to customers as a result of competitive market conditions and lower available buy rates.

2. How are airfreight and ocean volumes trending thus far in 2Q, and how would you characterize underlying trade patterns between Asia, the U.S. and Europe relative to the first quarter?

We do not comment on current-quarter activity.

3. With prominent container rate indices such as the CCFI [China Containerized Freight Index] near historic lows and significant capacity on order, ocean freight pricing may not recover for some time. Are these low rates driving incremental demand for your services and if so, what are these potential customers' rate expectations?

We do not believe that companies decide to ship products based on rates but on whether or not they have products to ship. There are no "these" potential customers. That said, it's fair to add that most customers know that the current ocean rates are not sustainable over the long-term, and there are signs that some carriers are starting to pull capacity out of certain markets. We do not believe that lower ocean rates are driving incremental demand.

4. Air segment net revenue margins were up 320bps Y/Y in 1Q16 and have expanded significantly on a Y/Y basis for 6 straight quarters. Roughly how much of this quarter's expansion was driven directly by falling fuel prices, and how

much was driven by the spread between underlying buy and sell rates (ex-fuel)?

We have noted in past 8-K filings that both gross revenues and direct transportation costs contain elements of “pass through” costs. Carrier adjustments of the fuel surcharge based on the rise and fall of fuel costs create increases and decreases in our gross revenues that can be disproportionate to the actual increase or decrease in our underlying activity, distorting the meaning of growth rates. But the bigger issue is not fuel but supply vs. demand and the impact on spot rates. It’s difficult to isolate fuel because the fuel surcharge varies by carrier and the formula for how each one incorporates it into their pricing is unique to each carrier. We look at the all-in price, and supply/

demand is the leading factor in the spread between buy and sell rates. We are focused on being competitive with pricing and taking advantage of favorable buying opportunities available in the market.

5.How has that spread between air cargo buy and sell rates (ex-fuel) trended over the last few quarters, and where does it sit in early 2Q?

We don't comment on the current-quarter conditions, but we can point out that both air buy and sell rates have generally trended downwards over the last five quarters, albeit at a different pace each quarter. Our pricing strategies have been very effective and our people have been adept at taking advantage of favorable spot market buying opportunities to generate improved yields from the decline in rates.

6.How much of your book of business is truly committed from both a price and capacity standpoint today, and how has that contractual vs. transactional mix shifted over the last few quarters? Is this different between air and ocean?

If referring to the sell side, meaning the capacity that we sell to our customers, the vast majority of our business is transactional. If referring to the buy side, meaning the capacity we purchase from carriers, we do not disclose that data because we consider our procurement process part of our competitive differentiation. In past responses to this question we have noted that we don't track our revenues and costs by whether they are "spot" or "contractual/fixed."

7.What's the underlying volume growth rate for the contractual side of the business vs. the transactional side, and how has that changed over the last few quarters? Is this different between air and ocean?

See our answer to question 6 above. The vast majority of our business is transactional and there is very little difference between air and ocean in that regard. On the buy side, we do make commitments but will not disclose details because we consider our procurement process part of our competitive differentiation.

8.Does today's more challenging and volatile freight environment change your near-term view on investing in headcount to grow the business in any particular product or region?

No. We generally take a long-term view to hiring for the growth of our business and investing in people to spur that growth and provide outstanding customer service.

9.Can you please clarify why the overall Expeditors year-over-year headcount has increased for the last three quarters by 6%, 5%, and 4% while volumes deteriorated at a faster rate with airfreight +3%, -1% and -9%, and ocean freight flat, -2% and -3%?

While we are aware of and do focus on economic conditions, we manage for growth over the long-term, not based on quarter-to-quarter fluctuations in business. Our focus has been not only to execute against current market conditions, but also to develop and right-size our organization to capitalize on the particular areas of growth that we outlined in our strategic initiatives. Over time, we've been very successful at growing our business deliberately and organically by investing in our people, processes and technology. Also, it's important to remember that a significant portion of compensation is variable due to our commission and bonus structure, which incentivizes those with hiring authority to keep overall payroll costs aligned with operating income.

10.Net revenues growth in North America for the last three quarters were +8%, +4% and flat compared to headcount growth of +8%, +7% and +5%. One would think that the incentive compensation system would self-regulate the change in headcount a little closer to the change in underlying volumes.

We do think our compensation program is an excellent regulator of costs. It's self-regulating on costs by design. At the same time, our districts are incentivized to invest in areas of opportunity. The only way the districts can meaningfully increase their compensation is by growing their business.

11. In your last update you talked about how you were taking inventory of how SOLAS would impact your customers around the world. Can you talk about what you found in that process? And how prepared do you think shippers, ports and other interested parties are for July 1st? Do you expect any supply chain disruptions at this point?

Our current response would be similar to what we said about SOLAS in our March 15, 2016 Q&A 8-K filing. We certainly understand the two methods that are being proposed and we are taking inventory to determine how each country plans to implement the Safety of Life at Sea (SOLAS) amendment. So far 15 of 171 participating nations have published draft or final implementation guidelines, but the logistics in each country and, for that matter, in each origin city may be unique. Shippers will also differ in their ability to certify weights, either by their own scales, or by having to outsource that service. In either case, we will be ready to support them. In addition, we are currently working on local processes and systems capabilities to support shippers, as well as the local infrastructure requirements and/or capabilities around the two proposed methods. We have a strategy and a timetable in place to help prepare our customers for implementation. However, we still cannot predict the impact all of this might have prior to and potentially even after July 1st until there is further clarity on each country's implementation process and specific requirements.

12. EXPD has had an excellent run of net and operating margin expansion, but we're concerned those figures may trend the other way this year. Do you think your margins have peaked in this business cycle?

We have had an excellent run as a result of the outstanding work of our entire organization. Because of their talents, we have been able to push operating margins higher to near-record levels. Some of that margin expansion was a result of the West Coast port slowdowns last year. That experience, however, was just one of many that tells us we can continue to find ways to improve performance, serve our customers even better, and gain additional share in a very large and highly fragmented marketplace. We suspect that we are likely to see continued volatility in rates and tonnage, as one might define the current "business cycle." Such business cycles need to be managed, and we believe that our people are managing very well during this period of global economic volatility. We understand that we need to earn our customers' business over and over again, as they regularly solicit bids from competitors in order to improve service, pricing and contractual terms.

13. Are you seeing any signals that the cost to secure air freight capacity is rising or not falling as quickly as it did during 1Q16? Same question on ocean freight. It seems as though the Asia-Europe trade has experienced a spike in pricing.

While we don't comment on current-quarter conditions, in our May 3, 2016 press release we noted that we continued to benefit from available ocean and air carrier capacity and favorable market buying opportunities in the first quarter of 2016, and that we expect rate volatility to continue in the second quarter and the rest of 2016.

14. Can you talk about the progress you're making on improving the business in Europe and the Europe-related trade lanes. It seems like operating profit and margins are still under pressure.

We are investing in Europe and have added headcount there, as you saw in our recent Q1 earnings press release. Despite the general economic sluggishness in Europe in recent years, we are bullish on Europe over the long-term. The region is large and economically diverse, with huge intra- and inter-regional trading opportunities. Two years ago, we reorganized the company geographically as part of the reorganization, including splitting Europe off into its own region, and giving it additional resources and attention. Expeditors today does not have as large a presence in Europe as we do in North America or Asia. We believe that over time, however, Europe can become just as meaningful a market to us and that net revenue and profit per employee could be near U.S. levels.

15. Why was headcount down over 6% from December in the South Asia region? We would have expected to see steady employee growth given what's been consistently high EBIT growth rates there.

Headcount in our South Asia region did not decrease but increased slightly from 1,323 at December 31, 2015 to 1,327 at the end of Q1 2016. We adjust our headcount at the branch level to meet the expected level of business, both for sales and for support, and to invest in our future growth. If you look at headcount over time, it aligns with the additional business that we have gained and with the additional investments we have made. It's very important that whenever we add headcount, those additional people add value for the organization. We are relentlessly focused on doing less of what doesn't drive value and doing more of those things that do drive value and growth.

16. The fall in your implied gross revenue per kilo for 1Q16 was nowhere near as bad as air freight pricing in the quarter, according to indices like Drewry. To what do you attribute that?

We would not care to comment on third party pricing indices or implied gross revenue per kilo, neither of which account for the wide range of service fees that may be associated with any individual shipment. We believe that neither is an appropriate or accurate metric for measuring our performance.

17. What percentage of the air freight capacity that you secure is done on a spot basis vs. a contracted basis with the airline?

As already stated above under questions 6 and 7, we consider our procurement process part of our competitive differentiation and so we won't comment on this.

18. Now that we are on the cusp of its opening, have your views changed since the investor day on the impact that the Panama Canal expansion will have on whether freight shifts towards the USEC or USGC at the expense of the USWC?

It's still too early to know what the impact might be. As we noted in our March 15, 2016 Q&A 8-K filing, we have yet to notice any major changes in shipping plans or patterns from our customers. We had heard customers tell us that they planned to shift cargo to the East Coast because of the West Coast port issues earlier in 2015. At the time, we believed that any shift to the East Coast ports would be temporary and, for most of our customers, this seems to have been the case and we have seen a return to normal shipping patterns. However, most of the U.S. population lives east of the Mississippi and we generally believe that moving cargo as close as possible to the end customer is a good strategy. It makes sense to us that over time more cargo will be routed to take advantage of the Panama Canal expansion, and the larger ships being deployed to make use of it. We believe that is still the case but have not, as of yet, seen any major shifts in port utilization. We will also point out that the ports on the West Coast have an awful lot invested in their infrastructure.

19. In the earnings press release, you mentioned that customers are looking to take advantage of current oversupply conditions by trying to secure lower rates. If there is a meaningful appreciation in ocean and air rates at some point in the future, how much of a time lag would there be on customer pricing arrangements before they would be reset higher?

As we've experienced, there is a lag between when carriers institute pricing changes and our ability to implement those changes. However, there is no single answer to this because the relationship between supply/demand and rates is complex and each commitment depends on the individual customer, the shipper, the destination, and the lanes, among other variables.

20. Given the volume declines witnessed during the last two quarters, do you expect to scale back headcount additions?

We don't view our headcount as dispensable. We invest in our employees, and their experience and tenure with our company and our business is not easily replaced. The calculus for us on headcount is very simple and disciplined, with the individual districts controlling headcount decisions based on activity and investments. We make additional investments only after careful consideration and in alignment with our strategic plan.

21. How would you characterize the competitive environment this year? Do there continue to be competitors who are willing to extend unreasonably lenient terms to win business in the marketplace?

While there will always be players who try to win business by going out on a limb, it is not clear to what extent any of our major competitors are offering unreasonable terms. The marketplace is and will continue to be highly competitive even without those players. In any event, we believe that no one controls market share, despite the pace of M&A activity in 2015. That leaves a lot of room for growth. Also, history has taught us that consolidation often leads to dissatisfaction among the customers of the consolidating companies. When that happens, it presents opportunities for us.

22. Looking out 2-3 years, what geographies are you most excited about? Which geographies do you see as presenting the biggest risks to your growth? In this context, where are you investing most heavily?

We're focused on all of our geographies, but two in particular are especially compelling right now and are getting a lot of our attention. The first is China. Although growth in China may be slowing, it's still the second largest economy in the world. It has massive infrastructure and is an enormous manufacturer. It will likely be quite some time before any of the other Asian nations can compete with China in terms of scale. In addition, it has a very large and rapidly growing middle class that has discretionary funds to spend and an appetite for goods from outside of China. That creates opportunities beyond the export market. We think there is tremendous opportunity to generate business within the growing Chinese import business.

The second geography getting our particular attention is Europe. The economic growth rate throughout Europe has been uneven and the European region is already served by several very large and highly capable logistics companies. But like China, Europe is a very large market with tremendous opportunities for growth. The nations of Europe are doing business with each other, as well as with the rest of the world. We believe there are opportunities to grow market share not for the sake of growing market share, but to pick up good profitable business that fits in the Expeditors model. Our intention is to gain business in this geography. We also think that it's important for us to have a stronger presence in Europe because many European customers control business elsewhere. Relationships with these customers facilitates securing business in other parts of the world.

23. What emerging technologies are most promising to you in the forwarding space?

Two of the technologies that we believe will continue to gain traction in the logistics space include sensors (Internet of Things - allowing automated tracking of cargo) and optimization software. We have invested in both of these technologies and are working to further integrate the use of these items in our supply chain offerings.

24. In your Q1 earnings release, Mr. Powell said, for the second consecutive quarter, we are "aware of the uncertainties and challenges with the global economy and global trade and how they may continue to impact the comparisons to our 2015 financial results." Does this mean you expect 2016 EPS to be below 2015?

We mean exactly what we say. We believe it is important for investors to understand that the operating conditions in 2016 are very different from those in 2015. The first half of 2015 was unusual in that we benefited to an unknown degree by the port slowdowns on the U.S. West Coast, which contributed to record results in 2015 for our company - the best in our history. By any standards, that would make 2016 a year of tough comparability. That was followed by a slowdown in volumes in the second half of the year, and that slowdown has continued into 2016. Given the ongoing sluggishness of global trade, carrier overcapacity, and pressure on pricing, we have our work cut out for us for the remainder of 2016. But we have seen challenging conditions before and none of this changes our focus and commitment to securing new business and growing market share.

25. If you were a private company and didn't have to worry about how your 2016 financial results compared to your 2015 financial results, what would you do differently? If you wouldn't do anything differently, what's the point of Mr. Powell's statement?

As stated in our answer to the question directly above: we are experiencing a very different operating environment thus far in 2016 relative to 2015. Our statements about these challenges are simply meant to help people appreciate the difference in conditions under which we're operating in 2016 versus 2015, and the stiff comparisons against which we're being judged.

26. Why did your operating margin fall so much in Q1? Was the poor expense management due to “uncertainties and challenges with the global economy and global trade”?

We do not believe we demonstrated poor expense management. We also do not subscribe to the suggestion or implication that our margins could have been better had we not added headcount in areas where we believe we have opportunities to continue to grow our market share with profitable business. We have added people where we believe that will be the case, according to the strategy that we laid out over a year ago.

27. The last time your operating margin was below 30% was Q2 2014, and Mr. Musser said at the time “we will be actively addressing the factors that contributed to this shortfall”. This quarter, Mr. Musser made no such comment. What should we read into that?

The timing in question refers to a stretch when we had recorded three consecutive quarters of operating income below 30%. While our goal is to keep that number above 30%, we don't view a single quarter as a cause for concern.

28. Your headcount increased by 4%, while airfreight volumes fell by 9% and ocean freight by 3%. Is the employee growth in back-office and support positions?

We refer to a similar question 9, in which we said that we manage for growth over the long-term, not based on quarter-to-quarter fluctuations in business. Our focus has been to not only execute against current market conditions, but also to develop and right-size our organization to capitalize on the particular areas of growth that we outlined in our strategic initiatives. Over time, we've been very successful at growing our business deliberately and organically by investing in our people, processes and systems. Also, it's important to remember that a significant portion of compensation is variable due to our commission and bonus structure, which incentivizes those with hiring authority to keep overall payroll costs aligned with operating income.

29. For the past two quarters, your airfreight volumes have fallen more than the industry. Are other freight forwarders offering terms that you're unwilling to match?

Many of our large airfreight customers are high-tech suppliers who have seen a bigger decline in their volumes than have others, but we do not believe we are losing share with those customers. In addition, the West Coast port slowdown a year ago distorts comparisons. It's not that we've lost market share; we picked up temporary market share during the port slow down and that temporary business has not returned to the market.

30. Your stock underperformed the S&P 500 by at least 10% in each year from 2011-2014. In 2015, your stock was 1% ahead of the S&P 500. From your conversations with investors since becoming CEO, what caused the stock to perform so poorly over the past five years? Why could the next five years be better?

We try to avoid speculative discussions of valuation to focus on the things that we can control. However, we recognize that our 5-year performance was not up to historical standards and two years ago we initiated a strategic review that led to the current strategic plan. Operating performance in 2015 was the best in the company's history. In addition, in 2014-15 we bought back nearly \$1.2 billion in stock. We've also increased our dividend every year for more than 20 years and paid out more than \$135 million in dividends just last year alone. Regarding the next five years, we will continue to diligently apply our strategic plan, which supports the growth of our business. We continue to believe that we can gain market share, even in a down market, because we handle less than five percent of the market in most areas where we offer services.

31. What preparations if any are you/customers making ahead of the proposed implementation of SOLAS?

We have planned a series of educational seminars and operational training events for our customers. Also, see our response to question 11 on SOLAS above.

32. Your share repurchase activity has averaged ~\$350 million annually over the past 6 years. Your net cash flow (FCF less dividends) has averaged over \$250 million over the same period. Should investors assume annual share repurchase activity going forward to be your annual net cash flow, at a minimum? What would cause your annual share repurchase activity to fall below your annual net cash flow?

Our current thinking on capital allocation includes reinvesting in the business where opportunities present themselves; using cash to manage and run our daily business (instead of leveraging ourselves up with loans and debt); making semi-annual dividend payments; and returning cash to our shareholders using stock repurchases. Under this methodology, we fully expect to continue to return cash to our shareholders, but the amount of share repurchases will continue to vary depending on the opportunities in our business.

33. Is it your opinion that global trade growth will grow much more in line with global GDP growth moving forward than during 1980-2010? If not, what can you point to as sources of global trade growth

growing in excess of GDP growth? If so, from whom do you expect to take share (e.g., large integrated forwarders, small individual brokers, carriers) in order to achieve your net revenue growth target of 10%+, in the event global trade growth remains stuck in a low-single-digit pace?

A factor in our rate of growth will always be tied to global trade. While our goal of low-double-digit growth has always been a long-term goal for growth, it's certainly not focused on an individual quarter. Changes in global trade - both increases and decreases - have an impact on our ability to grow. Fortunately, we service less than 5% of the market in areas where we operate, leaving abundant room for growth and expansion.

34. Salaries & Related Costs growth in 1Q16 (+2% yoy) outpaced net revenue growth (-2% yoy), after lagging net revenue growth over the past 8 quarters. To what is this attributed? Is it simply a function of how the model works during period of down net revenue growth (i.e., 2012)?

Yes, that is how the math of the model works, but managing salaries and related costs and headcount is much more complicated, as the majority of our investments is made in our people. These investments are long-term and closely aligned with our strategic initiatives. As we noted in our response to question 10 above, we believe that our compensation program is an excellent regulator of costs. It's self-regulating on costs by design. At the same time, our districts are incentivized to invest in areas of opportunity.

35. On a related note, profit/employee fell -15% yoy in 1Q16, and fell for the first time since 2012. Is this a normal function of negative operating leverage (given negative volume and net revenue growth)? Can this be responded to - in other words, can you continue to drive profit/employee higher in a flat/down net revenue growth environment? Or to drive to productivity gains, do you require positive net revenue growth?

We measure our performance with several different measurements, including per-employee performance at each district over several different time periods. We always focus on driving efficiency. Our profit per employee is directly impacted by our buy and sell rates and in both cases we will see periods where profit per employee increases and decreases, depending on fluctuation in rates.

36. Europe/Africa and Middle East/India headcount growth materially outstripped your more mature region? Is there a positive or negative mix shift to overall EBIT margin from the growth in these smaller/emerging markets?

We don't operate those regions any differently than other regions. Our investments in each district is based on our strategic plan and the opportunities we see over the long-term.

37. It appears Europe's revenue and profit per employee has fallen steadily in recent years. What can be done to improve productivity in the region? At what stage would you describe your strategic growth initiative in Europe to be? Is there confidence that productivity metrics in Europe can return to ~2010 peak levels?

There are multiple reasons for the decline, including the effects of foreign currency exchange rates. However, we believe that the plans we have in place as a result of implementing our strategic initiatives will yield positive results over the long-term. We've spent the better part of the last 18 months driving infrastructure changes in the European Region and are now shifting to sales and execution.

38. Although volumes were consistently negative in each month of Q1 - except for the rebound in Ocean in March - management took the decision to increase headcount (both sequentially and Y/Y). This was particularly noticeable in the USA operating region, where net revenue was roughly flat - a good performance given soft market conditions, and tough comps - but OpEx (roughly 80% of which is compensation) increased sharply. Some analysts have dismissed this blithely as "negative operating leverage." What was the rationale for adding headcount and compensation expense, especially in the US, despite declining volumes? How should we understand this in the context of productivity (e.g., files handled per employee)?

Our approach to adding headcount and compensation expense in the U.S. is no different than any other region. As we have discussed in our responses to several different questions, these decisions are made by our District Managers based on current operations and investments made to support our strategic initiatives. We monitor several different productivity measurements over different time periods, but one of the primary measures is operating income divided by net revenue. This is a comprehensive efficiency measurement that captures our ability to convert a dollar of net revenue into operating income.

39. Jeff and Brad both alluded to maintaining or even gaining market share in the quarter, but some analysts covering Expeditors have pointed to various facts (e.g., freight volume indices, competitors' reported volume results, competitors assessment of market volumes, etc) that suggest Expeditors probably lost share from a volume perspective in Q1. What facts can management share that supports its expressed view that Expeditors gained or maintained share? If In fact Expeditors lost share, to what factors does management attribute the loss?

In our May 3, 2016 press release we stated that in Q1 2016 we worked with carriers to adjust pricing in air and ocean markets with excess capacity to maintain and grow profitable market share. In general, our comments on gaining or losing market share are based on our knowledge of net new business that we have won or lost from new and existing customers, as well as our knowledge of changes in the markets. In our response to question 29 above, we noted that many of our large airfreight customers are high-tech suppliers who have seen a bigger decline in their volumes than others have, but we do not believe we are losing share with those customers. We also commented that the West Coast port slowdown a year ago distorts comparisons. It's not that we've lost market share; we picked up temporary market share during the port slow down and that temporary business has not returned to the market.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

May 20, 2016 /s/ JEFFREY S. MUSSER
 Jeffrey S. Musser, President, Chief Executive Officer and Director

May 20, 2016 /s/ BRADLEY S. POWELL
 Bradley S. Powell, Senior Vice President and Chief Financial Officer

08. ----- Payments Due by Period

	Less than 1 Years	More than 1 Years	5 Total Years	1-3 Years	3-5 Years
Contractual Obligations	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Long-term Debt Obligations	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Capital (Finance) Lease Obligations	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Operating Lease Obligations	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Purchase Obligations	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Other Long-Term Liabilities Reflected in the Company's Balance Sheet under the GAAP of the Primary Financial Statements	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Total	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil

===== - 22 - ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES. -----

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

----- PRINCIPAL OCCUPATION DURING PAST PERIOD OF SERVICE AS A NAME, AGE AND POSITION(1) FIVE YEARS DIRECTOR/OFFICER

----- JOSEPH GROSSO Director, President and CEO of the Director, President and CEO since President, Chief Executive Company since February 1990. February 1990 to present. Officer and Director Age 70

----- ARTHUR LANG CFO of the Company since April 2, Director, Vice-President and CFO Chief Financial Officer, 2004. Consultant providing financial since April 2004 to present. and Director management services to various Corporate Secretary from August Age 64 clients from 1999 to April 2004 2005 to December 2007. through Arthur G Lang Inc., a private BC company.

----- NIKOLAOS CACOS President, CEO and director of Amera Vice President since June, 2005 to Vice President Resources Corporation, a public present. Age 41 British Columbia company, since April Corporate Secretary June 1998 to 2000. January 2005. -----

SEAN HURD Corporate Communications Manager for Vice President, Corporate Vice President, Corporate the Grosso Group since 2005 and for Communications since March 2005 to Communications the Company from February 1999 to present. Age 41 present. Director September 2000 to October 2004.

----- ROBERT STUART (TOOKIE) ANGUS Independent Business Adviser to the Director since May 2003 to present. Director mining industry since January 2006. Age 59 Managing Director, Mergers and Acquisitions, Endeavour Financial Ltd., November 2003 to December 2005. Partner in law firm, Fasken Martineau DuMoulin LLP from February 2001 to

October 2003. -----
DAVID TERRY Vice President for the Company from Director since May 2004 to present. Director, Vice President, June 2004 to present. Vice President, Vice President for the Company since Exploration Exploration for the Grosso Group from June 2004 to present. Age 42 January 2005 to present. Regional geologist with the British Columbia Ministry of Energy and Mines in Cranbrook, British Columbia from May 2001 to March 2004.

----- DAVID
HORTON Senior Vice-President and Director of Director since June 2004 to present. Director Canaccord Capital Corporation from Age 71 1996 to present.

----- LEONARD
HARRIS Retired Mining Consultant since 1995. Director since August 2005 to Director present. Age 80

----- - 23 -
----- PRINCIPAL
OCCUPATION DURING PAST PERIOD OF SERVICE AS A NAME, AGE AND POSITION(1) FIVE YEARS
DIRECTOR/OFFICER

----- CARLOS
D'AMICO President of Desarrollo de Inversiones President since May 2007 to present President (of subsidiary) S. A. from November 2006 to present of subsidiary. Age 50 President of Punto Dorado S.A, .a subsidiary of the Company, from May 2007 to present. President from February 2005 and General Manager from 2003 to November 2006 of Inversiones Mineras Argentinas S.A.

----- LINDA
MCCLUSKY Corporate Secretary for Grosso Group Corporate Secretary since December Corporate Secretary companies since October 2005. From 4, 2007. Age 65 1999 to 2005, paralegal, Corporate Legal Department, Imperial Parking Canada Corporation.

----- (1) Officers
and Directors of the Company may also serve as directors of other companies. See "Conflicts of Interest" below. There are no family relationships between any directors or executive officers of the Company. There are no known arrangements or understandings with any major shareholders, customers, suppliers or others, pursuant to which any of the Company's officers or directors was selected as an officer or director of the Company. See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions." CONFLICTS OF INTEREST There are no existing or potential conflicts of interest among the Company, its directors, officers or promoters as a result of their outside business interests with the exception that certain of the Company's directors, officers and promoters serve as directors, officers and promoters of other companies, and, therefore, it is possible that a conflict may arise between their duties as a director, officer or promoter of the Company and their duties as a director or officer of such other companies. The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBCA, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. All of the Company's directors are also directors, officers or shareholders of other companies that are engaged in the business of acquiring, developing and exploiting natural resource properties including properties in countries where the Company is conducting its operations. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk that the Company may enter into a transaction on terms which place the Company in a worse position than if no conflict existed. The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interest which they may have in any project or opportunity of the Company. However, each director has a similar obligation to other companies for which such director serves as an officer or director. The Company has no specific internal policy governing conflicts of interest. The following table identifies the name of each director of the Company and any company, which is a reporting issuer in Canada or the United States, and for which such director currently serves as an officer or director:

----- NAME OF
DIRECTOR NAME OF COMPANY POSITION TERM OF SERVICE

----- Arthur Lang Golden
 Arrow Resources Corporation Director, CFO ,VP Jul/04 to present Amera Resources Corporation CFO Mar/05 to
 present Astral Mining Corporation CFO Feb/07 to present Blue Sky Uranium Corp. CFO Mar/07 to present
 ----- - 24 -

----- NAME OF
 DIRECTOR NAME OF COMPANY POSITION TERM OF SERVICE

----- Joseph Grosso Amera
 Resources Corporation Chairman/Director Feb/04 to present Golden Arrow Resources Corporation
 Chairman/President/ Jul/04to present CEO/Director

----- Robert Stuart
 (Tookie) Angus Wildcat Silver Corporation Director May/06 to present Uranium North Resources Corp. Director
 May/06 to present United Bolero Development Corp Director March/06 to present Crescent Gold Limited Director
 Nov/05 to present Tsodilo Resources Limited Director Sep/04 to present CMQ Resources Inc. Director Dec/03 to
 present Nevsun Resources Ltd. Director Jan/03 to present Plutonic Power Corporation Director Jun/99 to present
 Blackstone Ventures Inc. Director Sept/97 to present Dynasty Gold Corp. Director Jan/06 to present Chairman Oct/99
 to present Polaris Minerals Corporation Director Sept/03 to present

----- David Terry Amera
 Resources Corporation Director Dec/07 to present VP, Exploration Mar/04 to Dec/07 Golden Arrow Resources
 Corporation Director & Jul/04 to present VP Exploration Astral Mining Corporation Director Mar/05 to present

----- David Horton Golden
 Arrow Resources Corporation Director July/04 to present

----- Leonard Harris
 Solitario Resources Corp. Director Jun/98 to present Cardero Resource Corp. Director Feb/00 to present Canarc
 Resource Corp. Director Jun/01 to present Sulliden Exploration Inc. Director Sep/03 to present Endeavour Silver
 Corp. Director Jul/03 to present Alamos Gold Inc. Director Nov/03 to present Morgain Minerals Inc. Director Jun/04
 to present Indico Technologies Ltd. Director Apr/06 to present Golden Arrow Resources Corp. Director Jan/08 to
 present

----- Jerry Minni
 Raytec Development Corp. Director & CEO Feb/92 to present Mantra Mining Inc. Director & CEO Jul/98 to present
 Avantec Technologies Inc. Director Jun/99 to present Amera Resources Corporation Director Nov/02 to present
 Weststar Resources Ltd. Director & CFO Jun/05 to present

----- COMPENSATION
 During the fiscal year ended December 31, 2007, the directors and officers of the Company, as a group, had received
 or charged the Company a total of \$353,283 (2006-\$533,917; 2005-\$241,088) for services rendered by the directors
 and officers or companies owned by the individuals. The Company is required, under applicable securities legislation
 in Canada, to disclose to its shareholders details of compensation paid to its directors and officers. The following
 fairly reflects all material information regarding compensation paid by the Company to its directors and officers,
 which information has been disclosed to the Company's shareholders in accordance with applicable Canadian law. -

25 - EXECUTIVE COMPENSATION "Named Executive Officers" means the Chief Executive Officer and Chief
 Financial Officer of the Company, regardless of the amount of compensation of that individual, and each of the
 Company's four most highly compensated executive officers, other than the Chief Executive Officer and Chief
 Financial Officer, who were serving as executive officers at the end of the most recent fiscal year and whose total
 salary and bonus amounted to \$150,000 or more. In addition, disclosure is also required for any individual whose total
 salary and bonus during the most recent fiscal year was at least \$150,000, whether or not they were an executive
 officer at the end of the most recent fiscal year. During the year ended December 31, 2007, the Company had two
 Named Executive Officers: Joseph Grosso, President and Chief Executive Officer and Arthur Lang, Chief Financial
 Officer (the "Named Executive Officers"). The following table sets forth all annual and long-term compensation
 awarded, paid to or earned by the Company's Named Executive Officers during the financial years ended December
 31, 2005 , 2006 and 2007. ----- LONG TERM COMPENSATION

----- ANNUAL COMPENSATION AWARDS PAYOUTS
 ----- OTHER RESTRICTED ----- ANNUAL
 SECURITIES SHARES OR ALL OTHER NAME AND ---- COMPEN- UNDER OPTIONS/ RESTRICTED LTIP

COMPEN- PRINCIPAL POSITION YEAR(1) SALARY BONUS SATION SARS GRANTED SHARE UNITS PAYOUTS SATION (\$ (\$ (\$ (#)(2) (#) (\$) (\$) -----
----- Joseph Grosso(3) 2007 \$250,000 Nil Nil Nil Nil Nil Nil Nil President and 2006 \$200,667 \$150,000 Nil 48,000 Nil Nil Nil Chief Executive 2005 \$102,000 Nil Nil 150,000 Nil Nil Nil Officer -----
----- Arthur Lang, Chief 2007 \$59,834(4) Nil Nil Nil Nil Nil Nil Financial Officer 2006 \$59,400(5) \$50,000 Nil 35,000 Nil Nil Nil 2005 \$68,927(6) Nil Nil 100,000 Nil Nil Nil

(1) Fiscal years ended December 31, 2007, 2006 and 2005. (2) See "Options and Stock Appreciation Rights". (3) See the description of termination payment provisions in the agreement with Oxbow International Marketing Corp. dated July 1, 1999 for Mr. Grosso in "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts." (4) During the year ended December 31, 2007 Mr. Lang's total compensation from the Grosso Group was \$150,000, of which \$59,834 was allocated to the Company as part of the Grosso Group fees for the year. (5) During the year ended December 31, 2006 Mr. Lang's total compensation from the Grosso Group was \$134,000, of which \$59,400 was allocated to the Company as part of the Grosso Group fees for the year. Additionally, during the year ended December 31, 2006 a bonus of \$50,000 was paid to Mr. Lang directly by the Company. (6) During the year ended December 31, 2005 Mr. Lang's total compensation from the Grosso Group was \$94,667, of which \$68,927 was allocated to the Company as part of the Grosso Group fees for the year. LONG TERM INCENTIVE PLAN AWARDS Long Term Incentive Plan Awards ("LTIP") means any plan providing compensation intended to serve as an incentive for performance to occur over a period longer than one fiscal year whether performance is measured by reference to financial performance of the Company or an affiliate of the Company, or the price of shares of the Company but does not include option or stock appreciation rights plans or plans for compensation through restricted shares or units. The Company has not granted any LTIP's to the Named Executive Officers during the most recently completed fiscal year. OPTIONS AND STOCK APPRECIATION RIGHTS Stock Appreciation Rights ("SAR's") means a right, granted by an issuer or any of its subsidiaries as compensation for services rendered or in connection with office or employment, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of the shares of the Company. No SAR's were granted to or exercised by the Named Executive Officers or directors during the most recently completed fiscal year. - 26 - OPTION GRANTS The following table sets forth stock options granted by the Company during the financial year ended December 31, 2007 to the Named Executive Officers of the Company:

Market Value % of Total Options of Securities Under Granted in Exercise or Underlying Options Name Options Granted Financial Year(1) Base Price(2) on Date of Grant Expiration Date (#) (\$/Security) (\$/Security)
----- Joseph Grosso nil n/a n/a n/a n/a
----- Arthur Lang nil n/a n/a n/a n/a

(1) Percentage of all options granted during the financial year. (2) The exercise price of stock options was set according to the rules of the TSX-V. The exercise price of stock options may only be adjusted in the event that specified events cause dilution of the Company's share capital. AGGREGATED OPTION EXERCISES AND OPTION VALUES The following table sets forth details of all exercises of stock options by the Named Executive Officers during the most recently completed fiscal year and the fiscal year-end value of unexercised options on an aggregated basis:

Value of Unexercised Securities Unexercised Options In-the-Money Options Name Acquired on Aggregate Value at Fiscal Year-End Fiscal Year-End(2) Exercise(1) Realized(2) Exercisable/Unexercisable Exercisable/Unexercisable (#) (\$)
----- Joseph Grosso Nil Nil 548,000 / Nil \$0 / N/A
----- Arthur Lang Nil Nil 185,000 / Nil \$0 / N/A

(1) All options are exercisable to acquire the Company's Common Shares. PENSION PLAN The Company does not provide retirement benefits for directors or executive officers. TERMINATION OF EMPLOYMENT, CHANGES IN RESPONSIBILITY AND EMPLOYMENT CONTRACTS The Company has no plans or arrangements in respect of

remuneration received or that may be received by the Named Executive Officers in the Company's most recently completed fiscal year or current fiscal year in respect of compensating such officers in the event of termination of employment (as a result of resignation, retirement, change of control, etc.) or a change in responsibilities following a change of control, where the value of such compensation exceeds \$100,000, except as disclosed in "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts." COMPENSATION OF DIRECTORS There are no arrangements under which directors were compensated by the Company during the most recently completed financial year ended December 31, 2007 for their services in their capacity as directors. During the last completed financial year ending December 31, 2007, the Company paid directly \$250,000 and indirectly \$84,413 (as part of the allocated Grosso Group monthly fees) to its directors who are not Named - 27 - Executive Officers, as a group, for salaries and professional services rendered. See also "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts." Option Grants The following table sets forth information concerning stock options granted to directors, as a group, who are not Named Executive Officers during the most recently completed fiscal year: ----- % of Total

Market Value Securities Granted(1)	Options Granted	Financial Year(2)	Base Price(3)	on Date of Grant	Expiration Date (#)	(%)	(\$/Security)	(\$/Security)
Nil	Nil	N/A	N/A	N/A	who are not Named Executive Officers			

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

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

Unexercised Securities	Unexercised Options	In-the-Money Options	at Name Acquired	on Aggregate Value	at Fiscal Year-End	Fiscal Year-End(2)	Exercise(1)	Realized	Exercisable/Unexercisable	Exercisable/Unexercisable	(#)	(\$)	(#)
Nil	Nil	865,000	/	N/A	\$0	/	N/A	group, who are not Named Executive Officers					

----- Value of
 ----- (1) All options are exercisable to acquire the Company Common Shares. PROPOSED COMPENSATION The Company has no bonus, profit sharing or similar plans in place pursuant to which cash or non-cash compensation is proposed to be paid or distributed to the Named Executive Officers in the current or subsequent fiscal years other than as disclosed herein.

MANAGEMENT CONTRACTS GROSSO GROUP MANAGEMENT LTD. Pursuant to the terms of an Administration Services Agreement, the Company engages Grosso Group Management Ltd. (the "Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow, Amera Resources Corporation ("Amera"), Astral Mining Corporation ("Astral"), Gold Point Energy Corp. ("GPE") and Blue Sky Uranium Corp. ("Blue Sky"), each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate - 28 - development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During fiscal 2007, the Company incurred fees of \$349,143 (2006: \$724,902; 2005: \$730,802) to the Grosso Group: \$330,305 (2006: \$764,115; 2006: \$764,012) was paid in twelve monthly payments and \$18,838 (2006: \$39,213 included in amounts receivable; 2005: \$33,210 included in amounts receivable) is included in accounts payable as a result of a review of the allocation of the Grosso Group costs to the member companies for the year. In addition, included in other receivables, prepaids and deposits is other receivables of a \$205,000 (2006: \$205,000; 2005: \$205,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital. Effective February 29, 2008, GPE withdrew from Grosso Group. The Administration Services Agreement may be terminated by a shareholder company after January 1, 2007, upon 30 days written notice to the Grosso Group. It is anticipated that upon termination of the Administration Services Agreement, each of the shareholder companies will agree to resell its

common share back to the Grosso Group for \$1.00 and the shareholder companies will not be able to sell, transfer or otherwise dispose of or encumber such share during the term of the Administration Services Agreement. The Grosso Group's areas of experience encompass financing, marketing, property acquisition, community relations, socioeconomic issues, regulatory compliance, government relations, property exploration and investor relations. Additionally the Grosso Group has a number of other support staff at its corporate office and arrangements with contract providers of accounting and administrative services at the country operations' offices in Argentina, Colombia and Peru. The members of the board of directors of the Grosso Group are appointed by the shareholder companies, with each shareholder company appointing one of its directors to serve as a director of the Grosso Group. As of February 29, 2008, the directors of the Grosso Group are Nikolaos Cacos, Joseph Grosso, Arthur Lang, Manfred Kurschner and Sean Hurd. Messrs. Lang and Grosso are officers and directors of the Company. Mr. Lang is also an officer and director of Golden Arrow and an officer of Amera, Blue Sky and Astral. Mr. Grosso is also an officer and director of Golden Arrow and of Amera. Mr. Cacos is an officer of the Company and is also a director and officer of Golden Arrow and Amera and a director of Blue Sky. Mr. Kurschner is an officer and director of Astral and a director of Golden Arrow. Mr. Hurd is an officer of the Company and President and Director of Blue Sky. Each of the public company shareholders of the Grosso Group has its own separate board of directors (whose members may include persons employed by the Grosso Group); however, some directors will serve on multiple boards and on the board of directors of companies which are not shareholders of the Grosso Group. The Board of Directors of the Company approved the Administration Services Agreement. See ""Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions." JOSEPH GROSSO The Company is party to an agreement with Oxbow, effective as of July 1, 1999, subsequently amended on May 1, 2006, pursuant to which Mr. Grosso provides executive services as President and Chief Executive Officer of the Company. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase the monthly consulting fee effective May 1, 2006 to \$20,833 (\$250,000 per annum) and to pay a bonus of \$150,000. During the fiscal year ended December 31, 2007, Oxbow was paid \$250,000 (2006 - \$350,667). Pursuant to the terms of the agreement, in the event the agreement is terminated by the Company as a result of Mr. Grosso's death or permanent disability while providing services to the Company, or by Mr. Grosso as a result of a material breach or default by the Company, Oxbow is entitled to a bonus payment in the amount of \$461,500. In the event the agreement is terminated by the Company without cause or as a result of a change of control, Oxbow is entitled to (i) any monthly compensation due to the date of termination, (ii) options as determined by the - 29 - Company's Board of Directors, (iii) three years of Mr. Grosso's monthly compensation (which may be adjusted annually), and (iv) a bonus payment of \$461,500. See ""Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions." NIKOLAOS CACOS As of January 2005, Mr. Cacos provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2007, Mr. Cacos's total compensation from the Grosso Group was \$22,500 (2006 - \$22,500, 2005 - \$22,500), of which \$938 was allocated to the Company (2006 - \$9,225, 2005 - \$14,862) as part of the Grosso Group fees for the year. See ""Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions." SEAN HURD As of January 2005, Mr. Hurd provides executive services to the Company as an employee of the Grosso Group. During the year ended December 31, 2007, Mr. Hurd's total compensation from the Grosso Group was \$120,000 (2006 - \$112,000, 2005 - \$96,000), of which \$25,497 was allocated to the Company (2006 - \$45,920, 2005 - \$72,216) as part of the Grosso Group fees for the year. See ""Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions." ARTHUR LANG As of January 2005, Mr. Lang provides executive services to the Company as an employee of the Grosso Group in January 2005. Effective May 1, 2005 Mr. Lang's annual salary was increased to \$102,000. During the year ended December 31, 2005, Mr. Lang's total compensation from the Grosso Group was \$94,667, of which \$68,927 was allocated to the Company as part of the Grosso Group fees for the year. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase Mr. Lang's annual salary to \$150,000 effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2007, Mr. Lang's total compensation from the Grosso Group was \$150,000 of which \$59,834 was allocated to the Company as part of the Grosso Group fees and \$Nil was paid directly as a bonus. See ""Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions." DAVID TERRY As of January 1, 2005, Mr. Terry provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2005, Mr. Terry's total compensation from the Grosso Group was \$120,000, of which \$63,600 was allocated to the Company as part of the Grosso Group fees during the year. On April 12, 2006 the Board accepted the recommendation from the

Compensation Committee to increase Mr. Terry's monthly fee to \$12,500 (\$150,000 annually) effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006, Mr. Terry's total compensation from the Company was \$107,400 of which \$57,400 was allocated to the Company as part of the Grosso Group fees and \$50,000 was paid directly as a bonus. On July 9, 2007 the Grosso Group increased Mr. Terry's monthly fee to \$16,667 (\$200,000 annually) effective July 1, 2007. During the year ended December 31, 2007, Mr. Terry's total compensation from the Grosso Group was \$175,000 of which \$24,579 was allocated to the Company as part of the Grosso Group fees. See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions." LINDA MCCLUSKY Mrs. Linda McClusky provides executive services to the Company as an employee of the Grosso Group. Mrs. McClusky was appointed Corporate Secretary effective December 4, 2007. During the year ended December 31, 2007 Mrs. McClusky's total compensation from the Grosso Group was \$67,000 of which \$18,358 was allocated to the Company as part of the Grosso Group fees. - 30 - CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES Other than as disclosed herein, no director or officer of the Company is or has been, within the preceding 10 years, a director or officer of any other issuer that, while that person was acting in that capacity: (a) was the subject of a cease trade order or similar order or an order that denied the other issuer access to any exemptions for a period of more than 30 consecutive days, or (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. PENALTIES OR SANCTIONS No director or officer of the Company is or has, within the past 10 years: (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority, or (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision. INDIVIDUAL BANKRUPTCIES No director or officer of the Company is or has, within the preceding 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual. BOARD PRACTICES COMPENSATION COMMITTEE The Board of Directors of the Company has adopted procedures to ensure that all employment, consulting or other compensation agreements between the Company and any director or senior officer of the Company or between any associate or affiliate of the Company and any director or senior officer are considered and approved by the disinterested members of the Board of Directors or a committee of independent directors. The Company's Compensation Committee must be comprised of at least two independent directors, who are not employees, control persons or members of the management of the Company or any of its associates or affiliates. As of the date of this report, Messrs. Horton and Angus are members of the Compensation Committee. The Board of Directors of the Company, after each annual shareholder's meeting must appoint or re-appoint a compensation committee. TERMS OF REFERENCE FOR THE COMPENSATION COMMITTEE GENERAL The Compensation Committee is a committee of the Board to which the Board has delegated its responsibility for oversight of the Corporation's overall human resources policies and procedures. This includes reviewing the adequacy and form of the compensation paid to the Corporation's executives and key employees to ensure that such compensation realistically reflects the responsibilities and risks of such positions. - 31 - The Compensation Committee's objectives are to assist the Board in meeting its responsibilities in respect of overall human resources policies and procedures including recruitment, performance management, compensation, benefit programs, resignation/terminations, training and development, succession planning and organizational planning and design, to ensure a broad plan of executive compensation is established that is competitive and motivating in order to attract, retain and inspire executive management and other key employees and to review all compensation and benefit proposals for the Corporation's executives and make recommendations to the Board. COMPOSITION AND PROCESS 1. The Compensation Committee will be comprised of a minimum of two directors, all of whom will be independent. 2. Compensation Committee members will be appointed by the Board on an annual basis for a one-year term and may serve any number of consecutive terms, which are encouraged to ensure continuity of experience. 3. The Chair of the Compensation Committee will be appointed by its members on an annual basis for a one-year term and may serve any number of consecutive terms. The Compensation Committee Chair will arrange for an alternate chair for a specific meeting if he or she is planning to be absent. 4. The Compensation Committee Chair will establish the agenda for Compensation Committee meetings and ensure that properly prepared agenda materials are circulated to the members

with sufficient time for review prior to the meeting. 5. The Compensation Committee will meet at least twice per year and may call special meetings as required. A quorum at meetings of the Compensation Committee will be one of its members. The Compensation Committee may hold its meetings, and members of the Compensation Committee may attend meetings, by telephone conference call. 6. At all meetings of the Compensation Committee every question will be decided by a majority of the votes cast. In case of an equality of votes, the Compensation Committee Chair will forward the matter to the Board of Directors for resolution. 7. The minutes of Compensation Committee meetings will document the date and time of the meetings. 8. The Compensation Committee will have the authority to retain (or terminate) any outside counsel, advisors or consultants it determines necessary to assist it in discharging its functions, independently of the Board, Chair or CEO. The Compensation Committee will be provided with the necessary funding to compensate any counsel, advisors or consultants it retains. 9. The CEO may attend and participate in meetings of the Compensation Committee, except when his compensation is the subject matter.

RESPONSIBILITIES

1. The Compensation Committee will review management prepared policies and make recommendations to the Board regarding the following matters: 2. Compensation, philosophy, policies and guidelines for senior officers, as well as supervisory and management personnel of the Corporation and any subsidiary companies. 3. Corporate benefits for senior management (i.e. car insurance, life insurance, retirement plan, expense accounts, etc.). 4. Incentive plans, along with global payment information as it applies to senior management bonus and discretionary bonus plans. 5. Review and approval of Corporate goals and objectives relevant to CEO and other senior management compensation. 6. Evaluation of the performance of the CEO and other senior management in light of corporate goals and objectives and making recommendations with respect to compensation levels based on such evaluations. 7. Policies regarding the Corporation's Incentive Stock Option Plan and the granting of stock options to Directors, management and employees of the Corporation. - 32 - 8. Policies regarding the development and implementation of incentive compensation plans and equity based compensation plans. 9. Compensation levels for directors and committee members, including the compensation of the Chair and the Chair of any Board committees, to ensure compensation realistically reflects the responsibilities and risk involved in being an effective director. Compensation should be commensurate with the time spent by directors in meeting their obligations and should be transparent and easy for shareholders to understand. 10. Succession plan for the CEO and other executives and key employees of the Corporation, in conjunction with the CEO. 11. Any material changes in human resources policy, procedure, remuneration and benefits. 12. Review of executive compensation disclosure in all public disclosure documents. 13. The Compensation Committee will review and assess its effectiveness, contribution and these Terms of Reference annually and recommend any proposed changes thereto to the Board. 14. Perform any other activities consistent with these Terms of Reference, as the Compensation Committee or the Board deems necessary or appropriate. 15. The Compensation Committee will have the authority to delegate any specific tasks to individual Compensation Committee members.

AUDIT COMMITTEE TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

General The Company's Audit Committee must be comprised of at least three directors, who are not employees, control persons or members of the management of the Company or any of its associates or affiliates. As of the date of this report, Messrs. Horton, Angus, Minni are members of the Audit Committee. The Board of Directors of the Company, after each annual shareholder's meeting must appoint or re-appoint an audit committee. The Audit Committee must review the annual financial statements of the Company before they are approved by the Board of Directors of the Company. The Board of Directors of the Company must review, and if considered appropriate, approve the annual financial statements of the Company before presentation to the shareholders of the Company. In addition, the Audit Committee is responsible for: - retaining the external auditors and communicating to them that they are ultimately accountable to the Committee and the Board as the representatives of the shareholders; - reviewing the external audit plan and the results of the audit, approves all audit engagement fees and terms and pre-approves all non-audit services to be performed by the external auditor; - reviewing the Company's financial statements and related management's discussion and analysis of financial and operating results; and - having direct communication channels with the Company's auditors. The Audit Committee's mandate requires that all of the members be financially literate and at least one member have accounting or related financial management expertise. The mandate of the Committee empowers it to retain legal, accounting and other advisors. The Audit Committee's Charter is attached hereto as Exhibit 4.72.

EMPLOYEES As of December 31, 2007, the Company uses the services of the Grosso Group, which had 23 full-time employees and 2 part-time employees. The Company also has two part-time employees in Argentina and Joseph Grosso through the contract with Oxbow. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts". Exploration

activities are conducted by consultants, laborers and technicians hired for the duration of the exploration program. - 33
 - SHARE OWNERSHIP As of February 29, 2008, the Company had 52,132,064 shares outstanding. The following table sets forth details of all employee share ownership and includes information regarding the date of expiration or any options or warrants held by each employee; the exercise price of the particular option or warrant held; the total number of options and warrants held by each employee; the total number of shares held by each employee; and each employee's percentage of ownership: The following table sets forth certain information regarding ownership of the Company's shares by the Company's officers and directors as of February 29, 2008.

NAME	SHARES	PERCENT OF CLASS(1)	TITLE OF CLASS
Joseph Grosso	1,744,667(2)	3.3%	Common Stock
Nikolaos Cacos	188,151(3)	0.4%	Common Stock
Sean Hurd	310,000(4)	0.6%	Common Stock
Gerald Carlson (former director)	252,500(5)	0.6%	Common Stock
David Terry	222,000(6)	0.4%	Common Stock
Chet Idziszek	245,000(7)	0.5%	Common Stock
Robert Stuart (Tookie)	260,000(8)	0.5%	Common Stock
Arthur Lang	195,000(9)	0.4%	Common Stock
David Horton	160,300(10)	0.3%	Common Stock
Leonard Harris	105,000(11)	0.2%	Common Stock
Officers and Directors (as a group, 10 persons)	3,682,618(12)	7.6%	Common Stock

(1) Where persons listed on this table have the right to obtain additional shares of common stock through the exercise of outstanding options, these additional shares are deemed to be outstanding for the purpose of computing the percentage of common stock owned by such persons, but are not deemed to be outstanding for the purpose of computing the percentage owned by any other person. Based on 52,132,064 shares of common stock outstanding as February 29, 2008. (2) Includes the following shares, options and warrants held by Mr. Grosso, Evelyn Grosso (Mr. Grosso's wife) and Mr. Grosso's private companies: (a) 703,219 shares held by Mr. Grosso; (b) 348,448 shares held by Oxbow (50%); (c) 75,000 Options held by Mr. Grosso's wife (50%) (d) 548,000 Options held by Mr. Grosso to acquire 548,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."; and (e) 70,000 shares held in Mr. Grosso's RRSP account. (3) Includes 13,151 shares held by Mr. Cacos and 175,000 options held by Mr. Cacos to acquire an additional 175,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (4) Includes 310,000 options held by Mr. Hurd to acquire an additional 310,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (5) Includes 50,000 shares held by Mr. Carlson and 47,500 shares held by KGE Management Ltd., a private company owned by Mr. Carlson and options held by Mr. Carlson to acquire an additional 155,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (6) Includes 22,000 shares held by Mr. Terry and options held by Mr. Terry to acquire an additional 200,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (7) Mr. Idziszek holds 245,000 options to acquire 245,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (8) 260,000 options held by Mr. Angus to acquire 260,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (9) Includes 10,000 shares and 185,000 options held by Mr. Lang to acquire 185,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (10) Includes 200 shares and 160,000 options held by Mr. Horton to acquire 160,000 shares. Mr. Horton also holds 100 Warrants to acquire an additional 100 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (11) Includes 5,000 shares and options held by Mr. Harris to acquire 100,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." - 34 - (12) Includes the shares, options, and warrants set forth in footnotes 2 through 11 above. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (13) Effective March 19, 2008 Mr. Idziszek tendered his resignation as a director. OPTIONS, WARRANTS AND OTHER RIGHTS TO ACQUIRE SECURITIES As of February 29, 2008, the Company had granted a number of stock options, issued a number of warrants and entered into a number of

agreements pursuant to which up to 7,834,404 common shares of the Company may be issued. The following is a brief summary of these stock options and warrants currently outstanding and agreements. STOCK OPTIONS The TSX-V requires all TSX-V listed companies to adopt stock options plans, and such plans must contain certain provisions. At the annual and extraordinary general meeting of shareholders of the Company held on June 26, 2003, the shareholders approved the Company's stock option plan (the "Stock Option Plan"). At the annual and extraordinary general meetings of shareholders of the Company held on June 24, 2004, June 23, 2005, June 14, 2006 and December 4, 2007, respectively, the shareholders approved and ratified by ordinary resolution the 2003 Stock Option Plan to make a total of up to 10% of the issued and outstanding shares of IMA available for issuance. The purpose of the Stock Option Plan is to provide incentive to the Company's employees, officers, directors, and consultants responsible for the continued success of the Company. The following is a summary of the Stock Option Plan. ADMINISTRATION OF THE STOCK OPTION PLAN The Stock Option Plan provides that it will be administered by the Company's Board of Directors or by the Compensation Committee of the Company's Board of Directors consisting of not less than two of its members. The Stock Option Plan is currently administered by the Compensation Committee. DESCRIPTION OF STOCK OPTION PLAN The effective date (the "Effective Date") of the Stock Option Plan is June 2, 2003, the date the Board of Directors approved the Stock Option Plan, and it will terminate ten years from the Effective Date. The Stock Option Plan provides that options may be granted to any employee, officer, director or consultant of the Company or a subsidiary of the Company. The options issued pursuant to the Stock Option Plan will be exercisable at a price not less than the market value of the Company's common shares at the time the option is granted. "Market Value" means: (a) for each organized trading facility on which the common shares are listed, Market Value will be the closing trading price of the common shares on the day immediately preceding the grant date less any discounts permitted by the applicable regulatory authorities; (b) if the Company's common shares are listed on more than one organized trading facility, the Market Value shall be the Market Value as determined in accordance with subparagraph (a) above for the primary organized trading facility on which the common shares are listed, as determined by the Board (or a committee thereof), subject to any adjustments as may be required to secure all necessary regulatory approvals; (c) if the Company's common shares are listed on one or more organized trading facilities but have not traded during the ten trading days immediately preceding the grant date, then the Market Value will be determined by the Board (or a committee thereof), subject to any adjustments as may be required to secure all necessary regulatory approvals; and (d) if the Company's common shares are not listed for trading on a stock exchange or over the counter market, the value which is determined by the Board (or a committee thereof) to be the fair value of the Company's common shares, taking into consideration all factors that the Board (or a committee thereof) deems appropriate, including, without limitation, recent sale and offer prices of the Company shares in private transactions negotiated at arms' length. - 35 - Options granted under the Stock Option Plan will be granted for a term not to exceed 10 years from the date of their grant, provided that if the Company is then a "Tier 2" company listed on the TSX-V, the term of the option will be not more than five years. Options under the Stock Option Plan will be subject to such vesting schedule as the Compensation Committee may determine. In the event that an option is to be terminated prior to expiry of its term due to certain corporate events, all options then outstanding shall become immediately exercisable for 10 days after notice thereof, notwithstanding the original vesting schedule. Options will also be non-assignable and non-transferable, provided that they will be exercisable by an optionee's legal heirs, personal representatives or guardians for up to 12 months following the death or termination of an optionee due to disability, or up to 12 months following the death of an employee if the employee dies within 12 months of termination due to disability. All such options will continue to vest in accordance with their original vesting schedule. The maximum number of common shares to be reserved for issuance under the Stock Option Plan, including options currently outstanding, will not exceed 10% of the number of common shares of the Company issued and outstanding on the applicable date of grant. If a material alteration in the capital structure of the Company occurs as a result of a recapitalization, stock split, reverse stock split, stock dividend, or otherwise, the Compensation Committee shall make adjustments to the Stock Option Plan and to the options then outstanding under it as the Compensation Committee determines to be appropriate and equitable under the circumstances, unless the Compensation Committee determines that it is not practical or feasible to do so, in which event the options granted under the Stock Option Plan will terminate as set forth above. The TSX-V requires all TSX-V listed companies who have adopted stock option plans which reserve a maximum of 10% of the number of common shares of the Company issued and outstanding on the applicable date of grant, to obtain shareholder approval to the Stock Option Plan on an annual basis. As of February

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form 8-K

29, 2007, the Company has issued 4,330,000 non-transferable incentive stock options to purchase common shares outstanding to the following persons:

----- MARKET VALUE ON
NATURE NUMBER EXERCISE EXPIRATION DATE OF GRANT OPTIONEE OF OPTION(1) OF SHARES
PRICE DATE OR REPRICING

----- N. Cacos Officer
110,000 \$3.10 Mar. 24/09 \$3.10 50,000 \$4.16 Mar. 16/10 \$4.16 15,000 \$2.92 Nov. 16/10 \$2.92 J. Grosso Director
200,000 \$1.87 Aug. 27/08 \$1.87 150,000 \$3.10 Mar. 24/09 \$3.10 150,000 \$4.16 Mar. 16/10 \$4.16 48,000 \$3.21 Jun.
22/11 \$3.21 S. Hurd Officer 100,000 \$1.87 Aug. 27/08 \$1.87 130,000 \$3.10 Mar. 24/09 \$3.10 60,000 \$4.16 Mar.
16/10 \$4.16 20,000 \$2.92 Nov. 16/10 \$2.92 G. Carlson Former Director 50,000 \$1.87 Aug. 27/08 \$1.87 85,000 \$3.10
Mar. 24/09 \$3.10 20,000 \$4.16 Mar. 16/10 \$4.16 N. DeMare Consultant 50,000 \$1.87 Aug. 27/08 \$1.87 50,000 \$3.10
Mar. 24/09 \$3.10 30,000 \$4.16 Mar. 16/10 \$4.16 - 36 -

----- MARKET VALUE ON
NATURE NUMBER EXERCISE EXPIRATION DATE OF GRANT OPTIONEE OF OPTION(1) OF SHARES
PRICE DATE OR REPRICING

----- E. Grosso(2) Consultant
75,000 \$3.10 Mar. 24/09 \$3.10 K. Patterson Consultant 25,000 \$3.10 Mar. 24/09 \$3.10 25,000 \$2.92 Nov. 16/10
\$2.92 D. Terry Director 50,000 \$3.10 Mar. 24/09 \$3.10 80,000 \$4.16 Mar. 16/10 \$4.16 70,000 \$2.92 Nov. 16/10
\$2.92 C. Idziszek Director 150,000 \$0.90 May 30/08 \$0.90 75,000 \$3.10 Mar. 24/09 \$3.10 20,000 \$4.16 Mar. 16/10
\$4.16 W. Lee(3) Consultant 75,000 \$1.87 Aug. 27/08 \$1.87 30,000 \$3.10 Mar. 24/09 \$3.10 R. Angus Director
150,000 \$0.90 May 30/08 \$0.90 40,000 \$3.10 Mar. 24/09 \$3.10 30,000 \$4.16 Mar. 16/10 \$4.16 40,000 \$3.21 Jun.
22/11 \$3.21 D. Dorval Consultant 60,000 \$3.10 Mar. 24/09 \$3.10 30,000 \$4.16 Mar. 16/10 \$4.16 J. Denee Consultant
10,000 \$3.10 Mar. 24/09 \$3.10 5,000 \$4.16 Mar. 16/10 \$4.16 C. Sandoval Consultant 10,000 \$3.10 Mar. 24/09 \$3.10
15,000 \$4.16 Mar. 16/10 \$4.16 5,000 \$3.21 Jun. 22/11 \$3.21 C. D'Amico(5) Director (of 220,000 \$1.87 Aug. 27/08
\$1.87 subsidiary-exempted 75,000 \$3.10 Mar. 24/09 \$3.10 from reporting) C. Timossi Consultant 75,000 \$3.10 Mar.
24/09 \$3.10 S. Phillips Consultant 300,000 \$1.87 Aug. 27/08 \$1.87 50,000 \$3.10 Mar. 24/09 \$3.10 J. Faccin
Consultant 10,000 \$3.10 Mar. 24/09 \$3.10 M. De Simone Director (of 80,000 \$3.10 Mar. 24/09 \$3.10
subsidiary-exempted from reporting) D. Horton Director 100,000 \$3.10 Mar. 24/09 \$3.10 30,000 \$4.16 Mar. 16/10
\$4.16 30,000 \$3.21 Jun. 22/11 \$3.21 A. Lang Director 50,000 \$3.10 Mar. 24/09 \$3.10 75,000 \$4.16 Mar. 16/10 \$4.16
25,000 \$2.92 Nov. 16/10 \$2.92 35,000 \$3.21 Jun. 22/11 \$3.21 G. James Consultant 7,000 \$3.10 Mar. 24/09 \$3.10 A.
Colucci Consultant 120,000 \$1.87 Aug. 27/08 \$1.87 - 37 -

----- MARKET VALUE ON
NATURE NUMBER EXERCISE EXPIRATION DATE OF GRANT OPTIONEE OF OPTION(1) OF SHARES
PRICE DATE OR REPRICING

----- P. Hedblom Consultant
30,000 \$1.87 Aug. 27/08 \$1.87 20,000 \$2.92 Nov. 16/10 \$2.92 J. Wong Consultant 25,000 \$1.87 Aug. 27/08 \$1.87 F.
Riedl Consultant 30,000 \$4.16 Mar. 16/10 \$4.16 A. Baertl Consultant 150,000 \$4.16 Mar. 16/10 \$4.16 150,000 \$2.92
Nov. 16/10 \$2.92 I. Thomson Consultant 10,000 \$4.16 Mar. 16/10 \$4.16 L. Harris Director 50,000 \$2.92 Nov. 16/10
\$2.92 50,000 \$3.21 Jun. 22/11 \$3.21 C. Smyth Consultant 5,000 \$2.92 Nov. 16/10 \$2.92 L. McClusky Officer 10,000
\$3.21 Jun. 22/11 \$3.21 B. Dubowska Consultant 5,000 \$3.21 Jun. 22/11 \$3.21 G. Myers Consultant 100,000 \$0.47
Oct. 23/12 \$0.47 -----
TOTAL 4,330,000 =====

----- Officers and directors,
as a group (10 persons)(4) 2,193,000 ===== (1) Pursuant to the rules of the TSX-V, the Company has issued
stock options to employees, directors, officers and consultants. "Employee" refers to the employees of the Grosso
Group providing administrative and management services to the Company. (2) Evelyn Grosso is the wife of Joseph
Grosso. (3) The Company granted Mr. Lee options to acquire common shares during his tenure as director. Mr. Lee
resigned as an officer and director of the Company effective April 2, 2004 and currently remains as a consultant to the
Company. (4) Includes options held by Joseph Grosso's wife, Evelyn Grosso. (5) The Company granted Mr. D'Amico
options to acquire common shares during his tenure as director of a subsidiary. WARRANTS AND OTHER
COMMITMENTS As of February 29, 2008, there were 3,271,070 non-transferable common share purchase warrants

exercisable. As of February 29, 2008, the Company's officers and directors, as a group, including entities controlled or under significant influence of officers and directors of the Company, held 100 warrants to purchase the Company's common shares. There are no assurances that the options, warrants or other rights described above will be exercised in whole or in part. - 38 -

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.

PRINCIPAL HOLDERS OF VOTING SECURITIES To the best of the Company's knowledge, the following table sets forth certain information regarding ownership of the Company's common shares by the Company's major shareholders as of February 29, 2008.

		Shares and Rights	
Beneficially	Title of Class Name and Address of Owner	Owned or Controlled	(1) Percent of Class (1)
----- Common Exploration			
Capital Partners 2006	5,000,000	9.6%	Stock Limited Partnership (2) 7770 El Camino Real Carlsbad, California 92009
Citizenship: California -----			
Resource Investment Management	5,000,000	9.6%	Corporation (2) 7770 El Camino Real Carlsbad, California 92009
Citizenship: California -----			
Rule Family Trust udt 12/17/98	(2) 5,000,000	9.6%	7770 El Camino Real Carlsbad, California 92009
Citizenship: California -----			
----- Arthur			
Richards Rule (2)	5,000,000	9.6%	7770 El Camino Real Carlsbad, California 92009
Citizenship: California -----			

----- NOTES: (1) Where persons listed on this table have the right to obtain additional shares of common stock through the exercise of outstanding options or warrants within 60 days from February 29, 2008, these additional shares are deemed to be outstanding for the purpose of computing the percentage of common stock owned by such persons, but are not deemed to be outstanding for the purpose of computing the percentage owned by any other person. Based on 52,132,064 shares of common stock outstanding as of February 29, 2008. (2) These shares are held by affiliated entities as follows: (i) by Exploration Capital Partners 2006 Limited Partnership, as the direct beneficial owner of 5,000,000 Common Shares of the Issuer; (ii) by Resource Investment Management Corporation by virtue of its position as General Partner of Exploration Capital Partners 2006 Limited Partnership; (iii) by the Rule Family Trust udt 12/17/98 by virtue of its indirect ownership and control of Exploration Capital Partners 2006 Limited Partnership (as owner of 100% of Resource Investment Management Corporation); and (iv) by Arthur Richards Rule by virtue of his positions with Resource Investment Management Corporation and ownership interest in the Rule Family Trust udt 12/17/98.

Mr. Rule is President and a Director of RIMC and, with his wife, is co-Trustee of the Rule Family Trust udt 12/17/98, which owns 100% of Resource Investment Management Corporation. **CHANGES IN OWNERSHIP BY MAJOR SHAREHOLDERS** To the best of the Company's knowledge there have been no changes in the ownership of the Company's shares other than disclosed herein. - 39 - **SHARES HELD IN THE UNITED STATES** As of February 29, 2008, there were approximately 189 registered holders of the Company's shares in the United States, with combined holdings of 7,354,240 shares (14.14% of the Company's 52,013,065 outstanding shares at February 29, 2008).

CHANGE OF CONTROL As of February 29, 2008, there were no arrangements known to the Company which may, at a subsequent date, result in a change of control of the Company. **CONTROL BY OTHERS** To the best of the Company's knowledge, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

RELATED PARTY TRANSACTIONS Other than as disclosed below, from January 1, 2007 through February 29, 2008, the Company did not enter into any transactions or loans between the Company and any (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close members of any such individual's family; (d) key management personnel and close members of such individuals' families; or (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly by any person described in (c) or (d) or over which such a person is able to exercise significant influence. 1. The Company engages Grosso Group Management Ltd. (the "Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow, Amera, Astral, GPE and Blue Sky, each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs

including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During fiscal 2007, the Company incurred fees of \$349,143 (2006: \$724,902; 2005: \$730,802) to the Grosso Group: \$330,305 (2006: \$764,115; 2006: \$764,012) was paid in twelve monthly payments and \$18,838 (2006: \$39,213 included in amounts receivable; 2005: \$33,210 included in amounts receivable) is included in accounts payable as a result of a review of the allocation of the Grosso Group costs to the member companies for the year. In addition, included in other receivables, prepaids and deposits is other receivables of a \$205,000 (2006: \$205,000; 2005: \$205,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital. Effective February 29, 2008, GPE withdrew from Grosso Group. The Administration Services Agreement may be terminated by a shareholder company after January 1, 2007, upon 30 days written notice to the Grosso Group. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts".

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

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

4. The Company leased a portion of its office space from Beauregard, a private company owned by Mr. Grosso's wife, Mrs. Evelina Grosso and subleased these premises to the Grosso Group in 2005 and 2006, the balance of the existing lease term, and recovered the 2006 and 2005 rent it had paid Effective January 1, - 40 - 2007 Beauregard and Grosso Group executed a lease for the office premises. During the fiscal years ended December 31, 2006 and 2005, the Company paid rent to Beauregard in the amount of \$141,203 and \$128,722, respectively. During the year ended December 31, 2007, the Company's rent allocated from the Grosso Group was \$32,966. - See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Office".

5. As of January 2005, Mr. Terry provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2005, Mr. Terry's total compensation from the Grosso Group was \$120,000, of which \$63,600 was allocated to the Company as part of the Grosso Group fees during the year. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to \$12,500 (\$150,000 annually) effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006, Mr. Terry's total compensation from the Grosso Group was \$140,000, of which \$57,400 was allocated to the Company. On July 9, 2007 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to \$16,667 (\$200,000 annually) effective July 1, 2007. During the year ended December 31, 2007, Mr. Terry's total compensation from the Grosso Group was \$175,000, of which \$24,579 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

6. As of January 2005, Mr. Lang provides executive services to the Company as an employee of the Grosso Group. Effective May 1, 2005, Mr. Lang's annual salary was increased to \$102,000. During the year ended December 31, 2005, Mr. Lang's total compensation from the Grosso Group was \$94,667, of which \$68,927 was allocated to the Company as part of the Grosso Group fees for the year. On April 12, 2006, the Board accepted the recommendation from the Compensation Committee to increase Mr. Lang's annual salary to \$150,000 effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006, Mr. Lang's total compensation from the Grosso Group was \$134,000, of which \$54,940 was allocated to the Company. During the year ended December 31, 2007, Mr. Lang's total compensation from the Grosso Group was \$151,000 of which \$59,834 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

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

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

9. On February 14, 2006 and effective January 1, 2006, the Company

entered into an agreement with RSA Holdings Ltd., pursuant to which Mr. Angus, a director of the Company, provides advisory services including participation on various committees of the Company. A monthly fee of US\$5,000 for services is payable under this agreement for a minimum period of six months. In 2007, the Company paid RSA \$66,050 (2006 - \$68,350). This agreement was terminated by mutual agreement, effective December 31, 2007. - 41 - ITEM 8. FINANCIAL INFORMATION.

----- CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION FINANCIAL STATEMENTS DESCRIPTION PAGE -----

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

SIGNIFICANT CHANGES There are no significant changes to report between the year ended December 31, 2007 and the date of this annual report. **LEGAL PROCEEDINGS** There are no legal proceedings as at February 29, 2008.

DIVIDEND POLICY The Company has not paid any dividends on its common shares and does not intend to pay dividends on its common shares in the immediate future. Any decision to pay dividends on its common shares in the future will be made by the Board of Directors on the Company on the basis of earnings, financial requirements and other such conditions that may exist at that time. **ITEM 9. THE OFFER AND LISTING**

----- **PRICE HISTORY** The Company's common shares are listed on the TSX-V. From April 15, 1996 to November 28, 1999, the Company's shares were listed on the Vancouver Stock Exchange (the "VSE"). Effective November 29, 1999, the VSE and the Alberta Stock Exchange (the "ASE") merged and began operations as the Canadian Venture Exchange or CDNX. On August 1, 2001, the CDNX was acquired by the Toronto Stock Exchange and became known as the TSX-V. The Company is classified as a Tier I company on the TSX-V and trades under the symbol "IMR". Companies which satisfy the minimum initial listing requirements of the TSX-V are designated as Tier II companies and are subject to listing requirements which are stricter than those for companies which are designated as Tier I companies. The following table lists the volume of trading and high and low sales prices on the TSX-V (or predecessor), for shares of the Company's common stock for the last five fiscal years, each quarterly period during the last two fiscal years and each month from September 2007 through February 2008. **TSX VENTURE EXCHANGE (OR PREDECESSOR) STOCK TRADING ACTIVITY**

SALES PRICE	YEAR ENDED	VOLUME	HIGH	LOW
	December 31, 2007	39,182,400	\$1.20	\$0.355
	December 31, 2006	52,243,300	\$3.96	\$0.49
	December 31, 2005	18,584,000	\$4.45	\$2.56
	December 31, 2004	37,199,200	\$4.80	\$1.73
	December 31, 2003	50,625,400	\$2.54	\$0.49

QUARTER ENDED	VOLUME	HIGH	LOW
December 31, 2007	3,506,800	\$0.60	\$0.39
September 30, 2007	5,725,900	\$0.51	\$0.42
June 30, 2007	25,684,600	\$1.20	\$0.355
March 31, 2007	4,265,100	\$0.95	\$0.57
December 31, 2006	15,052,600	\$0.66	\$0.49
September 30, 2006	22,456,700	\$3.49	\$0.50
June 30, 2006	5,606,400	\$3.75	\$2.86
March 31, 2006	9,127,600	\$3.96	\$2.84

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

AMERICAN STOCK EXCHANGE AND OVER-THE-COUNTER BULLETIN BOARD STOCK TRADING ACTIVITY As of July 6, 2005, the Company's shares started to trade on the American Stock Exchange ("AMEX"). Prior to that the Company's shares were trading on the OTC Bulletin Board operated by the National Association of Securities Dealers in the United States from October 8, 2002. The Company currently trades on the AMEX under the symbol "IMR". The following tables set forth the market price ranges and the aggregate volume of trading of the common shares of the Company on the AMEX or the OTC Bulletin Board system for the periods indicated: **SALES PRICE (US\$)**

SALES PRICE (US\$)	YEAR ENDED	VOLUME	HIGH	LOW
	December 31, 2007	18,219,300	\$1.30	\$0.25
	December 31, 2006	26,580,100	\$3.48	\$0.43
	December 31, 2005	13,245,000	\$3.68	\$2.00
	December 31, 2004	20,134,200	\$4.05	\$1.31
	December 31, 2003	6,974,500	\$1.89	\$0.36

QUARTER ENDED	VOLUME	HIGH	LOW
December 31, 2007	2,080,100	\$0.62	\$0.25
September 30, 2007	2,863,800	\$0.52	\$0.38
June 30, 2007	9,374,600	\$1.30	\$0.31
March 31, 2007	3,900,800	\$0.83	\$0.48
December 31, 2006	4,592,600	\$0.59	\$0.43
September 30, 2006	9,104,900	\$3.10	\$0.44
June 30, 2006	5,606,700	\$3.44	\$2.57
March 31, 2006	7,275,900	\$3.48	\$2.43

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

----- **MEMORANDUM AND ARTICLES OF**

ASSOCIATION The Company was incorporated under the COMPANY ACT (British Columbia) on September 17, 1979, as Gold Star Resources Ltd. The Company's Incorporation Number is 197061. On May 1, 1990, the Company filed an Altered Memorandum to reflect its name change to EEC Marketing Corp. On January 13, 1992, the Company filed an Altered Memorandum to reflect its name change to Amera Industries Corp. On February 9, 1995, the Company filed an Altered Memorandum to reflect its name change to International Amera Industries Corp. On February 20, 1996, the Company filed an Altered Memorandum to reflect its name change to IMA Resource Corporation. Effective July 7, 1998, the Company underwent a statutory plan of arrangement (the "Arrangement") with Viceroy Resource Corporation ("Viceroy"), changed its name to IMA Exploration Inc., consolidated its share capital on the basis of four old shares for one new share and filed an Altered Memorandum to give effect to the foregoing. See "Item 4. Information on the Company". The Company's objects and purposes are not set forth in or prescribed by its Articles or Memorandum. The Company is in the business of the acquisition, exploration and development of mineral properties. AMENDMENT OF NOTICE OF ARTICLES On March 29, 2004, the new British Columbia Business Corporations Act came into force in British Columbia (the "BCBCA The Board of Directors of the Company approved the Transition of the Company and the Company filed a transition application with the Registrar of Companies British Columbia and completed the Transition on May 4, 2004. In order to bring the Company's Articles in line with the BCBCA, the Company deleted and replaced its Articles in their entirety. Accordingly, the shareholders passed a special resolution removing the application of the Pre-Existing Company Provisions at a meeting held on June 24, 2004. SUMMARY OF MATERIAL PROVISIONS The following is a summary of certain material provisions of the Company's Articles of Association and Memorandum: A. DIRECTOR'S POWER TO VOTE ON A PROPOSAL, ARRANGEMENT OR CONTRACT IN WHICH THE DIRECTOR IS MATERIALLY INTERESTED. Under the BCBCA, subject to certain exceptions, a director or senior officer of the Company must disclose any material interest that he personally has, or that he as a director or senior officer of another corporation has in a contract or transaction that is material to the Company and which the Company has entered into or proposes to enter into. A director or senior officer of the Company does not hold a disclosable interest in a contract or transaction if: 1. the situation that would otherwise constitute a disclosable interest arose before the coming into force of the BCBCA, or the interest was disclosed and approved under, or was not required to be disclosed under legislation that applied to the Company before the coming into effect of the BCBCA; 2. both the Company and the other party to the contract or transaction are wholly owned subsidiaries of the same corporation; 3. the Company is a wholly owned subsidiary of the other party to the contract or transaction; 4. the other party to the contract or transaction is a wholly owned subsidiary of the Company ; or 5. the director or senior officer is the sole shareholder of the Company or of a corporation of which the Company is a wholly owned subsidiary. - 44 - A director or senior officer of the Company does not hold a disclosable interest in a contract or transaction merely because: 1. the contract or transaction is an arrangement by way of a security granted by the Company for money loaned to, or obligations undertaken by, the director or senior officer, or a person in whom the director or senior officer has a material interest, for the benefit of the Company or an affiliate of the Company; 2. the contract or transaction relates to an indemnity or insurance under the BCBCA; 3. the contract or transaction relates to the remuneration of the director or senior officer, or a person in whom the director or senior officer, employee or agent of the Company or of an affiliate of the Company; 4. the contract or transaction relates to a loan to the Company, and the director or senior officer, or a person win whom the director or senior officer has a material interest, is or is to be a guarantor of some or all of the loan; or 5. the contract or transaction has been or will be made with or for the benefit of a corporation that is affiliated with the Company and the director or senior officer is also a director or senior officer of that corporation or an affiliate of that corporation. A director or senior officer who holds such a material interest must disclose such interest in writing. The disclosure must be evidenced in writing in a consent resolution, the minutes of a meeting or any other record deposited with the Company's record office. A director who has a disclosable interest in a contract or transaction is not entitled to vote of any directors' resolution to approve that contract or transaction, but may be counted in the quorum at the directors' meeting at which such vote is taken. B. DIRECTOR'S POWER, IN THE ABSENCE OF AN INDEPENDENT QUORUM, TO VOTE COMPENSATION TO THEMSELVES OR ANY MEMBERS OF THEIR BODY. The compensation of the directors is decided by the directors unless the Board of Directors requests approval of the compensation from the shareholders. If the issuance of compensation to the directors is decided by the directors, a quorum is the majority of the directors in office. C. BORROWING POWERS EXERCISABLE BY THE DIRECTORS AND HOW SUCH BORROWING POWERS MAY BE VARIED. The Company, if authorized by the

directors, may: 1. borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate; 2. issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate; 3. guarantee the repayment of money by any other person or the performance of any obligation of any other person; and 4. mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company. The borrowing powers may be varied by amendment to the Articles of the Company which requires approval of the shareholders of the Company by special resolution. D. RETIREMENT AND NON-RETIREMENT OF DIRECTORS UNDER AN AGE LIMIT REQUIREMENT. There are no such provisions applicable to the Company under the Notice of Articles, Articles (as existing or the new proposed Articles) or the BCBCA. - 45 - E. NUMBER OF SHARES REQUIRED FOR A DIRECTOR'S QUALIFICATION. A director of the Company is not required to hold a share in the capital of the Company as qualification for his office. DESCRIPTION OF SHARE CAPITAL The authorized capital of the Company consists of an unlimited number of common shares without par value and 100,000,000 Preferred shares without par value, of which 18,283,053 have been designated as Preferred Shares, Series I. COMMON SHARES A total of 52,132,064 common shares were issued and outstanding as of February 29, 2008. All of the common shares are fully paid and not subject to any future call or assessment. All of the common shares of the Company rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and the entitlement to dividends. The holders of the common shares are entitled to receive notice of all shareholder meetings and to attend and vote at such meetings. Each common share carries with it the right to one vote. The common shares do not have preemptive or conversion rights. In addition, there are no sinking fund or redemption provisions applicable to the common shares or any provisions discriminating against any existing or prospective holders of such securities as a result of a shareholder owning a substantial number of shares. PREFERRED SHARES The Company is authorized to issue up to 100,000,000 preferred shares in one or more series of which 18,283,053 have been designated as Preferred Shares, Series I. The preferred shares are entitled to priority over the common shares with respect to the payment of dividends and distribution in the event of the dissolution, liquidation or winding-up of the Company. The holders of preferred shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Company, other than at a meeting of holders of Preferred Shares. As of February 29, 2008 there were no issued or outstanding preferred shares. CHANGES TO RIGHTS AND RESTRICTIONS OF SHARES If the Company wishes to change the rights and restrictions of the common shares or the preferred shares, the Company must obtain the approval of a special resolution by 2/3 of the holders of the common shares, or 2/3 of the holders of the preferred shares. DIVIDEND RECORD The Company has not paid any dividends on its common shares and has no policy with respect to the payment of dividends. OWNERSHIP OF SECURITIES AND CHANGE OF CONTROL There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by foreign law or by the constituent documents of the Company. Any person who beneficially owns or controls, directly or indirectly, more than 10% of the Company's voting shares is considered an insider, and must file an insider report with the British Columbia, Alberta and Ontario Securities Commissions within ten days of becoming an insider disclosing any direct or indirect beneficial ownership of, or control over direction over securities of the Company. In addition, if the Company itself holds any of its own securities, the Company must disclose such ownership. - 46 - There are no provisions in the Company's Memorandum and Articles of Association or Bylaws that would have an effect of delaying, deferring or preventing a change in control of the Company operating only with respect to a merger, acquisition or corporate restructuring involving the Company or its subsidiaries. MEETINGS OF THE SHAREHOLDERS ANNUAL AND GENERAL MEETINGS Under BCBCA and the Company's Articles, the Company's annual general meeting is to be held once in each calendar year and not more than 15 months after the previous meeting. No advance notice will be required to be published at a meeting where directors are to be elected. The Company must give shareholders not less than 21 days notice of any general meeting of the shareholders. The Directors may fix in advance a date, which is no fewer than 35 days or no more than 60 days prior to the date of the meeting. All the holders of common shares as at that date are entitled to attend and vote at a general meeting. QUORUM FOR SHAREHOLDER MEETING The current Articles allow for quorum to be two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least five percent (5%) of the issued shares entitled to be voted at the meeting. SPECIAL MAJORITY FOR RESOLUTIONS

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

The Company's Articles allow the Company to indemnify directors, officers, employees and agents, subject to the limits imposed under the BCBCA. Management believes that it is in the best interests of the Company to allow the indemnification of directors, officers, employees and agents, subject to the limits and conditions of the BCBCA. The directors, officers, employees and agents have entered into Indemnity Agreements, as allowed under the Articles of the Company. However, under the BCBCA, the Company will be prohibited from paying an indemnity if: (a) the party did not act honestly and in good faith with a view to the best interests of the Company; (b) the proceeding was not a civil proceeding and the party did not have reasonable grounds for believing that his or her conduct was lawful; and (c) the proceeding is brought against the party by the Company or an associated corporation. DIFFERENCES FROM REQUIREMENTS IN THE UNITED STATES Except for the Company's quorum requirements, certain requirements related to related party transactions and the requirement for notice of shareholder meetings, discussed above, there are no significant differences in the law applicable to the Company, in the areas outlined above, in Canada versus the United States. In most states in the United States, a quorum must consist of a majority of the shares entitled to vote. Some states allow for a reduction of the quorum requirements to less than a majority of the shares entitled to vote. Having a lower quorum threshold may allow a minority of the shareholders to make decisions about the Company, its management and operations. In addition, most states in the United States require that a notice of meeting be mailed to shareholders prior to the meeting date. Additionally, in the United States, a director may not be able to vote on the approval of any transaction in which the director has an interest. - 47 - MATERIAL CONTRACTS

The following are material contracts to which the Company is a party: 1. The Company is party to an agreement with Oxbow, effective as of July 1, 1999, subsequently amended on May 1, 2006, pursuant to which Mr. Grosso provides executive services as President and Chief Executive Officer of the Company. Pursuant to the terms of the agreement, in the event the agreement is terminated by the Company as a result of Mr. Grosso's death or permanent disability while providing services to the Company, or by Mr. Grosso as a result of a material breach or default by the Company, Oxbow is entitled to a bonus payment in the amount of \$461,500. In the event the agreement is terminated by the Company without cause or as a result of a change of control, Oxbow is entitled to (i) any monthly compensation due to the date of termination, (ii) options as determined by the Company's Board of Directors, (iii) three years of Mr. Grosso's monthly compensation (which may be adjusted annually), and (iv) a bonus payment of \$461,500. During the fiscal year ended December 31, 2007, Oxbow was paid \$250,000 (2006 - \$350,667, 2005 - \$102,000). See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts". 2. By agreement dated April 1, 2004, between the Company and KGE Management Ltd. ("KGE"), a private company owned by Mr. Carlson, former Chairman of the Board of Directors of the Company, this new agreement, which replaced a prior agreement, provided for a monthly retainer of \$2,000 per month plus a fee of \$600 per day for additional days in excess of 3 days per month. This agreement expired March 31, 2005 and was renewed for six months with the same terms. Effective January 1, 2006 the Company agreed to pay KGE a fee of \$600 per day if services were required and the former agreement was not renewed. During the fiscal year ended December 31, 2007, the Company paid \$Nil to KGE (2006 - \$3,300 2005 - \$24,000). 3. In July 2004, the Company entered into an indemnity agreement, for any costs or losses incurred by Golden Arrow in respect of the legal action commenced by a Minera Aquiline Argentina S.A. against the Company. See "Item 8. Financial Information - Legal Proceedings." 4. Pursuant to the terms of an Administration Services Agreement dated January 1, 2005, the Company engages the Grosso Group to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow, Amera, Astral, Gold Point and Blue Sky, each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During fiscal 2007, the Company incurred fees of \$349,143 (2006: \$724,902; 2005: \$730,802) to the Grosso Group: \$330,305 was paid in twelve monthly payments (2006: \$764,115; 2006: \$764,012) and \$18,838 (2006: \$39,213 included in amounts receivable; 2005: \$33,210 included in amounts receivable) is included in accounts payable as a result of a review of the allocation of the Grosso Group costs to the member companies for the year. In addition, included in other receivables, prepaids and deposits is other receivables of a \$205,000 deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital (2006: \$205,000; 2005: \$205,000).

Effective February 29, 2008, Gold Point withdrew from Grosso Group. The Administration Services Agreement may be terminated by a shareholder company after January 1, 2007, upon 30 days written notice to the Grosso Group. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts".

5. As of January 2005, Mr. Terry provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2005, Mr. Terry's total compensation from the Grosso Group was \$120,000, of which \$63,600 was allocated to the Company as part of the Grosso Group fees during the year. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to \$12,500 (\$150,000 annually) effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006, Mr. Terry's total compensation from the Grosso Group was \$140,000, of which \$57,400 was allocated to the Company. On July 9, 2007 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to \$16,667 - 48 - (\$200,000 annually) effective July 1, 2007. During the year ended December 31, 2007, Mr. Terry's total compensation from the Grosso Group was \$175,000, of which \$24,579 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

6. As of January 2005, Mr. Lang provides executive services to the Company as an employee of the Grosso Group. Effective May 1, 2005, Mr. Lang's annual salary was increased to \$102,000. During the year ended December 31, 2005, Mr. Lang's total compensation from the Grosso Group was \$94,667, of which \$68,927 was allocated to the Company as part of the Grosso Group fees for the year. On April 12, 2006, the Board accepted the recommendation from the Compensation Committee to increase Mr. Lang's annual salary to \$150,000 effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006, Mr. Lang's total compensation from the Grosso Group was \$134,000, of which \$54,940 was allocated to the Company. During the year ended December 31, 2007, Mr. Lang's total compensation from the Grosso Group was \$151,000 of which \$59,834 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

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

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

9. The Company leased a portion of its office space from Beauregard, a private company owned by Mr. Grosso's wife, Mrs. Evelina Grosso and subleased these premises to the Grosso Group in 2005 and 2006, the balance of the existing lease term, and recovered the 2006 and 2005 rent it had paid Effective January 1, 2007 Beauregard and Grosso Group executed a lease for the office premises. During the fiscal years ended December 31, 2006 and 2005, the Company paid rent to Beauregard in the amount of \$141,203 and \$128,722, respectively. During the year ended December 31, 2007, the Company's rent from the Grosso Group was \$235,471, of which \$32,966 was allocated to the Company. - See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Office".

10. On February 14, 2006 and effective January 1, 2006, the Company entered into an agreement with RSA Holdings Ltd., pursuant to which Mr. Angus, a director of the Company, provides advisory services including participation on various committees of the Company. A monthly fee of US\$5,000 for services is payable under this agreement for a minimum period of six months. In 2007, the Company paid RSA \$66,050 (2006 - \$68,350). This agreement was terminated by mutual agreement, effective December 31, 2007.

11. On October 18, 2006, the Company and Aquiline entered into the Interim Agreement for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The principal terms and conditions of the Interim Agreement were as follows: (i) control of the Navidad Project was transferred to Aquiline in trust for the ultimately successful party in the appeal; (ii) the Company and Aquiline agreed to the costs spent to date developing the Navidad Project in the amount of \$18,500,000. Upon transfer of control of the Navidad Project, Aquiline paid \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions and (iii) in the event that the Company was unsuccessful on appeal, the Company was to be paid such \$18,500,000 amount - 49 - The effective date of the transfer of the Navidad project was November 16, 2006. A copy of the Interim Agreement is

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

There are no governmental laws, decrees, or regulations in Canada relating to restrictions on the export or import of capital, or affecting the remittance of interest, dividends, or other payments to non-resident holders of the Company's Common Stock. Any remittances of dividends to United States residents are, however, subject to a 15% withholding tax (10% if the shareholder is a corporation owning at least 10% of the outstanding Common Stock of the Company) pursuant to Article X of the reciprocal tax treaty between Canada and the United States. See "Item 10. Additional Information - Taxation". Except as provided in the Investment Canada Act (the "Act"), there are no limitations specific to the rights of non-Canadians to hold or vote the Common Stock of the Company under the laws of Canada or the Province of British Columbia or in the charter documents of the Company. Management of the Company considers that the following general summary is materially complete and fairly describes those provisions of the Act pertinent to an investment by an American investor in the Company. The Act requires a non-Canadian making an investment which would result in the acquisition of control of a Canadian business, the gross value of the assets of which exceed certain threshold levels or the business activity of which is related to Canada's cultural heritage or national identity, to either notify, or file an application for review with, Investment Canada, the federal agency created by the Investment Canada Act. The notification procedure involves a brief statement of information about the investment of a prescribed form which is required to be filed with Investment Canada by the investor at any time up to 30 days following implementation of the investment. It is intended that investments requiring only notification will proceed without government intervention unless the investment is in a specific type of business activity related to Canada's cultural heritage and national identity. If an investment is reviewable under the Act, an application for review in the form prescribed is normally required to be filed with Investment Canada prior to the investment taking place and the investment may not be implemented until the review has been completed and the Minister responsible for Investment Canada is satisfied that the investment is likely to be of net benefit to Canada. If the Minister is not satisfied that the investment is likely to be of net benefit to Canada, the non-Canadian must not implement the investment or, if the investment has been implemented, may be required to divest himself of control of the business that is the subject of the investment. The following investments by non-Canadians are subject to notification under the Act: (a) an investment to establish a new Canadian business; and (b) an investment to acquire control of a Canadian business that is not reviewable pursuant to the Act. An investment is reviewable under the Act if there is an acquisition by a non-Canadian of a Canadian business and the asset value of the Canadian business being acquired equals or exceeds the following thresholds: - 50 - (a) for non-WTO Investors, the threshold is \$5,000,000 for a direct acquisition and over \$50,000,000 for an indirect acquisition. The \$5,000,000 threshold will apply however for an indirect acquisition of the asset value of the Canadian business being acquired exceeds 50% of the asset value of the global transaction; (b) except as specified in paragraph (c) below, a threshold is calculated for reviewable direct acquisitions by or from WTO Investors. The threshold for 2005 is \$250,000,000. Pursuant to Canada's international commitments, indirect acquisitions by or from WTO Investors are not reviewable; and (c) the limits set out in paragraph (a) apply to all investors for acquisitions of a Canadian business that: (i) engages in the production of uranium and owns an interest in a producing uranium property in Canada; (ii) provides any financial services; (iii) provides any transportation service; or (iv) is a cultural business. WTO Investor as defined in the Act means: (a) an individual, other than a Canadian, who is a national of a WTO Member or who has the right of permanent residence in relation to that WTO Member; (b) a government of a WTO Member, whether federal, state or local, or an agency thereof; (c) an entity that is not a Canadian-controlled entity, and that is a WTO investor-controlled entity, as determined in accordance with the Act; (d) a corporation or limited partnership: (i) that is not a Canadian-controlled entity, as determined pursuant to the Act; (ii) that is not a WTO investor within the meaning of the Act; (iii) of which less than a majority of its voting interests are owned by WTO investors; (iv) that is not controlled in fact through the

ownership of its voting interests; and (v) of which two thirds of the members of its board of directors, or of which two thirds of its general partners, as the case may be, are any combination of Canadians and WTO investors; (e) a trust: (i) that is not a Canadian-controlled entity, as determined pursuant to the Act; (ii) that is not a WTO investor within the meaning of the Act; (iii) that is not controlled in fact through the ownership of its voting interests, and (iv) of which two thirds of its trustees are any combination of Canadians and WTO investors, or (f) any other form of business organization specified by the regulations that is controlled by a WTO investor. WTO Member as defined in the Act means a member of the World Trade Organization. Generally speaking, an acquisition is direct if it involves the acquisition of control of the Canadian business or of its Canadian parent or grandparent and an acquisition is indirect if it involves the acquisition of control of a non-Canadian parent or grandparent of an entity carrying on the Canadian business. Control may be acquired through the acquisition of actual or de jure voting control of a Canadian corporation or through the acquisition of substantially all of the assets of the Canadian business. No change of voting control will be deemed to have occurred if less than one-third of the voting control of a Canadian corporation is acquired by an investor. The Act specifically exempts certain transactions from either notification or review. Included among the category of transactions is the acquisition of voting shares or other voting interests by any person in the ordinary course of that person's business as a trader or dealer in securities. - 51 -

TAXATION MATERIAL

CANADIAN FEDERAL INCOME TAX CONSEQUENCES Management of the Company considers that the following discussion describes the material Canadian federal income tax consequences applicable to a holder of Common Stock of the Company who is a resident of the United States and who is not a resident of Canada and who does not use or hold, and is not deemed to use or hold, his shares of Common Stock of the Company in connection with carrying on a business in Canada (a "non-resident shareholder"). This summary is based upon the current provisions of the Income Tax Act (Canada) (the "ITA"), the regulations thereunder (the "Regulations"), the current publicly announced administrative and assessing policies of Revenue Canada, Taxation and all specific proposals (the "Tax Proposals") to amend the ITA and Regulations announced by the Minister of Finance (Canada) prior to the date hereof. This description is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action.

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

CAPITAL GAINS In general, a non-resident of Canada is not subject to tax under the ITA with respect to a capital gain realized upon the disposition of a share of a corporation resident in Canada that is listed on a prescribed stock exchange. For purposes of the ITA, the Company is listed on a prescribed stock exchange. Non-residents of Canada who dispose of shares of the Company will be subject to income tax in Canada with respect to capital gains if: (a) the non-resident holder; (b) persons with whom the non-resident holder did not deal at arm's length; or (c) the non-resident holder and persons with whom the non-resident holder did not deal with at arm's length, owned not less than 25% of the issued shares of any class or series of the Company at any time during the five-year period preceding the disposition. In the case of a non-resident holder to whom shares of the Company represent taxable Canadian property and who is resident in the United States, no Canadian taxes will be payable on a capital gain realized on such shares by reason of the Canada-U.S. Income Tax Convention (1980) (the "Treaty") unless the value of such shares is derived principally from real property situated in Canada. However, in such a case, certain transitional relief under the Treaty may be available.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS The following discussion summarizes the material United States federal income tax consequences, under current law, applicable to a U.S. Holder (as defined below) of the Company's common stock. This discussion does not address consequences peculiar to persons subject to special provisions of federal income tax law, such as tax-exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, nonresident alien individuals or foreign corporations, or shareholders owning common stock representing 10% of the vote and value of the Company. In addition, this discussion does not cover any state, local or foreign tax consequences. - 52 -

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations,

published Internal Revenue Service ("IRS") rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. In addition, this discussion does not consider the potential effects, both adverse and beneficial of recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. Holders and prospective holders of the Company's Common Stock should consult their own tax advisors about the federal, state, local and foreign tax consequences of purchasing, owning and disposing of shares of Common Stock of the Company. U.S. HOLDERS As used herein, a "U.S. Holder" is defined as (i) citizens or residents of the U.S., or any state thereof, (ii) a corporation or other entity created or organized under the laws of the U.S., or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income tax regardless of source or that is otherwise subject to U.S. federal income tax on a net income basis in respect of the common stock, or (iv) a trust whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. fiduciaries who have the authority to control all substantial decisions of the trust, whose ownership of common stock is not effectively connected with the conduct of a trade or business in the United States and shareholders who acquired their stock through the exercise of employee stock options or otherwise as compensation. DISTRIBUTIONS ON SHARES OF COMMON STOCK U.S. Holders receiving dividend distributions (including constructive dividends) with respect to the Company's common stock are required to include in gross income for United States federal income tax purposes the gross amount of such distributions to the extent that the Company has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's United States federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder's United States federal taxable income by those who itemize deductions. (See more detailed discussion at "Foreign Tax Credit" below.) To the extent that distributions exceed current or accumulated earnings and profits of the Company, they will be treated first as a return of capital up to the U.S. Holder's adjusted basis in the common stock and thereafter as gain from the sale or exchange of such shares. Preferential tax rates for long-term capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation. Dividends paid on the Company's common stock will not generally be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. FOREIGN TAX CREDIT A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of the Company's common stock may be entitled, at the option of the U.S. Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. Subject to certain limitations, Canadian taxes withheld will be eligible for credit against the U.S. Holder's United States federal income taxes. Under the Code, the limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Dividends paid by the Company generally will be either "passive" income or "financial services" income, depending on the particular U.S. Holder's circumstances. Foreign tax credits allowable with respect to each class of income cannot exceed the U.S. federal income tax otherwise payable with respect to such class of income. The consequences of the separate limitations will depend on the nature and sources of each U.S. Holder's income and the deductions appropriately allocated or apportioned thereto. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific and holders and prospective holders of common stock should consult their own tax advisors regarding their individual circumstances. - 53 - DISPOSITION OF SHARES OF COMMON STOCK A U.S. Holder will recognize gain or loss upon the sale of shares of common stock equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received; and (ii) the shareholder's tax basis in the common stock. This gain or loss will be capital gain or loss if the shares are a capital asset in the hands of the U.S. Holder, and such gain or loss will be long-term capital gain or loss if the U.S. Holder has held the common stock for more than one year. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders who are individuals, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders which are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years from the loss year and carried

forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

OTHER CONSIDERATIONS The Company has not determined whether it meets the definition of a "passive foreign investment company" (a "PFIC"). It is unlikely that the Company meets the definition of a "foreign personal holding company" (a "FPHC") or a "controlled foreign corporation" (a "CFC") under current U.S. law. If more than 50% of the voting power or value of the Company were owned (actually or constructively) by U.S. Holders who each owned (actually or constructively) 10% or more of the voting power of the Company's common shares ("10% Shareholders"), then the Company would become a CFC and each 10% Shareholder would be required to include in its taxable income as a constructive dividend an amount equal to its share of certain undistributed income of the Company. If (1) more than 50% of the voting power or value of the Company's common shares were owned (actually or constructively) by five or fewer individuals who are citizens or residents of the United States and (2) 60% or more of the Company's income consisted of certain interest, dividend or other enumerated types of income, then the Company would be a FPHC. If the Company were a FPHC, then each U.S. Holder (regardless of the amount of the Company's Common Shares owned by such U.S. Holder) would be required to include in its taxable income as a constructive dividend its share of the Company's undistributed income of specific types. If 75% or more of the Company's annual gross income has ever consisted of, or ever consists of, "passive" income or if 50% or more of the average value of the Company's assets in any year has ever consisted of, or ever consists of, assets that produce, or are held for the production of, such "passive" income, then the Company would be or would become a PFIC. The Company has not provided assurances that it has not been and does not expect to become a PFIC. Please note that the application of the PFIC provisions of the Code to mining companies is somewhat unclear. If the Company were to be a PFIC, then a U.S. Holder would be required to pay an interest charge together with tax calculated at maximum tax rates on certain "excess distributions" (defined to include gain on the sale of stock) unless such U.S. Holder made an election either to (1) include in his or her taxable income certain undistributed amounts of the Company's income or (2) mark to market his or her Company common shares at the end of each taxable year as set forth in Section 1296 of the Internal Revenue Code of 1986, as amended. The elections require certain conditions be met such as filing on or before the due date, as extended, for filing the shareholder's income tax return for the first taxable year to which the election will apply. - 54 -

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

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

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK. ----- As of the date of this report, the Company does not have any material market risk sensitive financial instruments.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.

----- Not applicable. **PART II ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.**

----- Not applicable. **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS.**

----- Not applicable. **ITEM 15T. CONTROLS AND PROCEDURES.** ----- **DISCLOSURE CONTROLS AND PROCEDURES**

An evaluation was performed under the supervision and with the participation of the Company's management, including Mr. Grosso, the Company's Chief Executive Officer, and Mr. Lang, the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15(b) and 15d-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act") as of December 31, 2007. As a result of a material weakness identified and described in the accompanying Management's Report on Internal Control over Financial Reporting, Messrs. Grosso and Lang, have concluded that the design and operation of the Company's disclosure controls and procedures were not effective at the time the material weakness was identified. The material weakness occurred because the Company did not initially

reflect the impact of the Realization of Navidad interest under U.S. GAAP as set forth in Note 11 to the Company's audited financial statements. The material weakness was limited solely to the Note 11 U.S. GAAP reconciliation and did not impact in any way the Company's financial statements prepared in accordance with Canadian GAAP. This material weakness has since been corrected and does not exist as of the date of this filing. - 55 - MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING The Company's management, including Mr. Grosso, the Company's Chief Executive Officer, and Mr. Lang, the Company's Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over the Company's internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The Company's management, (with the participation of Mr. Grosso, the Company's Chief Executive Officer, and Mr. Lang, the Company's Chief Financial Officer), conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. This evaluation was based on the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management identified a material weakness relating to the preparation and review of the US GAAP reconciliation note and concluded that because there was a material weakness in the Company's internal controls, its internal control over financial reporting was not effective at the time the material weakness was identified. The material weakness occurred because the Company did not initially reflect the impact of the Realization of Navidad interest under U.S. GAAP as set forth in Note 11 to the Company's audited financial statements. The material weakness was limited solely to the Note 11 U.S. GAAP reconciliation and did not impact in any way the Company's financial statements prepared in accordance with Canadian GAAP. This material weakness has since been corrected and does not exist as of the date of this filing. This Annual Report does not include an attestation report of the Company's independent auditors regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent auditors pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report. CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING During the fiscal year ended December 31, 2007, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.

----- The Board of Directors has determined that the Company has at least one audit committee financial expert, Mr. David Horton. Mr Horton is an independent director and serves on the Company's audit committee. ITEM 16B. CODE OF BUSINESS CONDUCT AND ETHICS.

----- The Board of Directors of the Company has adopted a Code of Business Conduct and Ethics that outlines the Company's values and its commitment to ethical business practices in every business transaction. This code applies to all directors, officers, and employees of the Company and its subsidiaries and affiliates. A copy of the Company's Code of Business Conduct and Ethics is available on the Company's website at www.imaexploration.com/s/CorporateGovernance.asp. - 56 - HONEST AND ETHICAL CONDUCT The Company expects a high level of personal integrity for each employee, officer and director when interacting with investors, business partners, shareholders, suppliers, consultants and other employees. CONFLICT OF INTEREST When possible, conflicts of interest between personal and professional relationships should be avoided, however, unavoidable conflict of interest will be handled in accordance with the Company's ethical standards. A director, officer or employee may not represent the Company in any transaction with a person or an entity in which the director, officer or employee has a direct or indirect interest or from which the director, officer or employee may derive personal benefit. ACCURATE AND TIMELY DISCLOSURE Full, fair, accurate, timely and understandable disclosure in reports or documents submitted to the Securities and Exchange Commission and other securities commissions across Canada as well as all public communications. Employees and officers who prepare financial and other reports will exercise diligence in ensuring that there are no false or misleading statements. COMPLIANCE WITH APPLICABLE GOVERNMENTAL LAWS, RULES AND REGULATIONS The Company is

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

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

PROTECTION AND PROPER USE OF COMPANY ASSETS AND OPPORTUNITIES All employees have an obligation to protect the Company's assets and to ensure that all opportunities available to the Company are brought to the attention of the relevant officer or employee.

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

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

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

- 57 -

REPORTING UNETHICAL AND ILLEGAL CONDUCT/ETHICS QUESTIONS The Company is committed to taking prompt action against violations of the Code of Business Conduct and Ethics and it is the responsibility of all directors, officers and employees to comply with the Code and to report violations or suspected violations to the Company's Compliance Officer. Employees may also discuss their concerns with their supervisor who will then report suspected violations to the Compliance Officer. The Compliance Officer is appointed by the Board of Directors and is responsible for investigating and resolving all reported complaints and allegations and shall advise the President and CEO, the CFO and/or the Audit Committee. The Compliance Officer can be reached via telephone at 1-866-921-6714 or via the internet site located at <http://www.whistleblowersecurity.com>.

VIOLATIONS AND WAIVERS The Compliance Officer will report suspected fraud or securities law violations for review by the Audit Committee. The Audit Committee will report all violations reviewed by the Audit Committee to the Board of Directors. The Compliance Officer will report regularly to the Board of Directors on the results and resolution of complaints and allegations concerning violations of the Code. No waivers of any provision of this Code of Business Conduct and Ethics may be made except by the Board of Directors. Any waiver or amendment shall be reported as required by law or regulation. Only the Audit Committee may amend the Company's Code of Business Conduct and Ethics.

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

AUDIT FEES For the fiscal year ended December 31, 2007, the Company's auditor billed approximately \$39,000, and for the fiscal year ended December 31, 2006, the Company's auditor billed approximately \$44,500 for the audit of the Company's annual financial statements or services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements for those fiscal years.

AUDIT RELATED FEES For the fiscal years ended December 31, 2007 and 2006, the Company's auditor billed \$Nil and billed \$58,303, respectively, for assurance and related services that were reasonably related to the performance of the audit or review of the Company's financial statements outside of those fees disclosed above under "Audit Fees"

TAX FEES For the fiscal years ended December 31, 2007 and 2006, the Company's auditor billed \$Nil and billed \$14,232, respectively, for tax compliance, tax advice and tax planning services.

PRE-APPROVAL POLICIES AND PROCEDURES Generally, in the past, prior to engaging the Company's auditors to perform a particular service, the Company's audit committee has, when possible, obtained an estimate for the services to be performed. The audit committee in accordance with procedures for the Company approved all of the services described above. Additionally, the auditors have been engaged to perform services by non-independent directors of the Company pursuant to pre-approval policies and procedures established by the audit committee (which are detailed as to the particular service) and the audit committee has been informed of any such engagement and service.

- 58 -

Beginning July 1, 2004, the Company's audit committee obtained estimates for services to be performed, prior to engaging the Company's auditor to perform any audit or non-audit related services, including those set forth above. The audit committee also allowed the engagement of the auditor, by a non-independent member of the Board of Directors, to render services pursuant to pre-approval policies and procedures established by the audit committee (which are detailed as to the particular service), provided the audit committee is informed of any such

engagement and service. The audit committee may delegate to one of its members, who is also an independent director of the Company, the ability to approve such services on behalf of the audit committee. Any approval by such director shall be ratified by the audit committee at its next scheduled meeting. ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES.

----- Not applicable. ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PERSONS.

----- Not applicable. PART III ITEM 17. FINANCIAL STATEMENTS. ----- See pages F-1 though F-27.

ITEM 18. FINANCIAL STATEMENTS. ----- Not applicable. ----- ITEM 19. EXHIBITS. EXHIBIT

NUMBER DESCRIPTION 1.1 Notice of Articles (8) 1.2 Articles (12) 4.1 Share Purchase Agreement Between Shareholders and 389863 B.C. Ltd. (1) 4.2 Arrangement Agreement Between Viceroy Resource Corporation and IMA Resource Corporation (1) 4.3 Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation (1) 4.4 Employment Agreement with William Lee (1) 4.5 Consulting Services Agreement Between Nikolaos Cacos and IMA Resource Corporation (1) 4.6 Consulting Agreement Between KGE Management Ltd. and IMA Exploration Inc. dated April 1, 2004 (8) 4.7 Consulting Agreement Between Lindsay R. Bottomer and IMA Exploration Inc. (1) 4.8 Exploration and Option Agreement with Barrick Exploraciones Argentina S.A. (1) - 59 - EXHIBIT NUMBER DESCRIPTION 4.9 Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. (1) 4.10 Option Agreement with Lirio and Lir-Fer Construcciones S.R.L. (1) 4.11 Option Agreement with Oscar Garcia and others (1) 4.12 Purchase Agreement with Modesto Enrique Arasena (1) 4.13 Option Agreement with Hugo Arturo Bosque (1) 4.14 Option Agreement with Guillermo Munoz, Lydia Gonzalez, Ricardo Sanchez and Antonio Monteleone (1) 4.15 Option Agreement with Jorge Ernesto Rodriguez and Gerardo Javier Rodriguez (1) 4.16 Option Agreement with Jorge Ernesto Rodriguez and Raul Alberto Garcia (1) 4.17 Purchase Agreement with Victor Ronchietto (1) 4.18 Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltd) Don Alberto JJ de Piura (1) 4.19 Amendment to Option Agreement with Hugo Arturo Bosque (2) 4.20 Amendment to Purchase Agreement with Victor Ronchietto (2) 4.21 Option Agreement with Dionisio Ramos (2) 4.22 Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation (2) 4.23 Amendment to consulting Agreement between IMA Exploration Inc. and Nikolaos Cacos (3) 4.24 Agreement between the Company and Sean Hurd dated June 2, 2002 (3) 4.25 Option Agreement between Nestor Arturo and IMA S.A. (3) 4.26 Amendment to Option Agreement with Guillermo Munoz, Lydia Gonzalez, Ricardo Sanchez and Antonio Monteleone (3) 4.27 Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura (3) 4.28 Option Agreement with Rio Tinto Mining and Exploration Limited (4) 4.29 Amendment to Exploration and Option Agreement with Barrick Exploraciones Argentina S.A. (4) 4.30 Consulting Agreement between the Company and Lindsay Bottomer dated April 1, 2002 (4) 4.31 Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. (4) 4.32 Amendment to Option Agreement with Juan Demetrio Lirio and Lir-Fer Construcciones S.R.L. (4) 4.33 Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura (4) 4.34 Amendment to Option Agreement between Nestor Arturo and IMA S.A. (4) 4.35 Consulting Agreement Between KGE Management Ltd. and IMA Exploration Inc. (4) 4.36 Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. (5) 4.37 Amendment to Option Agreement with Juan Demetrio Lirio and Lir-Fer Construcciones S.R.L. (5) 4.38 Amendment to Option Agreement between Nestor Arturo and IMA S.A. (5) 4.39 Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura (5) - 60 - EXHIBIT NUMBER DESCRIPTION 4.40 Short Form Offering Document (5) 4.41 Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation (5) 4.42 Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. (5) 4.43 Amendment to Agreement between the Company and Sean Hurd (5) 4.44 Amendment to Exploration and Option Agreement with Barrick Exploraciones Argentina S.A. dated March 26, 2003. (6) 4.45 Letter of Intent dated March 6, 2003 with Amera Resources Corporation (6) 4.46 Letter Agreement with Amera Resources

Corporation re: reimbursement of office expenses (6) 4.47 Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura dated December 23, 2002 (6) 4.48 Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. dated July 10, 2002 (6) 4.49 Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. dated December 27, 2002 (6) 4.50 Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation dated July 15, 2002 (6) 4.51 Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. dated June 14, 2002 (6) 4.52 Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. dated October 3, 2002 (6) 4.53 Amendment to Agreement between the Company and Sean Hurd dated June 10, 2002 (6) 4.54 Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation dated April 17, 2003 (6) 4.55 Arrangement Agreement between IMA Exploration Inc., IMA Holdings Corp. and Golden Arrow Resources Corporation dated May 14, 2004 (7) 4.56 Amendment to consulting Agreement with Nikolaos Cacos dated January 5, 2004 (8) 4.57 Amendment to Agreement with Sean Hurd dated January 5, 2004 (8) 4.58 Financial Advisory Services Agreement with Endeavour Financial Ltd. (8) 4.59 Agreement between the Company and Amera Resources Corporation dated March 6, 2003 relating to the Lago Pico, Loma Alta and Nueva Ruta properties (8) 4.60 Amendment to Letter of Intent with Amera Resources Corporation dated September 30, 2003 (8) 4.61 Amendment to Letter of Intent with Amera Resources Corporation dated April 8, 2004 (8) 4.62 Letter Agreement with Beauregard Holdings Corp. dated February 5, 2004 regarding office lease (8) 4.63 Option Agreement dated September 22, 2003, between the Company and Cloudbreak Resources Ltd. (8) 4.64 Option Agreement dated August 12, 2003 between the Company and Consolidated Pacific Bay Minerals Ltd. (8) 4.65 Option agreement dated June 11, 2003, between the Company and Ballad Gold & Silver Ltd. (formerly Ballad Ventures Ltd.) (8) - 61 - EXHIBIT NUMBER DESCRIPTION 4.66 Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura dated August 15, 2003 (8) 4.67 Letter Agreement with Arthur Lang dated April 23, 2004 (8) 4.68 Arrangement Agreement by and among the Company, Golden Arrow Resources Corporation and IMA Holdings Corp. dated May 14, 2004 (9) 4.69 Indemnity Agreement provided to Golden Arrow Resources Corporation dated July 7, 2004 (9) 4.70 Administration Services Agreement with the Grosso Group Management Ltd. dated January 1, 2005 (9) 4.71 Amendment to Consulting Agreement between KGE Management Ltd. and IMA Exploration Inc. dated April 1, 2005 (9) 4.72 Audit Committee Charter (9) 4.73 Amendment to Consulting Agreement between KGE Management Ltd. and IMA Exploration Inc. dated January 26, 2006 (10) 4.74 Advisory Services Agreement between RSA Holdings Ltd. and IMA Exploration Inc. dated February 14, 2006 (10) 4.75 Interim Project Development Agreement between IMA Exploration Inc. and Aquiline Resources Inc. dated October 18, 2006.(11) 4.76 Amended and restated Management Agreement between IMA and Oxbow dated May 1, 2006 8.1 List of Subsidiaries (8) 12.1 Certification of Joseph Grosso Pursuant to Rule 13a-14(a) 12.2 Certification of Arthur Lang Pursuant to Rule 13a-14(a) 13.1 Certification of Joseph Grosso Pursuant to 18 U.S.C. Section 1350 13.2 Certification of Arthur Lang Pursuant to 18 U.S.C. Section 1350 (1) Previously filed as an exhibit to the Company's Registration Statement on Form 20-F, filed with the Commission on January 6, 2000. File number 00-30464. (2) Previously filed as an exhibit to the Company's Registration Statement on Form 20-F/A Amendment No. 1 filed July 14, 2000. File Number 00-30464. (3) Previously filed as an exhibit to the Company's Registration Statement on Form 20-F/A Amendment No. 2 filed September 15, 2000. File Number 00-30464. (4) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 8, 2001. File Number 00-30464. (5) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 8, 2002. File Number 00-30464. (6) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 16, 2003. File Number 00-30464. (7) Previously filed as with the Company's Report on Form 6-K filed June 18, 2004. File Number 00-30464. (8) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed June 23, 2004. File Number 00-30464. (9) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed June 7, 2005. File Number 00-30464. (10) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 8, 2006. File Number 01-32558. (11) Previously filed as with the Company's Report on Form 6-K filed October 19, 2006. File Number 01-32558. (12) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed April 2, 2007. File Number 01-32558. - 62 - SIGNATURES The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and

authorized the undersigned to sign this annual report on its behalf. IMA EXPLORATION INC. Dated: March 25, 2008 /s/ Arthur Lang ----- Arthur Lang, Chief Financial Officer, and Director - 63 - IMA EXPLORATION INC. (An Exploration Stage Company) CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) F-1 MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING The accompanying consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada and reconciled to accounting principles generally accepted in the United States as set out in Note 11 and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained. The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval. The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada and the Public Company Accounting Oversight Board (United States), and their report follows. /s/ Joseph Grosso /s/ Art Lang Joseph Grosso Art Lang President Chief Financial Officer March 28, 2008 F-2 PRICEWATERHOUSECOOPERS PRICEWATERHOUSECOOPERS LLP CHARTERED ACCOUNTANTS PricewaterhouseCoopers Place 250 Howe Street, Suite 700 Vancouver, British Columbia Canada V6C 3S7 Telephone +1 604 806 7000 Facsimile +1 604 806 7806 INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IMA EXPLORATION INC. We have audited the consolidated balance sheets of IMA EXPLORATION INC. (the "Company") as at December 31, 2007 and 2006 and the consolidated statements of loss, comprehensive loss and deficit, cash flows and changes in shareholders' equity for each of the years in the three-year period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles. (signed) PricewaterhouseCoopers LLP CHARTERED ACCOUNTANTS Vancouver, B.C. March 19, 2008 PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity. F-3 IMA EXPLORATION INC. (An Exploration Stage Company) CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2007 AND 2006 (Expressed in Canadian Dollars)

2007	2006	\$ \$ ASSETS	CURRENT ASSETS	Cash	183,628	391,420	Short-term investments (Note 4)	6,813,462	8,500,000	Other receivables, prepaids and deposits (Note 8)	627,400	405,205	Navidad interest (Notes 2 and 13)	18,500,000	-	-----	26,124,490	9,296,625	NAVIDAD INTEREST (Note 2)	-	17,949,521	-----	-----	26,124,490	27,246,146	=====	=====	LIABILITIES	CURRENT	LIABILITIES			
			Accounts payable and accrued liabilities (Note 8)	105,724	236,612	-----	-----	SHAREHOLDERS' EQUITY	SHARE CAPITAL (Note 6)	58,753,501	58,664,727	WARRANTS (Note 6)	1,281,946	1,281,946	CONTRIBUTED SURPLUS (Note 7)	6,157,412	6,152,265	DEFICIT (40,174,093)	(39,089,404)	-----	-----	26,018,766	27,009,534	-----	-----	26,124,490	27,246,146	=====	=====	NATURE OF OPERATIONS (Note 1)	NAVIDAD INTEREST (Notes 2 and 13)	COMMITMENTS (Note 8)	APPROVED BY THE BOARD

/s/ David Horton , Director ----- /s/ Robert Stuart Angus , Director ----- The accompanying notes are an integral part of these consolidated financial statements. F-4 IMA EXPLORATION INC. (An Exploration Stage Company) CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 2007 2006 2005 \$ \$ \$ EXPENSES Administrative and management services 209,201 461,553 294,828 Corporate development and investor relations 167,817 328,779 496,538 General exploration 99,589 186,572 55,914 Office and

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form 8-K

sundry 238,220 181,913 148,015 Professional fees 1,022,321 1,124,144 2,212,190 Rent, parking and storage 49,023
 96,263 72,791 Salaries and employee benefits 244,337 652,530 585,560 Stock-based compensation (Note 6) 34,421
 393,120 1,800,000 Telephone and utilities 12,053 17,432 26,648 Transfer agent and regulatory fees 80,122 103,457
 199,715 Travel and accommodation 35,230 93,392 256,035 Navidad holding costs (Note 2) 109,666 312,349 -
 ----- 2,302,000 3,951,504 6,148,234 ----- LOSS BEFORE
 OTHER ITEMS (2,302,000) (3,951,504) (6,148,234) ----- OTHER INCOME (EXPENSE)
 Foreign exchange gain (loss) (8,324) (2,865) 232,954 Interest and other income 675,156 373,009 150,406 Navidad
 recovery (Note 2) 550,479 - - ----- 1,217,311 370,144 383,360 LOSS AND
 COMPREHENSIVE LOSS FOR THE YEAR (1,084,689) (3,581,360) (5,764,874) DEFICIT - BEGINNING OF
 YEAR (39,089,404) (35,508,044) (29,597,304) DISTRIBUTION OF EQUITY ON SPIN-OFF OF ASSETS TO
 GOLDEN ARROW RESOURCES CORPORATION - - (145,866) ----- DEFICIT - END
 OF YEAR (40,174,093) (39,089,404) (35,508,044) =====
 ===== BASIC AND
 DILUTED LOSS PER COMMON SHARE \$(0.02) \$(0.07) \$(0.12) =====
 ===== WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING 52,099,787
 51,263,575 46,197,029 ===== The accompanying notes are an integral
 part of these consolidated financial statements. F-5 IMA EXPLORATION INC. (An Exploration Stage Company)
 CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006
 AND 2005 (Expressed in Canadian Dollars) 2007 2006 2005 \$ \$ \$ CASH PROVIDED FROM (USED FOR)
 OPERATING ACTIVITIES Loss for the year (1,084,689) (3,581,360) (5,764,874) Items not affecting cash
 Stock-based compensation 34,421 393,120 1,800,000 Navidad recovery (Note 2) (550,479) - - -----
 ----- (1,600,747) (3,188,240) (3,964,874) Change in non-cash working capital balances(Note 12) (353,083)
 (596,912) 115,256 ----- (1,953,830) (3,785,152) (3,849,618) -----
 ----- INVESTING ACTIVITIES Expenditures on mineral properties and deferred costs - (4,491,524)
 (7,025,492) Increase (decrease) in short-term investments 1,686,538 (920,000) (3,280,000) Proceeds from sale of
 equipment - - 46,589 ----- 1,686,538 (5,411,524) (10,258,903) -----
 ----- FINANCING ACTIVITIES Issuance of common shares 59,500 10,308,450 14,215,165 Share issuance
 costs - (871,749) (736,737) ----- 59,500 9,436,701 13,478,428 -----
 ----- INCREASE (DECREASE) IN CASH (207,792) 240,025 (630,093) CASH TRANSFERRED TO GOLDEN
 ARROW RESOURCES CORPORATION - - (145,866) ----- NET INCREASE
 (DECREASE) IN CASH (207,792) 240,025 (775,959) CASH - BEGINNING OF YEAR 391,420 151,395 927,354
 ----- CASH - END OF YEAR 183,628 391,420 151,395 =====
 ===== SUPPLEMENTARY CASH FLOW INFORMATION (Note 12) The accompanying notes are an
 integral part of these consolidated financial statements. F-6 IMA EXPLORATION INC. (An Exploration Stage
 Company) CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Expressed in
 Canadian Dollars) 2007 2006 2005 \$ \$ \$ SHARE CAPITAL Balance at beginning of year 58,664,727 50,414,672
 36,982,307 Private placements - 10,027,500 10,000,020 Warrant valuation - (1,298,981) - Exercise of options 59,500
 280,950 577,000 Contributed surplus reallocated on the exercise of options 29,274 95,300 131,270 Exercise of
 warrants - - 3,784,011 Proceeds collected and paid on behalf of Golden Arrow shares - - (145,866) Share issue costs -
 (854,714) (914,070) ----- Balance at end of year 58,753,501 58,664,727 50,414,672
 ----- WARRANTS Balance at beginning of year 1,281,946 - - Warrant valuation from
 private placement warrants granted - 1,298,981 - Warrant valuation from agent's warrants granted - 110,164 - Warrant
 issue costs - (127,199) - ----- Balance at end of year 1,281,946 1,281,946 - -----
 ----- CONTRIBUTED SURPLUS Balance at beginning of year 6,152,265 5,854,445 3,428,382
 Contributed surplus as a result of stock options granted 34,421 393,120 2,380,000 Warrant valuation from agent's
 warrants granted - - 177,333 Contributed surplus reallocated on the exercise of stock options (29,274) (95,300)
 (131,270) ----- Balance at end of year 6,157,412 6,152,265 5,854,445 -----
 ----- DEFICIT Balance at beginning of year (39,089,404) (35,508,044) (29,597,304) Loss for the year
 (1,084,689) (3,581,360) (5,764,874) Distribution of equity on spin-off of assets to Golden Arrow Resources
 Corporation - - (145,866) ----- Balance at end of year (40,174,093) (39,089,404)
 (35,508,044) ----- TOTAL SHAREHOLDERS' EQUITY 26,018,766 27,009,534
 20,761,073 ===== The accompanying notes are an integral part of these

consolidated financial statements. F-7 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 1. NATURE OF OPERATIONS IMA Exploration Inc. (the "Company") is a natural resource company engaged in the business of acquisition, exploration and development of mineral properties. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently the Company considers itself to be an exploration stage company. The amounts that were shown as mineral properties and deferred costs represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. As at December 31, 2007 the Company had no mineral property interests. The Company considers that it has adequate resources to maintain its core operations for the next fiscal year. 2. NAVIDAD INTEREST On March 5, 2004, Aquiline Resources Inc. ("Aquiline"), through its subsidiary, Minera Aquiline Argentina SA, filed a claim in the Supreme Court of British Columbia against the Company seeking a constructive trust over the Navidad properties and damages. On July 14, 2006 the court released its judgment on the claim. The Company was not successful in its defense and the court found in Aquiline's favour. The Order reads in part: "(a) that Inversiones Mineras Argentinas SA ("IMA SA") transfer the Navidad Claims and any assets related thereto to Minera Aquiline or its nominee within 60 days of this order; (b) that IMA take any and all steps required to cause IMA SA to comply with the terms of this order; (c) that the transfer of the Navidad Claims and any assets related thereto is subject to the payment to IMA SA of all reasonable amounts expended by IMA SA for the acquisition and development of the Navidad Claims to date; and (d) any accounting necessary to determine the reasonableness of the expenditures referred to in (c) above shall be by reference to the Registrar of this court." On October 18, 2006, the Company and Aquiline reached a definitive agreement for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The parties have agreed that the transactions outlined in the agreement were in satisfaction of the Order referenced above. The principal terms and conditions of the agreement are as follows: (a) control of the Navidad Project will be transferred to Aquiline in trust for the ultimately successful party in the appeal; (b) the Company and Aquiline have agreed to the costs spent to date developing the Navidad Project in the amount of \$18,500,000. Upon transfer of control of the Navidad Project, Aquiline paid \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions; (c) in the event that the Company is unsuccessful on appeal, the Company will be paid such \$18,500,000 amount. F-8 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 2. NAVIDAD INTEREST (continued) The effective date of the transfer of the Navidad project was November 16, 2006. The Company's appeal of this judgment was heard by the British Columbia Court of Appeal between April 10 and April 12, 2007. The Court of Appeal dismissed the Company's appeal and released their reasons for judgment on June 7, 2007. The Company filed an application for leave to appeal to the Supreme Court of Canada in October 2007. On December 20, 2007 the Supreme Court of Canada denied the Company's appeal. This brought the lawsuit to a close. The Navidad property has been transferred to Aquiline. As at December 31, 2007, the Company has recorded a Navidad interest balance of \$18,500,000, the components of which are as follows: \$ Mineral properties and deferred costs (i) 17,763,521 Marketable securities (ii) 186,000 ----- 17,949,521 Navidad recovery (iii) 550,479 ----- Navidad interest 18,500,000 ===== (i) The mineral property and deferred costs represent the carrying value of the acquisition and exploration costs the Company has incurred in the development of the Navidad project. (ii) Marketable securities represents the carrying value of the common shares of publicly traded companies the Company received as partial consideration for entering into option and sale agreements for certain of its non-core mineral property holdings relating to the Navidad Project. Accordingly, these marketable securities were subject to transfer to Aquiline in relation to the July 2006 court order. (iii) The Company has recorded an additional recovery of \$550,479 to bring the total Navidad interest amount recoverable to \$18,500,000. The Company received the \$7.5 million held in trust on January 8, 2008 plus interest that had accrued in the amount of \$341,380. The balance of \$11 million was received on February 11, 2008. The Company expensed Navidad holding costs of \$109,666 in the year ended December 31, 2007. These are costs the Company incurred in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline. 3. SIGNIFICANT ACCOUNTING POLICIES BASIS OF PRESENTATION These consolidated financial statements have been prepared in accordance

with Canadian generally accepted accounting principles ("Canadian GAAP"). The significant measurement differences between those principles and those that would be applied under United States generally accepted accounting principles ("US GAAP") as they affect the Company are disclosed in Note 11. F-9 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 3. SIGNIFICANT ACCOUNTING POLICIES (continued) USE OF ESTIMATES The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates include the assumptions used in the determination of the fair value of stock based compensation. Actual results may differ from these estimates. PRINCIPLES OF CONSOLIDATION These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All inter-company transactions and balances have been eliminated. CASH AND CASH EQUIVALENTS Cash and cash equivalents include cash and money market investments, maturing less than 3 months from the date of initial investment. SHORT-TERM INVESTMENTS Short-term investments include money market investments maturing between 3 and 12 months from the date of initial investment. MINERAL PROPERTIES AND DEFERRED COSTS Direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company are deferred on an individual property basis until the viability of a property is determined. Administration costs and general exploration costs are expensed as incurred. When a property is placed in commercial production, deferred costs will be depleted using the units-of-production method. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the costs are written-off, or if its carrying value has been impaired, then the mineral properties and deferred costs are written down to fair value. The Company accounts for foreign value added taxes paid as part of mineral properties and deferred costs. The recovery of these taxes will commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a reduction in carrying costs of mineral properties and deferred costs. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects. From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, any remaining balance of the payments received is recorded as a gain on option or disposition of mineral property. F-10 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 3. SIGNIFICANT ACCOUNTING POLICIES (continued) ASSET RETIREMENT OBLIGATIONS Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized on the same basis as the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at December 31, 2007 the Company does not have any asset retirement obligations. IMPAIRMENT OF LONG-LIVED ASSETS Long-lived assets are reviewed for impairment when events or circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis. TRANSLATION OF FOREIGN CURRENCIES The Company's foreign operations are integrated and are translated using the temporal method. Under this method, the Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates in effect during the period except for depreciation and amortization which are translated at historical rates. The resulting gains or losses are reflected in

operating results in the period of translation. **CONCENTRATION OF CREDIT RISK** Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, short-term investments and other receivables. The Company limits its exposure to credit loss by placing its cash and short-term investments with major financial institutions. **INCOME TAXES** The Company uses the asset and liability method of accounting for future income taxes. Under this method of tax allocation, future income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Potential future income tax assets are not recognized to the extent that they are not considered more likely than not to be realized. **LOSS PER SHARE** Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. In years in which a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted losses per share are the same. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Note 6. F-11 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 3. **SIGNIFICANT ACCOUNTING POLICIES** (continued) **STOCK-BASED COMPENSATION** The Company has an employee stock option plan. The Company recognizes an expense or addition to exploration properties and deferred exploration expenditures arising from stock options granted using the fair value method. The fair value of option grants is established at the date of grant using a Black Scholes option pricing model and the expense or addition to mineral properties is recognized over the option vesting period. **RECENT ACCOUNTING PRONOUNCEMENTS** Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). (a) Section 3855, Financial Instruments - Recognition and Measurement and Section 3861, Financial Instruments - Disclosure and Presentation, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized. The Company is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost. The Company has designated its financial instruments as follows: (i) Cash and short-term investments are classified as "Available-for-sale". Due to their short-term nature, their carrying value is equal to their fair value. (ii) Amounts receivable and deposits are classified as "Loans and Receivables". These financial assets are recorded at values that approximate their amortized cost using the effective interest method. (iii) Accounts payable and accrued liabilities are classified as "Other Financial Liabilities". These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method. As a result of adopting Section 3855, on January 1, 2007 interest accrued from short-term investments in the amount of \$65,075 was reclassified from amounts receivable, prepaids and deposits to short-term investments. (b) Section 1530, Comprehensive Income, introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments. The Company has not recognized any adjustments through other comprehensive income for the year ended December 31, 2007. F-12 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 3. **SIGNIFICANT ACCOUNTING POLICIES** (continued) (c) Section 3865, Hedges specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. This standard did not have an impact on the Company for the year ended December 31, 2007. Effective

January 1, 2008, new accounting standards were issued by the Canadian Institute of Chartered Accountants ("CICA") which may impact the Company in the future as follows: GENERAL STANDARDS ON FINANCIAL STATEMENT PRESENTATION CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose a company's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning January 1, 2008. The Company does not expect the adoption of these changes to have an impact on its financial statements. ACCOUNTING CHANGES Effective January 1, 2007, the Company adopted the revised CICA Handbook Section 1506 "Accounting Changes", which requires that: (a) a voluntary change in accounting principals can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change and (c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard. CAPITAL DISCLOSURES CICA Handbook Section 1535, Capital Disclosures, establishes standards for disclosing information about the company's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the company's key management personnel: (i) qualitative information about its objectives, policies and processes for managing capital. (ii) summary quantitative data about what it manages as capital. (iii) whether during the period it complied with any externally imposed capital requirements to which it is subject. (iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance. This standard is effective for interim and annual financial statements beginning on January 1, 2008. The Company has not yet determined the impact of the adoption of this change on the disclosure in our financial statements. F-13 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 3. SIGNIFICANT ACCOUNTING POLICIES (continued) INVENTORIES CICA Handbook Section 3031, Inventories prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any writedown to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. This standard is effective for interim and annual financial statements beginning on January 1, 2008. The Company has not yet determined the impact of the adoption of this change on the disclosure in our financial statements. GOODWILL AND INTANGIBLE ASSETS CICA Handbook Section 3064, Goodwill and Intangible Assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the preoperating period. As a result of the withdrawal of EIC 27, companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009. The Company has not yet determined the impact of the adoption of this change on the disclosure in our financial statements. FINANCIAL INSTRUMENTS DISCLOSURES In March 2007, the CICA issued section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The standard deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These sections are effective January 1, 2008 but are not expected to have an impact on the Company's disclosure and presentation. 4. SHORT-TERM INVESTMENTS As at December 31, 2007 and 2006, the Company held short-term investments comprised of the following: DECEMBER 31, 2007 ----- PRINCIPAL AND ACCRUED MATURITY INTEREST \$ 12 month term deposit - 4.45% annual interest rate (\$6,700,000 principal) August 13, 2008 6,813,462 ----- 6,813,462 ===== F-14 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 4. SHORT-TERM INVESTMENTS (continued) DECEMBER 31, 2006 ----- MATURITY PRINCIPAL \$ 12 month term deposit - 3.7% annual interest rate March 20, 2007 500,000 12 month term deposit - 4.2% annual interest rate November 5, 2007 8,000,000 ----- 8,500,000 ===== All term deposits are fully

redeemable in full or portion at the Company's option without penalty. Interest is paid on amounts redeemed subsequent to 30 days from the date of investment. The principal and interest are unconditionally guaranteed by the Bank of Montreal. 5. MARKETABLE SECURITIES 2007 2006 2005 -----
 QUOTED RECORDED RECORDED RECORDED MARKET VALUE VALUE VALUE VALUE \$ \$ \$ Tinka
 Resources Limited - 300,000 common shares - - 96,000 126,000 Consolidated Pacific Bay Minerals Ltd. - 900,000
 common shares - - 90,000 144,000 ----- - - 186,000 270,000 =====

===== The Company acquired the marketable securities as a result of entering into option and sale agreements for certain of its non-core mineral property holdings relating to the Navidad Project for which the Company received common shares of publicly traded companies as partial consideration. These marketable securities were subject to transfer to Aquiline under to the July 2006 court order. Accordingly, at December 31, 2007, the carrying value of these marketable securities is a component of the Navidad interest balance (see Note 2 above). F-15 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 6. SHARE CAPITAL Authorized - unlimited common shares without par value - 100,000,000 preferred shares without par value NUMBER \$ Issued - common shares ----- Balance, December 31, 2004 43,816,207 36,982,307 Private placement 3,333,340 10,000,020 Exercise of options 10,000 31,000 Exercise of agents' options 168,000 546,000 Contributed surplus reallocated on exercise of options - 131,270 Exercise of warrants 1,485,517 3,784,011 Proceeds collected and paid on behalf of Golden Arrow shares - (145,866) Less share issue costs - (914,070) ----- Balance, December 31, 2005 48,813,064 50,414,672 Private placement 2,865,000 10,027,500 Warrants valuation - (1,298,981) Exercise of options 335,000 280,950 Contributed surplus reallocated on exercise of options - 95,300 Less share issue costs - (854,714) ----- Balance, December 31, 2006 52,013,064 58,664,727 Exercise of options 119,000 59,500 Contributed surplus reallocated on exercise of options - 29,274 ----- Balance, December 31, 2007 52,132,064 58,753,501

===== (a) During fiscal 2007, 119,000 stock options were exercised at \$0.50 per share for proceeds of \$59,500. (b) During fiscal 2006, the Company completed a syndicated brokered private placement financing of 2,865,000 special warrants at \$3.50 per warrant for gross proceeds of \$10,027,500. Each special warrant entitled the holder to acquire one unit consisting of one common share and one half common share purchase warrant. All special warrants were converted into common shares on May 25, 2006. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$3.80 per share until March 21, 2010. In addition to a cash commission of 6% the underwriters were granted 171,900 agent's warrants, representing 6% of the number of special warrants issued. Each agent's warrant is exercisable for one share at a price of \$3.80, for a period of twenty four months, expiring on March 21, 2008. The fair value of warrants and agent's warrants were as follows: i) value assigned to 1,432,500 warrants was \$1,186,053, net of share issue costs of \$112,928 ii) value assigned to the 171,900 agent's warrant was \$95,893, net of share issue costs of \$14,271 The Black-Scholes Pricing Model was used to value the warrants and agent's warrants. The warrants were valued at \$0.91 based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 55% and expected life of 24 months. The agent's warrants were valued at \$0.64 based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 61% and expected life of 12 months. At December 31, 2007, no warrants or agent's warrants had been exercised. F-16 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 6. SHARE CAPITAL (continued) (c) During fiscal 2005, the Company completed a brokered private placement for 3,333,340 units at \$3.00 per unit, for proceeds of \$9,263,283 net of \$600,001 agent's commission and \$136,736 of related issue costs. Each unit consisted of one common share and one half common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share at a price of \$3.45 per share until September 14, 2009. In addition to the cash commission the underwriters were granted as commission 233,334 underwriter's warrants, representing 7% of the number of units issued. Each underwriter's warrant is exercisable for one share at a price of \$3.25, for a period of twenty four months, expiring on September 12, 2007. The underwriter's warrants were valued using the Black-Scholes Pricing Model. The warrants were valued at \$0.76 per warrant for a total value of \$177,333 and have been recorded as share issue costs with a corresponding increase to contributed surplus. At December 31, 2007, all of underwriter's warrants expired unexercised. (d) Stock options and stock-based compensation The Company has established a rolling stock option

Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow Resources Corporation, Amera Resources Corporation, Astral Mining Corporation, Gold Point Energy Corp. and Blue Sky Uranium Corp., each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During fiscal 2007, the Company incurred fees of \$349,143 (2006: \$724,902; 2005: \$730,802) to the Grosso Group: \$330,305 (2006: \$764,115; 2006: \$764,012) was paid in twelve monthly payments and \$18,838 is included in accounts payable (2006: \$39,213 included in amounts receivable; 2005: \$33,210 included in amounts receivable) as a result of a review of the allocation of the Grosso Group costs to the member companies for the year. In addition, included in other receivables, prepaids and deposits is other receivables of a \$205,000 (2006: \$205,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital which is callable on demand.

(b) During fiscal 2007, the Company paid \$353,283 (2006: \$533,917; 2005: \$241,088) to directors and officers or companies controlled by directors and officers of the Company, for accounting, management and consulting services provided. F-19 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 8. RELATED PARTY TRANSACTIONS (continued) (c) The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase the monthly fee, effective May 1, 2006, to \$20,833 from \$8,500 and to pay a bonus of \$150,000. The total compensation paid to the President in 2007 was \$250,000 (2006 - \$350,667). This amount is included in the total amount paid to directors and officers discussed in Note 8(b) above. In the event the contract is terminated by the Company or as a result of a change of control, a payment is payable to the President consisting of (i) any monthly compensation due to the date of termination, (ii) options as determined by the board of directors (iii) three years of monthly compensation (which may be adjusted annually) and (iv) bonus of \$461,500. If the termination had occurred on December 31, 2007, the amount payable under the contract would be \$1,211,500. In the event the contract is terminated by the Company as a result of the President's death or permanent disability while providing services to the Company, a bonus in the amount of \$461,500 is payable. Effective May 1, 2007, the Company negotiated agreements with the five other shareholder companies of the Grosso Group for the President of the Company to provide services for a monthly fee. The agreements may be terminated at any time at the other companies' discretion upon 30 days written notice. The Company reserves its right to restrict services provided by the President to the other shareholder companies based on its own requirements for the President's services, at which time the fee would be adjusted accordingly. For the year ended December 31, 2007, the Company received a total \$66,667 from the other shareholder companies which has been recorded as a reduction in Administrative and management services expense. The fees will be reviewed and adjusted on a periodic basis. All of the related party transactions and balances in these consolidated financial statements arose in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. 9. INCOME TAXES

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

	2007	2006	2005
Statutory tax rate	34.12%	34.12%	34.12%
Loss for the year	1,084,689	(3,581,360)	(5,764,874)
Provision for income taxes based on statutory Canadian combined federal and provincial income tax rates	(370,096)	(1,221,960)	(1,966,975)
Differences in foreign tax rates	(707)	(526)	-
Non-deductible differences	26,288	149,332	625,988
Losses for which an income tax benefit has not been recognized	344,515	956,653	1,340,987
Other	116,501	-	-

F-20 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 9. INCOME TAXES (continued) The significant components of the Company's future tax assets are as follows:

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

(5,181,933) ----- FUTURE INCOME TAX LIABILITIES For certain acquisitions and other payments for mineral property interests, the Company records a future income tax liability and a corresponding adjustment to the related asset carrying amount. During the year ended December 31, 2006, as a result of the uncertainty regarding the status of the mineral properties balance (included in Navidad interest), the Company eliminated the future income tax liability of \$1,760,110 that existed as of December 31, 2005 and made a corresponding adjustment to mineral properties. During the year ended December 31, 2005, the Company recorded an \$875,017 increase to the future income tax liability and a corresponding adjustment to mineral properties. 2007 2006 2005 \$ \$ \$ Future income tax liabilities - - 1,760,110
===== The Company has Canadian capital loss carryforwards of \$161,172 and non-capital loss carryforwards of \$15,951,984 that may be available for tax purposes. The Company's capital losses do not expire and may be carried forward indefinitely. The non-capital losses expire as follows:
EXPIRY DATE \$ 2008 841,160 2009 1,317,730 2010 1,545,964 2014 2,752,324 2015 4,708,790 2026 3,282,352
2027 1,503,664 ----- 15,951,984 =====

10. SEGMENTED INFORMATION The Company is involved in mineral exploration and development activities. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of fiscal 2007 and 2006. The Company's total assets are segmented geographically as follows: F-21 IMA EXPLORATION INC. (An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 10. SEGMENTED INFORMATION (continued) DECEMBER 31, 2007 ----- CANADA ARGENTINA TOTAL \$ \$ \$ Current assets 26,102,160 22,330 26,124,490 ----- 26,102,160 22,330 26,124,490 =====
===== DECEMBER 31, 2006 ----- CANADA ARGENTINA TOTAL \$ \$ \$ Current assets 9,217,352 79,273 9,296,625 Navidad interest - 17,949,521 17,949,521 ----- 9,217,352 18,028,794 27,246,146 =====

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES The consolidated financial statements of the Company have been prepared in accordance with Canadian GAAP, which differ in certain material respects from US GAAP. The effects of significant measurement differences between Canadian GAAP and US GAAP for certain items on the consolidated balance sheets, statements of operations and deficit and statements of cash flows are as follows: 2007 2006 2005 \$ \$ \$ CONSOLIDATED STATEMENTS OF OPERATIONS Loss for the year under Canadian GAAP (1,084,689) (3,581,360) (5,764,874) Mineral properties and deferred costs for the year (i) - (4,491,524) (8,480,509) Reversal of Future income tax liability (i) - - 875,017 Realization of Navidad interest (iv) 17,682,521 - - ----- Income (loss) for the year under US GAAP 16,597,832 (8,072,884) (13,370,366) Unrealized losses on available-for-sale securities (ii) - (3,000) - ----- Comprehensive loss (iii) 16,597,832 (8,075,884) (13,370,366) =====
===== Basic and diluted income (loss) per share under US GAAP 0.32 (0.16) (0.29) =====
===== Weighted average number of common shares outstanding 52,099,787 51,263,575 46,197,029 =====

2007 2006 2005 \$ \$ \$ SHAREHOLDERS' EQUITY Balance per Canadian GAAP 26,018,766 27,009,534 20,761,073 Mineral properties and deferred costs expensed (i) (In 2006, classified as a component of Navidad interest - Note 2) - (17,763,521) (15,032,107) Reversal of Future income tax liability (i) - - 1,760,110 Accumulated other comprehensive income (ii) - 81,000 84,000 ----- Balance per US GAAP 26,018,766 9,327,013 7,573,076
=====

F-22 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued) 2007 2006 2005 \$ \$ \$ NAVIDAD INTEREST / MINERAL PROPERTIES Balance per Canadian GAAP 18,500,000 17,949,521 15,032,107 Transfer of marketable securities (ii) - 81,000 - Mineral properties and deferred costs expensed under US GAAP (i) - (17,763,521) (15,032,107) ----- Balance per US GAAP 18,500,000 267,000 -
=====

2007 2006 2005 \$ \$ \$ FUTURE INCOME TAX LIABILITY Balance per Canadian GAAP - - 1,760,110 Reversal of Future income tax liability (i) - - (1,760,110) -----
----- Balance per US GAAP - - - =====

2007 2006 2005 \$ \$ \$ CONSOLIDATED STATEMENTS OF CASH FLOWS OPERATING ACTIVITIES Cash used per Canadian

GAAP (1,953,830) (3,785,152) (3,849,618) Mineral properties and deferred costs (i) (In 2006, classified as a component of Navidad interest - Note 2) - (4,491,524) (7,025,492) -----	Cash used per US GAAP (1,953,830) (8,276,676) (10,875,110) =====	2007	2006	2005	\$
\$ INVESTING ACTIVITIES Cash used per Canadian GAAP (1,686,538) (5,411,524) (10,258,903) Mineral properties and deferred costs (i) (In 2006, classified as a component of Navidad interest - Note 2) - 4,491,524	7,025,492 -----				
=====	Cash provided by (used) per US GAAP (1,686,538) (920,000) (3,233,411)				

===== i) Mineral Properties and Deferred Costs Mineral properties and deferred costs are accounted for in accordance with Canadian GAAP as disclosed in Note 3. For US GAAP purposes,

the Company expenses exploration costs relating to unproven mineral properties as incurred, and reverses any associated future income tax liabilities. When proven and probable reserves are determined for a property, subsequent exploration and development costs of the property are capitalized. F-23 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED

DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued) ii)

Investments For the 2005 fiscal year, the Company's marketable securities were classified as available-for-sale investments under US GAAP and carried at the lower of cost and market value for Canadian GAAP purposes. Such investments are not held principally for the purpose of selling in the near term and, for US GAAP purposes, must have holding gains and losses reported as a separate component of shareholders' equity until realized or until an other than temporary impairment in value occurs. For the 2006 fiscal year, the Company's marketable securities were classified as available for sale investments under US GAAP until July 14, 2006, the date of the Navidad judgment.

Subsequently, the marketable securities were transferred to the Navidad interest balance (see Note 2 above). iii) Comprehensive Income US GAAP requires disclosure of comprehensive income (loss) which is intended to reflect all other changes in equity except those resulting from contributions by and payments to owners. iv) Realization of

Navidad interest For US GAAP purposes the Company had previously expensed the exploration and other costs that comprised the amount shown as Navidad interest. Following the conclusion of the appeal process, the Company has recognized income of \$17,682,521. (See Note 2). Accounting for Uncertainty in Income Taxes In July 2006, the Financial Accounting Standards Board (FASB) issued FIN 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement 109. This Interpretation applies to all tax positions related to income taxes subject to SFAS 109, Accounting for Income Taxes. FIN 48 uses a two-step approach for evaluating tax positions. The first

step, recognition, occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. The second step, measurement, is only addressed if the recognition threshold is met; under this step, the tax benefit is measured as the largest amount of the benefit, determined on a cumulative probability basis, that is more likely than not to be realized upon settlement. FIN 48's use of the term "more likely than not" represents a greater than 50 percent likelihood of occurrence. The cumulative effect of applying the provisions of this Interpretation shall be reported as an adjustment to the opening balance of retained earnings for fiscal year in which the enterprise adopts the Interpretation. FIN 48 is effective for fiscal years beginning after December 15, 2006. Earlier application is permitted if the reporting enterprise has not publicly issued financial statements, including interim financial statements, for that fiscal year. Accordingly, the Company adopted the provisions of this Interpretation in its fiscal 2007 year. This interpretation did not have an impact on the Company for the year ended December 31, 2007. Fair Value Measurements In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements", which establishes a framework for measuring fair value. It also expands disclosures about fair value measurements and is effective for the first quarter of 2008. The Company is currently reviewing the guidance to determine the potential impact, if any, on its consolidated financial statements. F-24 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

RECENTLY ISSUED US GAAP ACCOUNTING STANDARDS: i) In September 2006, FASB issued SFAS No. 157, "Fair Value Measurement", effective for fiscal periods beginning after November 15, 2007. SFAS defines fair value, establishes a framework for measuring accepted accounting principles, and expands disclosures about fair value measurements. In December 2007, the FASB issued SFAS157-b, which provided for a one year deferral of the implementation of SFAS 157 for non-financial assets and liabilities. However, SFAS is still required to be adopted

effective January 1, 2008 for financial assets and liabilities that are carried at fair value. The Company is currently evaluating the impact of the adoption of this standard on its Consolidated Financial sv) Impact of recently issued accounting standards. ii) In February 2007, FASB issued SFAS No. 159, "Fair value option for financial assets and liabilities" which permits entities to choose to measure various financial instruments and certain other items at fair value. We do not expect the adoption of this Interpretation to have a significant effect on the Company's results of operations or financial position. iii) In December 2007, the FASB issued SFAS 160 a standard on accounting for noncontrolling interests and transactions with non-controlling interest holders in consolidated financial statements. The standard is converged with standards issued by the AcSB and IASB on this subject. This statement specifies that non-controlling interests are to be treated as a separate component of equity, not as a liability or other item outside of equity. Because non-controlling interests are an element of equity, increases and decreases in the parent's ownership interest that leave control intact are accounted for as capital transactions rather than as a step acquisition or dilution gains or losses. The carrying amount of the non-controlling interests is adjusted to reflect the change in ownership interests, and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly inequity attributable to the controlling interest. This standard requires net income and comprehensive income to be displayed for both the controlling and the non-controlling interests. Additional required disclosures and reconciliations include a separate schedule that shows the effects of any transactions with the non-controlling interests on the equity attributable to the controlling interest. The statement is effective for periods beginning on or after December 15, 2008. SFAS 160 will be applied prospectively to all non-controlling interests, including any that arose before the effective date. The Company has not determined the effect of the adoption of this Interpretation to the Company's results of operations or financial position.

F-25 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued) iv) In December 2007, the FASB issued a revised standard on accounting for business combinations, SFAS 141R. The major changes to accounting for business combinations are summarized as follows: - all business acquisitions would be measured at fair value. - the existing definition of a business would be expanded. - pre-acquisition contingencies would be measured at fair value. - most acquisition-related costs would be recognized as expense as incurred (they would no longer be part of the purchase consideration). - obligations for contingent consideration would be measured and recognized at fair value at acquisition date (would no longer need to wait until contingency is settled). - liabilities associated with restructuring or exit activities be recognized only if they meet the recognition criteria of SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities, as of the acquisition date. - non-controlling interests would be measured at fair value at the date of acquisition (i.e. 100% of the assets and liabilities would be measured at fair value even when an acquisition is less than 100%). - goodwill, if any, arising on a business combination reflects the excess of the fair value of the acquiree, as a whole, over the net amount of the recognized identifiable assets acquired and liabilities assumed. Goodwill is allocated to the acquirer and the non-controlling interest. - in accounting for business combinations achieved in stages, commonly called step acquisitions, the acquirer is to re-measure its pre-existing non-controlling equity investment in the acquiree at fair value as of the acquisition date and recognize any unrealized gain or loss in income. The statement is effective for periods beginning on or after December 15, 2008. The Company does not expect the adoption of this Interpretation to have a significant effect on the Company's results of operations or financial position.

12. SUPPLEMENTARY CASH FLOW INFORMATION Non-cash investing and financing activities were conducted by the Company as follows:
 2007 2006 2005 \$ \$ \$ Investing activities Expenditures on mineral properties and deferred costs - - (580,000)
 Stock-based compensation capitalized - - 580,000 -----
 =====

F-26 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 12. SUPPLEMENTARY CASH FLOW INFORMATION (continued) 2007 2006 2005 \$ \$ \$ Financing activities Shares issue costs - (95,893) (177,333) Warrant issue costs - (14,271) Warrants - 110,164 Shares issued on exercise of options 29,274 74,800 - Contributed surplus (29,274) (74,800) 177,333 -----

13. SUBSEQUENT EVENTS The Company received the funds representing the Navidad interest as follows: o \$7.5 million, which was previously held in trust, on January 8, 2008 plus interest that had accrued in the amount of \$341,380 o The balance of

\$11 million was received on February 11, 2008. F-27