IMA EXPLORATION INC
Form 20-F
May 16, 2003

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

FORM 20-F

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

[X] Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2002
or

[ ] Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _________ to _________

Commission file number: 0-30464

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

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

BRITISH COLUMBIA
(Jurisdiction of incorporation or organization)

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

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

Securities registered or to be registered pursuant to Section 12(g) of the Act.

COMMON SHARES, NO PAR VALUE
(Title of Class)

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

NOT APPLICABLE
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2002.

26,550,606 COMMON SHARES AS OF DECEMBER 31, 2002

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

Yes X No

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

Item 17 X Item 18

1

GENERAL INFORMATION:

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

GLOSSARY OF TERMS

GENERAL TERMS

ARGILLIC ALTERATION:	Development of secondary clay minerals by weathering or hydrothermal activity.
BRECCIA:	A rock containing generally angular fragments of itself or some other rock.
CATEO:	In Argentina, a cateo is an exploration concession granted for a period of up to 1,100 days. In areas where field work seasons are limited, only the available field season will be considered in determining the 1,100 days. A cateo gives the holder the exclusive right to explore the area, subject to certain pre-existing rights of owners of mines within the area and abutting owners of cateos. Through the process of exploration, the owner of the cateo may make and file "manifestations" of discovery (see below) and petition the mining authority for the granting of mines (see below). A cateo may be up to 10,000 hectares in size. A single legal person may not hold more than 20 cateos or 200,000 hectares of cateos in any one province. When the cateo is officially granted, a one time payment of about US $0.35 (Pesos $0.80) per hectare is required.
CLASTIC:	Rock components consisting of fragments derived by mechanical erosion of pre-existing rocks.
COLOR ANOMALY:	An atypical or unusual color pattern visible on air photos or satellite images of rock outcrop areas, often caused by hydrothermal alteration.
G/T:	grams per tonne
HYDROTHERMAL ALTERATION:	Those chemical and mineral changes resulting from the interaction of hot water solutions

with pre-existing solid mineral phases.

Ignimbrite:	Pumice-dominated pyroclastic flow deposits with subordinate ash.
INTRUSIVE ROCKS:	A body of rock, that while fluid, penetrated into or between other rocks, but solidified before reaching the surface.
KM:	Kilometer
M:	Meter
MAFIC:	Dark colored, generally iron or magnesium rich, rock or mineral.
MANIFESTATIONS:	In Argentina, manifestations or "manifest-aciones" of discovery are official notices filed with the mining authority indicating that the person filing (who must be the owner of the cateo in an area covered by a cateo) has made a discovery. The filing and acceptance by the mining authority of such a notice, constitutes the first step in converting a discovery to a mine (see below). A manifestation of discovery may cover one or more claims in the case of either a vein or disseminated deposit. The size of the manifestations and the annual payments required of the owner is the same as those for a mine.
MINE:	In Argentina, a mine or "mina" is a real property interest. It is a right of exploration granted on a permanent basis after the completion of an official

2

survey for as long as the right is diligently utilized and semi-annual payments of US$17.50 (Pesos $40) per claim are made. A mine may consist of one or several claims or "pertinencias". In the case of vein deposits, each claim is a maximum of 200 by 300 meters or six hectares; for disseminated deposits, each claim is up to one square kilometer or 100 hectares.

PORPHYRY:	An igneous rock containing mineral crystals that are visibly larger than other crystals of the same or different composition.
PPB:	parts per billion
PPM:	parts per million
SATELLITE IMAGERY:	Maps or images produced from data collected by satellite displaying wavelength and intensity variations of visible and infrared

	radiation reflected from the Earth's surface.
SCREE:	A slope of loose rock debris at the base of a steep incline or cliff.
SEDIMENTARY ROCKS:	Descriptive term for a rock formed of sediment, namely solid material both mineral and organic, deposited from suspension in a liquid.
STREAM SEDIMENT SAMPLE:	A sample of fine sediment derived from the mechanical action of the stream.
SKARN	A style of alteration characterized by iron and magnesium bearing aluminosilicate materials such as garnet and diopside.
SUBVOLCANIC:	An intrusive body emplaced close to the earth's surface within a volcano.
SULFIDE:	A compound of sulfur combined with one or more metallic or semi-metallic elements.
VEINS:	An occurrence of minerals, having been intruded into another rock, forming tabular shaped bodies.

ELEMENTS:

AG:	Silver
AS:	Arsenic
AU:	Gold
BA:	Barium
CO:	Cobalt
CU:	Copper
MO:	Molybdenum
PB:	Lead
SB:	Antimony
ZN:	Zinc

MINERALS:

BIOTITE:	An iron and magnesium bearing mica mineral.
CARBONATE:	A mineral containing the radical CO3.
CHALCOPYRITE:	A sulfide mineral containing copper and iron.
DIOPSIDE:	A magnesium rich pyroxene mineral.

FELDSPAR:	An aluminosilicate with variable amounts of potassium, sodium and calcium.
GYPSUM:	A calcium sulphate mineral, a common mineral of evaporates.
HEMATITE:	An iron oxide mineral.
HORNBLENDE:	A complex hydrated aluminosilicate of magnesium, iron and sodium.
MAGNETITE:	A magnetic iron oxide mineral.
MICA:	A mineral with a strongly defined platey structure.
PLAGIOCLASE:	A calcium-rich feldspar mineral.
PYRITE:	An iron sulfide mineral.
PYROXENE:	An aluminosilicate of magnesium and iron.
PYRRHOTITE:	A magnetic sulfide of iron.
ROCK TYPES:	
ANDESITE:	A volcanic rock with the principal minerals being plagioclase.
CONGLOMERATE:	A clastic sedimentary rock containing rounded fragments of gravel or pebble size.
DACITE:	A volcanic or shallow intrusive rock with the principal minerals being plagioclase, quartz and one or more mafic constituents.
DIORITE:	An intrusive rock composed essentially of sodic plagioclase, hornblende, biotite, or pyroxene.
LIMESTONE:	A sedimentary rock consisting chiefly of calcium carbonate.
SANDSTONE:	A clastic sedimentary rock composed largely of sand-sized grains, principally quartz.
SHALE:	A clastic sedimentary rock derived from very fine-grained sediment (mud).
SILTSTONE:	A clastic sedimentary rock similar to shale except comprised of slightly coarser material (silt).
TUFF:	A rock formed of compacted volcanic fragments, generally smaller than 4mm in diameter.

PART I

ITEM 1. DIRECTORS, SENIOR MANAGEMENT AND ADVISORS.

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. KEY INFORMATION.

SELECTED FINANCIAL DATA

The selected financial data of IMA Exploration Inc. (the "Company") for the years ended December 31, 2002, 2001 and 2000 was derived from the consolidated financial statements of the Company which have been audited by PricewaterhouseCoopers LLP, independent Chartered Accountants, as indicated in their report which is included elsewhere in this annual report. The selected financial data set forth for the years ended December 31, 1999 and 1998 are derived from the Company's audited consolidated financial statements, not included herein.

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

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

To date, the Company has not generated sufficient cashflow from operations to fund ongoing operational requirements and cash commitments. The Company has financed its operations principally through the sale of its equity securities. The Company considers that it has adequate resources to maintain its operations and will require additional financing for planned exploration and property acquisitions for the remainder of 2003. See "Item 5. Operating and Financial Review and Prospects".

CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

(CDN$ IN 000, EXCEPT PER SHARE DATA)

	YEARS ENDED DECEMBER 31,				
	2002	2001	2000	1999	199
Revenue	$0	$0	$0	$0	
General Corporate Expenditures	(1,278)	(836)	(1,066)	(941)	(
General Exploration					

Expenditures	(180)	(110)	(137)	(160)	(
Foreign Exchange Gain (Loss)	(8)	17	(9)	(25)	

5

	YEARS ENDED DECEMBER 31,				
	2002	2001	2000	1999	199
Interest and Miscellaneous Income	27	97	157	47	
Provision for Marketable Securities	-	(22)	(179)	(417)	
Gain (Loss) on Sale of Marketable Securities	-	(7)	-	(162)	
Write-off of Mineral Properties	-	(21)	(790)	(99)	
Gain on Exchange of Minas Barbados	-	-	-	-	2,
Equity Interests in Affiliated Companies	-	-	-	-	(
Net Income (Loss)	(1,440)	(882)	(2,024)	(1,746)	
Earnings (Loss) per Share					
Basic	(0.06)	(0.06)	(0.17)	(0.23)	0
Diluted	(0.06)	(0.06)	(0.17)	(0.23)	0
Weighted Average Number of Shares Outstanding	23,188	15,104	11,939	7,567	4,
Working Capital (Deficiency)	1,431	733	1,435	1,261	1,
Capital Assets	46	57	74	90	
Mineral Properties	5,848	4,581	3,282	2,083	
Long-Term Debt	-	-	-	-	
Total Assets	7,432	5,487	4,980	3,602	2,
Net Assets - Shareholder's Equity	7,324	5,372	4,790	3,434	2,

ADJUSTED TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Under U.S. GAAP the following financial information would be adjusted from Canadian GAAP (references are made to Note 10 of the accompanying consolidated audited financial statements):

6

(CDN$ IN 000, EXCEPT PER SHARE DATA)

CONSOLIDATED STATEMENT OF OPERATIONS	2002	2001	2000	1999	19
Earnings (Loss) for the year under Canadian GAAP	$(1,440)	$(882)	$(2,054)	$(1,746)	
Mineral property and deferred exploration costs for the year	(1,267)	(1,321)	(1,989)	(786)	
Mineral property and deferred exploration costs acquired from acquisition of IMPSA	-	-	-	(682)	
Mineral property and deferred exploration costs written off during the year which would have been expensed in the year incurred	-	22	790	99	
Mineral property and deferred exploration costs disposed of during the year which would have been expensed in the year incurred	-	-	-	-	2
Stock-based compensation	(102)	-	-	-	
Earnings (Loss) for the year under US GAAP before comprehensive income adjustments	$(2,809)	$(2,181)	$(3,224)	$(3,115)	$3

	2002	2001	2000	1999	19
Unrealized gains on available-for-sale securities	55	-	-	(82)	
Comprehensive Income (Loss)	$(2,754)	$(2,181)	$(3,224)	$(3,197)	$3
Earnings (Loss) per share under US GAAP	$(0.12)	$(0.14)	$(0.26)	$(0.36)	$
Diluted Earnings (Loss) per share under US GAAP	$(0.12)	$(0.14)	$(0.26)	$(0.36)	$

	2002	2001	2000	1999	1998
SHAREHOLDERS' EQUITY					
Balance per Canadian GAAP	$7,324	$5,372	$4,790	$3,435	$2
Mineral property and deferred exploration costs expensed	(5,848)	(4,581)	(3,282)	(2,083)	
Unrealized gains on available-for-sale securities	-	-	-	-	
Accumulated other comprehensive income	54	-	-	-	
Balance per US GAAP	$1,530	$790	$1,508	$1,352	$1,
MINERAL PROPERTIES AND RELATED DEFERRED COSTS					
Balance per Canadian GAAP	$5,848	$4,581	$3,282	$2,083	$
Mineral Property exploration costs and expenses per US GAAP	$(5,848)	$(4,581)	$(3,282)	$(2,083)	$(

BALANCE PER US GAAP	$-	$-	$-	$-

	2002	2001	2000	1999	19
CONSOLIDATED STATEMENTS OF CASH FLOWS					
OPERATING ACTIVITIES					
Cash (used) provided per Canadian GAAP	$(1,306)	$(898)	$(987)	$(1,567)	$(
Mineral property and exploration expenditures	(1,267)	(1,321)	(1,989)	(786)	(
Mineral property and exploration expenditures - IMPSA	-	-	-	(650)	
Cash used per US GAAP	$(2,573)	$(2,219)	$(2,976)	$(3,003)	$(1,
INVESTING ACTIVITIES					
Cash used per Canadian GAAP	$(1,278)	$(1,312)	$(2,004)	$(373)	$(
Mineral property and exploration expenditures	1,267	1,321	1,989	786	
Mineral property and exploration expenditures - IMPSA	-	-	-	650	
Cash provided (used) per US GAAP	$(11)	$9	$(15)	$1,063	$(
FINANCING ACTIVITIES					
Cash provided per Canadian and US GAAP	$3,264	$1,463	$3,380	$2,553	$1,

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

EXCHANGE RATE HISTORY

The noon rate of exchange on May 12, 2003, reported by the United States Federal Reserve Bank of New York for the conversion of Canadian dollars into United States dollars was CDN$1.3885 (US$0.7202 = CDN$1.00).

The following table sets forth high and low exchange rates for one Canadian dollar expressed in terms of one U.S. dollar for the six-month period ended April 30, 2003.

MONTH	HIGH	LOW
November 2002	.6362	.6241
December 2002	.6362	.6267
January 2003	.6289	.6200
February 2003	.6295	.6217
March 2003	.6325	.6266
April 2003	.6397	.6252

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

PERIOD	AVERAGE
January 1, 1998 - December 31, 1998	0.6940
January 1, 1999 - December 31, 1999	0.6731
January 1, 2000 - December 31, 2000	0.6746
January 1, 2001 - December 31, 2001	0.6456
January 1, 2002 - December 31, 2002	0.6368

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

RISK FACTORS

Due to the nature of the Company's business and the present stage of exploration on its mineral resource properties, the following risk factors apply to the Company's operations:

LIQUIDITY AND CASH FLOW: To date the Company has not generated any revenues from operations to fund ongoing operational requirements and cash commitments. The Company has financed its operations principally through the sale of its equity securities, and the disposition of its interest in Minas Argentinas SA and the sale of Viceroy Resource Corporation Common Shares. As at April 30, 2003, the Company had working capital of approximately $4,000,000. See "Item 5. Operating and Financial Review and Prospects - Liquidity and Capital Resources". The Company believes is does have adequate resources to maintain its ongoing operations and will require additional financing for planned exploration and property acquisitions for the remainder of fiscal 2003. See "Item 5. Operating and Financial Review and Prospects".

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

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

On April 3, 2003, the Company announced a $2.61 million dollar financing, subject to regulatory approval. The proceeds from the financing will be used for projects in South America and for working capital. The financing was completed on April 28, 2003 and will not provide adequate funds to meet all of the Company's operating and planned exploration costs proposed for the remaider of the year.

There is no assurance that the Company will be successful in obtaining additional financing or negotiating agreements with potential joint venture partners. The failure to obtain such financing or complete joint venture arrangements could result in the loss or substantial dilution of the Company's interests (as existing or as proposed to be acquired) in its properties as disclosed herein. The Company's business strategy contemplates investments in joint ventures to fund exploration activities on the Company's properties. Joint ventures may involve significant risks and the Company may lose any investment it makes in a joint venture, including the Company's interest in any properties it contributes. Except for the agreement between the Company and Barrick Gold Corporation (See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Properties - Argentinean Properties - Property Agreements and Exploration Activities - Barrick Agreement"), the Company does not have any definitive commitment or agreement concerning any material investment, strategic alliance or related effort, on any of the Company's properties. Any investments, strategic alliances or related efforts are accompanied by risks such as:

i) the difficulty of identifying appropriate joint venture partners or opportunities;

ii) the time the Company's senior management must spend negotiating agreements and monitoring joint venture activities;

iii) the possibility that the Company may not be able to reach agreement on definitive agreements, with potential joint venture partners;

iv) potential regulatory issues applicable to the mineral exploration business;

v) the investment of the Company's capital or properties and the loss of control over the return of the Company's capital or assets;

vi) the inability of management to capitalize on the growth opportunities presented by joint ventures; and

vii) the insolvency of any joint venture partner.

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

EXPLORATION RISKS: Mineral exploration is highly speculative in nature, involves many risks and frequently is nonproductive. There can be no assurance that the Company's efforts to identify reserves will be successful. Moreover, substantial expenditures are required to establish reserves through drilling, to determine metallurgical processes to extract the metal from the ore and to construct mining and processing facilities. During the time required to establish reserves, determine suitable metallurgical processes and construct such mining and processing facilities, the economic feasibility of production may change because of fluctuating prices. The Company would like to establish reserves but does not intend to construct or operate a mine.

PROJECT DELAY: The Company's minerals business is subject to the risk of unanticipated delays in permitting its projects. Such delays may be caused by fluctuations in commodity prices, mining risks, difficulty in arranging needed financing, unanticipated permitting requirements or legal obstruction in the permitting process by project opponents.

In addition to adding to project capital costs (and possibly operating costs), such delays, if protracted, could result in a write-off of all or a portion of the carrying value of the delayed project.

TITLE TO PROPERTIES: The validity of mining claims, which constitute a significant portion of the Company's undeveloped property holdings, is often uncertain and may be contested. Although the Company has attempted to acquire satisfactory title to its undeveloped properties, the Company, in accordance with mining industry practice, does not intend to obtain title opinions until a decision is made to develop a property, with the attendant risk that some titles, particularly titles to undeveloped properties, may be subject to contest by other parties. As of April 30, 2003, the Company has not lost title to any of its properties, nor is it contesting any challenges to its ownership.

PRICE FLUCTUATIONS AND SHARE PRICE VOLATILITY: In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly junior mineral exploration companies, like the Company, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, the per share price of the Company's common shares fluctuated from a high of $0.94 to a low of $0.34 during the 12-month period ending December 31, 2002. There can be no assurance that continual fluctuations in price will not occur.

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

INSURABLE RISKS AND LIMITATIONS OF INSURANCE: The Company maintains a Total Office Policy in Canadian dollars on its principal offices. Generally, the Total Office Policy provides a 90% coverage on office contents, up to $128,000, with a $500 deductible. In addition, the policy provides general liability coverage of up to $5,000,000 for personal injury, per occurrence, and $2,000,000 for legal liability for any one premises, with a $500 deductible. The Company also has insurance coverage of up to $5,000,000 for non-owned automobile liability.

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

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

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

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

MANAGEMENT: The Company is dependent on the services of Joseph Grosso, the President and a director of the Company, Gerald G. Carlson, the Chairman of the Company's Board of Directors, and William Lee, the Company's Chief Financial

Officer. The loss of any of these people could have an adverse affect on the Company. Joseph Grosso provides his services to the Company through Oxbow International Marketing Corp. ("Oxbow"). Gerald G. Carlson provides his services to the Company through KGE Management Ltd. All of the Company's other officers and directors are employed directly by the Company. The Company has entered into consulting agreements with Oxbow and KGE Management Ltd. The Company has entered into an employment agreement with William Lee. See "Item 6. Directors, Senior Management and Employees" and "Item 7. Major Shareholders and Related Party Transactions". The Company does not maintain "key-man" insurance in respect of any of its principals.

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

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

FOREIGN COUNTRIES AND REGULATORY REQUIREMENTS: Certain of the projects in which the Company has an interest are located in Argentina and Peru. Mineral exploration and mining activities in Argentina and Peru may be affected in varying degrees by political instability and government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. The Company does not maintain and does not intend to purchase political risk insurance. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriations of property, environmental legislation and mine safety. See "Item 4. Information on the Company - Business Overview - Government Regulations on the Company's Business.". The status of Argentina and Peru as developing countries may make it more difficult for the Company to obtain any required exploration financing for its projects. The effect of all of these factors cannot be accurately predicted. Both the Argentine and Peruvian economies have experienced recessions in recent years and there can be no assurance that their economies will recover from such recessions.

As a result of the Provincial and Municipal elections in Peru to be held in November 2002 and the substantial investment required to advance the Rio Tabaconas project through the next exploration stage, in June 2002 the Company announced its intention to take a more measured approach to exploration on the Rio Tabaconas project to ensure that all local cultural, developmental and environmental concerns in the region have been addressed which may pertain to mining activities. See "Item 4. Information on the Company - Principal

Properties - Peruvian

Properties." The Company intends to conduct further exploration only after an agreement with the local community of Tamborapa has been finalized. Aided by several Peruvian Social-Economic consultants, a draft Company-Community plan has been prepared and the Company intends to present the plan for discussion with the community leaders, government officials and other interested party leaders in the second quarter of 2003. See "Item 4. Information on the Company - Business Overview - Government Regulations on the Company's Business."

In addition, Argentina has recently experienced economic and political instability. An economic crisis has developed since December 2001. As a result, Argentina has defaulted on its loans and is working with the International Monetary Fund on a bail-out loan agreement. The Company maintains the majority of its funds in Canada and only forwards sufficient funds to meet current obligations and overhead in Argentina. The Company does not believe that any current currency restrictions which may be imposed in Argentina will have any immediate impact on the Company's exploration activities.

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

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

The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to ensure that it complies fully with all environmental regulations relating to its operations in Argentina and Peru.

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

PENNY STOCK REGULATION: The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in "penny stocks". Generally, penny stocks are equity securities with a price of less than US$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system). If the Company's shares are traded for less than US$5 per share, as they currently are, the shares will be subject to the SEC's penny stock rules unless (1) the Company's net tangible assets exceed US$5,000,000 during the Company's first three years of continuous operations or US$2,000,000 after the Company's first three years of continuous operations; or (2) the Company has had average revenue of at least US$6,000,000 for the last three years. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prescribed by the SEC that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with

current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. As long as the Company's common shares are subject to the penny stock rules, the holders of common shares may find it difficult to sell the common shares of the Company.

ENFORCEMENT OF LEGAL PROCESS: Service of process upon individuals or firms that are not resident in the United States may be difficult to obtain within the United States. All of the members of the Board of Directors and senior management of the Company reside outside the United States. Furthermore, since all of the Company's assets are located outside the United States, any judgment obtained in the United States against the Company or such persons may not be collectible within the United States.

ITEM 4. INFORMATION ON THE COMPANY.

HISTORY AND DEVELOPMENT OF THE COMPANY

Since April 3, 1996, the Company has been engaged, through its subsidiaries, in the acquisition and exploration of mineral properties, with a primary focus in Argentina and Peru. The Company was incorporated under the COMPANY ACT (British Columbia, Canada) (the "Company Act") on September 17, 1979, as Gold Star Resources Ltd. On May 1, 1990, the Company filed an Altered Memorandum to reflect its name change to EEC Marketing Corp. On January 13, 1992, the Company filed an Altered Memorandum to reflect its name change to Amera Industries Corp. From its date of inception to January 31, 1992, the Company was inactive.

Between January 31, 1992 and August 31, 1994, the Company was involved in the eyewear and optical products industry. Subsequently, the Company again became inactive and began seeking a new business opportunity. The Company filed another Altered Memorandum on February 9, 1995 to reflect its name change to International Amera Industries Corp. On February 20, 1996, the Company filed an Altered Memorandum, changing its name to IMA Resource Corporation, and became engaged in the acquisition and exploration of mineral properties.

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

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

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

15

disposition of certain properties held by IMPSA (BVI). See "Item 4. Information on the Company - Organizational Structure." The fee is limited to a maximum of $1.4 million. This transaction was approved by IMPSA's shareholders on September 4, 2001. IMPSA used the cash proceeds to retire its debt to the Company. Rio Tabaconas (formerly known as Tamborapa), IMPSA's principal property, is for the most part an early stage exploration property and involves a high degree of risk.

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

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

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

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

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

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

i) each issued and outstanding common share of the Company was exchanged for one Class A common share and one Class B preferred share (the "Preferred Shares") of the Company;

ii) the holders of the Preferred Shares received 1,540,000 Viceroy Common Shares, directly from Viceroy, in exchange for all of the Preferred Shares;

iii) the Company relinquished its ownership interest in Minas Barbados to Viceroy in exchange for the Preferred Shares, the MASA NSR, the extinguishment of all debts to MASA and 660,000 Viceroy Shares. The Preferred Shares were then canceled by the Company; and

iv) all options and warrants to purchase common shares of the Company became exercisable to purchase Class A common shares on the same basis as the common shares.

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

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

In August 1999, the Company completed a private placement with Barrick Gold Corporation ("Barrick") and issued 1.5 million units at a price of $1.00 per unit. Each unit consists of one common share in the capital stock of the Company and one non-transferable share purchase warrant, entitling Barrick to purchase an additional common share for a period of one year at a price of $1.50 per share. On April 19, 2001, Barrick exercised warrants at $1.50 to purchase an additional 350,000 shares of the Company for total proceeds of $525,000. The funds were spent on the drilling program on the Potrerillos property. On August 16, 2001, Barrick exercised their remaining warrants to buy 1,150,000 common shares of the Company for a total proceeds of $1,725,000. The proceeds were spent on further exploration of the Company's properties in the Valle del Cura region of Argentina from October 2000 to March 2001. As a result of the exercise, Barrick became the Company's largest shareholder. See "Item 7. Major Shareholders and Related Party Transactions".

Of the proceeds from the Barrick private placement, the Company agreed to spend, by August 2000, a minimum of $1,125,000 on its Valle del Cura properties in Northwestern Argentina. As of December 31, 2002, the Company spent $2,073,114 on its Valle del Cura properties, satisfying the aforementioned agreement. See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Properties".

As part of a financing and option agreement dated August 17, 1999 between the Company and Barrick, the Company granted Barrick an option to earn an interest in EITHER the Rio de las Taguas or Potrerillos properties in the Valle del Cura region. Barrick may earn a 50% interest in the selected property by paying the Company US$250,000 and expending US$3 million in exploration on the selected property within five years of making the US$250,000 payment. Once Barrick has earned its 50% interest, the selected property will be operated as a joint venture, with Barrick as the operator. In addition, Barrick shall have the option to earn an additional 25% interest, for a total of 75%, by agreeing to provide financing for the Company's share of the costs to bring the selected property into production. See this "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Properties - Argentinean Properties - Property Agreements and Exploration Activities - Barrick Agreement".

As a result of Barrick exercising all the 1,500,000 warrants, the selection period was automatically extended for an additional twelve calendar months to November 30, 2001. As of March 23, 2001, the Company further extended the selection period to November 30, 2002. Subsequent to the year end, Barrick and the Company agreed to extend the Selection Notice Period in the Option Agreement from November 30, 2002 to December 30, 2003 to allow Barrick's technical team to review additional properties of the Company. In return for the extension Barrick paid US$65,000 which will be used to make payments to maintain the option properties in good standing.

Throughout the 2002 fiscal year exploration on the Potrerillos and Rio de las Taguas properties was on hold pending resumption of exploration and development activities at the nearby Pascua-Lama and Veladero deposits by Barrick.

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

NATURE OF THE COMPANY'S OPERATIONS AND PRINCIPAL ACTIVITIES

The Company has made additions to mineral properties and deferred costs of $1,266,555, $1,320,777 and $1,989,049 and capital assets of $11,201, $8,012 and

$15,321 for the fiscal years ended December 31, 2002, 2001, and 2000, respectively. For the three months ended March 31, 2003, the Company has made additions to mineral properties and deferred costs of approximately $610,000 and no additions to capital assets.

During the fiscal year ended December 31, 2002 the Company did not terminate any option agreements on properties and mineral claims. During the fiscal years ended December 31, 2001 and 2000, the Company terminated option agreements on properties and mineral claims resulting in the write-off of mineral properties and deferred costs in the amounts of $21,483 and $789,953, respectively.

During the nine month period from March 31, 2003 to December 31, 2003, the Company has no planned exploration expenditures in Argentina for the Valle del Cura region, the Gualcamayo region, or the NW San Juan region. The Company plans to expend US$500,000 in Argentina on surface work at the Navidad project, an additional US$1,500,000 on drill programs at the Navidad project and US$593,000 on the Rio Tabaconas project (formerly known as Tamborapa project) in Peru during the nine month period from March 31, 2003 to December 31, 2003. In

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

As a result of the Provincial and Municipal elections in Peru to be held in November 2002 and the substantial investment required to advance the Rio Tabaconas project through the next exploration stage, in June 2002 the Company announced its intention to take a more measured approach to exploration on the Rio Tabaconas project to ensure that all local cultural, developmental and environmental concerns in the region have been addressed which may pertain to mining activities. See "Item 4. Information on the Company - Principal Properties - Peruvian Properties." The Company intends to conduct further exploration only after an agreement with the local community of Tamborapa has been finalize. Aided by several Peruvian Social-Economic consultants, a draft Company-Community plan has been prepared and the Company intends to present the plan for discussion with the community leaders, government officials and other interested party leaders in the second quarter of 2003. See "Item 5. Operating and Financial Review and Prospects".

For the Company's other Argentinean properties, where no expenditures are planned, it is the Company's intention to seek joint venture partners to provide funding for further work on any or all of those properties. On March 6, 2003, the Company entered into an agreement granting Amera Resources Corporation, a private company which has a common director with the Company ("Amera"), an Option to earn 51% undivided interest on Arturo's Property (Mogotes). Amera can earn its interest in the property by issuing 1,650,000 common shares to the Company and incurring US$1,250,000 of expenditures (including work programs and underlying option payments), over a period of five years. See "Item 4. Information on the Company - Principal Properties - Argentinean Properties - Property Agreements and Exploration Activities - Arturo's Property (Mogotes)" and "Item. 7 Major Shareholders and Related Party Transactions - Related Party Transactions."

As of April 30, 2003, the Company does not have sufficient working capital to fund all of its planned exploration work and property commitments and meet all of its ongoing overhead obligations. The Company will continue to rely on successfully completing additional equity financing and/or conducting joint venture arrangements to conduct further exploration on its properties. There can be no assurance that the Company will be successful in obtaining the required financing or negotiating joint venture agreements. The failure to obtain such financing or joint venture agreements could result in the loss of, or substantial dilution of the Company's interest in its properties.

BUSINESS OVERVIEW

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

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

18

During the year ended December 31, 2002, the Company significantly increased its focus on activities in the Patagonia region of Argentina carrying out an extensive exploration program in the Chubut Province and acquiring five new gold and silver projects. Additionally the Company has evaluated a number of projects available for option ranging from grass roots projects to advanced projects including those with resources. The Peruvian property payments will be made to keep the Company's property holding in good standing.

With respect to properties located in the Valle del Cura region of Argentina, the Company does not intend to conduct any further exploration on these properties unless Barrick exercises its option to earn a 50% interest in EITHER the Rio de las Taguas or Potrerillos properties. If it decides to exercise this option, Barrick must select a property by December 30, 2003. Once Barrick has earned its 50% interest, the property will be operated as a joint venture with Barrick as the operator and each party paying its proportionate share of expenses, subject to normal dilution and non-consent provisions. See "Item 4. Information on the Company - Principal Properties - Argentinean Properties - Property Agreements and Exploration Activities - Barrick Agreement". All other Argentine property exploration, if any, will be at a minimum.

GOVERNMENT REGULATIONS ON THE COMPANY'S BUSINESS

THE REPUBLIC OF PERU

GENERAL INFORMATION

Peru covers an area of approximately 1,290,000 square kilometers on the western coast of South America. The country has a population of approximately 27 million people. Lima is the capital and principal city of Peru with a population of approximately 8 million people. Peru is attempting to recover from an extended period of political instability and economic hardship.

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

GOVERNMENT ORGANIZATION

Peru is a democratic republic governed by an elected government which is headed by a president who serves a five-year term and who, under the new Constitution, is eligible to run for one consecutive second term. The new Constitution was approved by national referendum held on October 31, 1993, and also provides for a one-chamber legislative body or Congress.

On June 3, 2001, Alejandro Toledo was elected the Peruvian President and sworn in on July 28, 2001, after a tumultuous ten year reign by Alberto Fujimori, whose resignation was prompted by corruption and scandal in the Peruvian government. Since he took office as Peru's first democratic president of Indian blood, Mr. Toledo's popularity has plunged. The leading Lima magazine CARETAS reported that Mr. Toledo's approval rating in a national public-opinion survey fell by more than one-half in the first six months of his presidency to 27%, while his disapproval rating soared to 65%. The decline in Mr. Toledo's popularity among the Peruvian people is reported to be caused by his failure to fulfill campaign promises and to chart a clear policy course. After four years of little or no growth in employment, Peruvians are impatient for the jobs Mr. Toledo promised to create. Nevertheless Tthe economy continues to develop favourably. The gross domestic product (GDP) advanced almost 4% in 2002. Stronger mining has compensated for lower growth rates in virtually all other sectors. The only sector apart from mining that experienced an improvement was fishing. Mr. Toledo has a better image abroad than at home. A team headed by Javier Perez de Cuellar, a Peruvian former UN secretary-general, has raised US$1 billion in foreign aid to finance Mr. Toledo's job creation program. Peru has agreed on terms with the International Monetary Fund ("IMF") for a new loan, and there are signs that the economy is at last reviving.

TERRORISM

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

MINING INDUSTRY

Peru has a lengthy history of mining which predates the Spanish conquistadors. Although political unrest and instability have slowed the development of some of Peru's ore bodies in recent years, mining continues to be an important contributor to the national economy and exploration by foreign companies is accelerating due to the abundance of mineral sources. Peru is already a substantial producer of at least six metals and may have unexplored and unexploited reserves in these and other metals. Peru ranks among the top 20 gold producing nations, and the newly expanded Yanacocha mine is Latin America's largest single gold producer and Antamina is the world's largest zinc and copper mine.

MINERAL CONCESSIONS IN PERU

Under Peruvian law, the right to explore for and exploit minerals is granted by way of concessions. A Peruvian mining concession is a property-related right, distinct and independent from the ownership of land on which it is located, even when both belong to the same person. The rights granted by a mining concession are defensible against third parties, transferable, chargeable and, in general, may be the subject of any transaction or contract. The basic unit for newly claimed mining concessions is 1,000 hectares and existing concessions of greater than 1,000 hectares will be reduced to that amount. Otherwise, concessions can only be divided by percentage parts or shares. Buildings and other permanent structures used in a mining operation are considered real property and as an accessory to the concession on which they are situated.

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

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

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

REGULATORY ENVIRONMENT

Imports to and exports from Peru are not subject to restrictions and exports are not taxed. Import taxes are imposed on an ad valorem basis at rates that, as of March 31, 2003, ranged between 15% to 25%. Import duties and other

taxes on imports must be paid in Peruvian currency at the exchange (sole) rate ruling on the date of payment.

Goods with an FOB value greater than US$2,000, whether new or used, and vehicles, regardless of value, are subject to a system of import supervision. Consequently, before shipment, importers must obtain in the port of origin a certificate of inspection issued by an authorized supervisory enterprise specifying the value of the goods in accordance with the custom valuation rules.

In general terms, it is possible to import all kinds of new or used goods, except fireworks, which are prohibited.

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

ARGENTINA

The Company has interests in various properties located in Argentina. Mineral exploration and mining activities in Argentina may be affected in varying degrees by political instability and government regulations relating to the mining industry. Mineral companies are subject to both the Argentinean Mineral Code and the Environmental Protection Mining Code. As of the date of this annual report, management believes the Company is in material compliance with both the Argentinean Mineral Code and the Environmental Protection Mining Code.

POLITICAL ENVIRONMENT

Carlos Menem was the President of Argentina from 1989 to December 1999. In October 1999, Fernando de la Rua was elected to succeed Mr. Menem. Mr. de la Rua took office in December of 1999, pledging to focus on Argentina's economic problems. President de la Rua was unsuccessful and resigned on December 20, 2001 amidst economic and social upheaval. On January 1, 2002, the Argentine congress elected Eduardo Duhalde, former vice president during the Menem government and subsequently governor of the Buenos Aires Province (which accounts for more than one third of Argentina's economy), to serve as president for the remaining two years of Mr. de la Rua's term. Former president de la Rua was affiliated with the Radical Party and the center left coalition ("FREPASO").

With the resignation of Mr. de la Rua, the reign of FREPASO came to an end, and Mr. Duhalde, who is affiliated with the Peronist party, took over the control of the country amid severe divisions among party leaders. The presidential elections held on April 27th did not define the next Argentina president, on May the 18th the population will go to vote again to chose among the two candidates who obtained the highest number of votes: former president Carlos Menem and Nestor. Kirchner governor of Santa Cruz Province.

If current popularity trends persist, the presidential poll is likely to be decided in a second round and a future president will only be able to govern on the ground of carefully crafted coalitions. This will render the implementation of long-term economic reforms and a strengthening of weakened political institutions - both key ingredients to a sustainable economic recovery in 2003 - extremely difficult.

ECONOMY

Argentina is currently in a period of economic crisis due largely to poor monetary policies and large amounts of debt. In 1991, then economic minister, Domingo Cavallo, decided to tie the Argentine Peso to the U.S. dollar, with a one-for-one exchange rate in order to combat hyperinflation and restore confidence in the Argentine economy. When economic stability returned to Argentina, the Argentine government did not respond by devaluing the Argentine Peso. The failure of the government to devalue the peso left Argentine exports more expensive than those of other South American countries, like Brazil. By linking the peso to the dollar, Argentina adopted a currency whose exchange rate bore little relation to its own economic conditions, and the Argentine Government failed to respond to changing economic conditions by changing its monetary policy. After ten years of sustaining the exchange rate, the country has lost competitiveness in the international markets.

Argentina also faces large amounts of internal and external debt. Deficits have been financed with external debt, which is currently close to US$150 billion, and internal public debt, whereby the rate of interest paid reached almost

25% in real terms. Much of the internal debt has been due to overspending by the two dozen Argentine provinces. In December of 2001 the I.M.F. refused to disburse US$1.3 billion in aid for the month, and strikes, widespread street protests and rioting ensued. On December 20, 2001, President Fernando de la Rua resigned and was replaced on January 1, 2002 by Eduardo Duhalde. Several days after Mr. Duhalde became president, the government devalued the peso and the Argentine currency was allowed to float freely for the first time in a decade.

The consequence has been social upheaval. Unemployment rose 20% after Mr. de la Rua's resignation, and in April 2002, all banking and foreign exchange activity was suspended. Mr. Duhalde announced that the Argentine financial system was at risk of collapse. Mr. Duhalde would like to diversify Argentina's foreign ties, and in particular to revise those with Brazil, its chief partner with Mercosur. Brazil has quickly responded. In addition to lobbying for international help for Argentina, it has promised to take more imports, especially of cars. Due to its large debt problems, Argentina needs help from the IMF. The United States Government has asked Mr. Duhalde to develop a coherent economic plan. Above all, that means tackling the ghastly problems of Argentina's banks, which have become the target of increasing violent protests. Mr. Duhalde inherited restrictions on bank transactions and withdrawals, which halted a bank run but are strangling the economy. His government's handling of the devaluation of the peso, and its adoption of a dual exchange rate, have also created problems. On April 26, 2002, President Duhalde appointed free market economist, Roberto Lavagna, as his new economy minister. Mr. Lavagna's main task will be to convince the IMF to restart a lending program to Argentina, by pushing ahead with economic reforms which must include spending cuts by the country's provinces and legal reforms aimed at restoring investor confidence.

The Central Bank has managed to maintain the peso relatively stable since June by intervening in the market. Following appreciations of 1.9% and 2.9% respectively in July and August, the currency depreciated 2.9% in September amid

Brazil election jitters. In October, the peso experienced its highest monthly appreciation this year, strengthening 6.0% to the US$ in nominal terms. In the first week of March 2003, the currency appreciated to close at 3.00 pesos to the US$.

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

MINING LAW IN ARGENTINA

In IM-11/19 ARGENTINA; ECONOMIC TRENDS-NOV. 1999, the author stated:

> Although some ambiguities in its interpretation have emerged, the 1993 Argentine Mining Code has created a favorable investment climate in the sector. An influx of foreign capital is bringing major copper and gold mines on line in Catamarca and Santa Cruz provinces, as well as smaller projects elsewhere.

(Source: U.S. Department of Commerce - National Trade Data Bank, IM-11/19 ARGENTINA; ECONOMIC TRENDS-NOV. 1999).

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

22

REGULATORY ENVIRONMENT

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

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

ORGANIZATIONAL STRUCTURE

The Company has one direct wholly-owned subsidiary, IMA Holdings Corp. ("IHC"), a British Columbia company and one 80% owned subsidiary, IMPSA Resources (BVI) Inc. ("IMPSA (BVI)"), a British Virgin Islands company. IHC has one direct wholly-owned subsidiary, Inversiones Mineras Argentinas Inc., a Barbados company ("IMA Barbados"), one direct 80.69% owned subsidiary, IMPSA Resources Corporation ("IMPSA"), a private British Columbia company, and holds a direct 20% interest in IMPSA Resources (BVI) Inc. ("IMPSA (BVI)"), a British Virgin Islands company. IMA Barbados has one direct wholly-owned subsidiary, Inversiones Mineras Argentinas S.A. ("IMA Argentinas"), an Argentine company.

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

The Company's current corporate structure is depicted as follows:

```
                               ================================
                               |    IMA EXPLORATION INC.      |
       ------------------------|                              |--------
       |                       |           ("IMA")            |       |
       |                       ================================       |  100%
       |                                                              |
       |                                                ================================
       |           -------------------------------------|     IMA HOLDINGS CORP.       |
       |           |                                    |           ("IHC")            |
       |           |                                    ================================
80%    |           | 20%                          80.69%  |                     | 100%
       |           |                                      |                     |
================================        ======================                ============
|      IMPSA RESOURCES        |         |  IMPSA RESOURCES   |                |  INVERSIO
|         (BVI) INC.          |         |    CORPORATION     |                |    ARGENT
|      ("IMPSA (BVI)")        |         |     ("IMPSA")      |                |     ("IMA
================================        ======================                ============
100%   |
       |
       |
================================                                            ==============
|   MINERA IMP - PERU S.A.    |                                             |     INVERSI
|       ("IMPSA Peru")        |                                             |       ARGEN
|                             |                                             |     ("IMA A
================================                                            ==============
       |
       |
       |
================================                                            ==============
|    PERUVIAN PROPERTIES      |                                             |      VARIOU
|                             |                                             |         PRO
================================                                            ==============
```

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

PROPERTIES, PLANTS AND EQUIPMENT

PRINCIPAL PROPERTIES

The Company has for the past year increased its focus on Argentina property interest, as a result of this focus on the Chubut region of Argentina, the Company has discovered what management believes to be a major new silver-copper-lead mineralized system at it's Navidad project. All of the Company's current Peruvian properties will be maintained in good standing for the coming year, however, no work or investement will be undertaken until such time as the social risk is deemed to be reasonable. The Company will not make any decisions on the Rio de las Taguas and Protrerillos properties in the Valle de Cura region, Argentina until December 30, 2003, at which time Barrick must decide if it will exercise its option to acquire a 50% interest in one of the two properties. See "Principal Properties - Argentinean Properties - Property Agreements and Exploration Activities - Barrick Agreement" below. The Company signed a letter of Intent on March 6, 2003 with Amera, pursuant to which Amera may earn an undivided 51% interest (subject to regulatory approval) in the Arturo Property (Mogotes). See "Item 4. Information on the Company - History and Development of the Company - Nature of the Company's Operations and Principal Activities," "Item 4. Information on the Company - Principal Properties - Argentinean Properties - Property Agreements and Exploration Activities - Arturo's Property (Mogotes)" and "Item. 7 Major Shareholders and Related Party Transactions - Related Party Transactions." The remaining properties are grass roots properties on which additional exploration may or may not be carried out in 2003.

ARGENTINEAN PROPERTIES

The Company controls 100% of Inversiones Mineras Argentinas S.A. which presently has a portfolio of five groups of properties covering 217,444 hectares (537,297 acres) in the San Juan and Chubut Province.

During the fiscal years ending December 31, 2002, 2001 and 2000 the Company had capitalized and expensed costs on its Argentine properties as follows:

FISCAL YEAR ENDING	AMOUNT CAPITALIZED	AGGREGATE AMOUNT EXPENSED IN FISCAL YEAR
December 31, 2000	$2,240,829	$775,470
December 31, 2001	$2,777,458	$ 21,483
December 31, 2002	$3,181,277	$ -

These expenditures were for the initial acquisition of properties, exploration costs, associated costs, and for the preliminary evaluation of selected properties.

The properties owned or optioned by IMA Argentinas cover a variety of districts and geography in San Juan and Chubut Provinces, Argentina.

PROPERTY AGREEMENTS AND EXPLORATION ACTIVITIES

NAVIDAD PROPERTY

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

[Argentina Property Map]

through the central part of the outcropping high-grade mineralization and blocks of rock containing obvious green copper oxides had been used to prop up fence posts.

By the time of the original announcement IMA had collected 92 rocks samples at Navidad of which the results for 49 were tabulated in a press release on February 3rd, 2003. As of March 31, 2003, 257 rocks samples, 378 soil samples and 55 stream silts samples had been collected from the 10 by 10 km area during 35 man days of geological work. In addition to the sampling mentioned above, detailed and property scale geological mapping, preliminary petrographic, and environmental base line studies have been undertaken. The following description is based on results of that work. Understandably, no drilling or mechanized trenching have yet been carried out due to the very short exploration history.

Navidad is located roughly midway between the small towns of Gastre and Gan Gan in the treeless semi-arid central part of the province at an elevation of about 1,200 meters. The climate is cool temperate, quite dry and is characteristically windy. The administrative unit is the Department of Gastre, which is one of the largest and least populated departments in the province. Basic services and fuel are available in the above mentioned towns. Locally, the main economic activities are sheep ranching and government. From Navidad it is 400 kilometers to the east, the majority on gravel roads to Rawson the provincial capital near the Atlantic coast, or 335 km to Puerto Madryn a port city with shipping facilities. The nearest railhead is to the northwest 200 km at Ingenerio Jacobacci in the province of Rio Negro. A major high voltage power line passes approximately 45km to the south of Navidad connecting a hydroelectric dam at Futaleufu with an aluminum smelter at Puerto Madryn.

The only significant history of metallic mineral production in the Department of Gastre, and in fact in the north-central part of the province came from the Mina Angela located some 30km northeast of Gastre. It produced over one million tons of polymetallic (gold-silver-copper-lead zinc) ore from a series of epithermal veins during intermittent periods between 1920 and 1992. This mine was the first and only mine to be properly closed in Argentina all others having been simply abandoned. Former employees of this operation still live in the towns of Gastre and Gan Gan.

Geologically, Navidad lies in a series of mixed calcareous sediments and intermediate volcanic rocks mapped by government geologists as the Canadon Asfalto Formation of Upper Jurassic age. Mineralization found to date is hosted by what is interpreted as a sedimentary breccia containing clasts of sedimentary and volcanic origin. That breccia is intercalated with finer grained more tuffaceous equivalents and also limestones of apparently marine origin. These rocks have been intruded by intermediate (latite to dacite) igneous rocks which are fine grained and have features suggesting they were both intrusive and extrusive. In other words, they are interpreted to have reached the earth's surface in a marine environment and contributed to the clasts in the breccia. Intercalated with the breccia unit are thin but extensive beds of siliceous and calcareous rocks that are often laminated. These beds are interpreted as exhalite units and are anomalous in silver, copper, lead, zinc and arsenic. Their presence suggests that the hydrothermal system responsible for the Navidad vented to the surface into a marine basin.

Economically important mineralization occurs in at least two forms. The first being structural zones ranging in width from 0.2 to about 5.0 meters and probably averaging approximately 1 metre in width. These structures are steeply dipping and form a sub-parallel series of strongly mineralized zones that are hosted within a felsic unit which is interpreted as a flow dome. Within a zone of 110 by 160 meters a cumulative strike length of 402m of outcropping structures of this type have been mapped from which 43 continuous chip samples have been collected that have a length weighted average grade of 6,537 grams per tonne (g/t) silver (191 ounces per ton), 4.51% copper, and 14.07% lead. The geological potential for the extension of this type of mineralization is excellent because work to date has been hindered by thin soil cover. Petrographic studies have shown that the major ore minerals in this style of mineralization are argentite-acanthite (Ag_2S), galena (PbS), chalcocite (Cu_2S), and lesser copper-silver-lead chlorides and oxides. The high silver content of the primary minerals, the absence of pyrite or iron oxides, and the presence of oxide copper minerals at surface suggest that strong leaching and supergene enrichment have not occurred.

A second type of mineralization exists within the breccia unit described above and comprises disseminated galena and barite in the matrix that is interpreted to have replaced the matrix of the breccia when it was unconsolidated, shortly after the time of deposition. Rarely, fragments of massive galena are found suggesting that massive sulphides may have been broken up and resedimented as clasts within the breccia. Mapping of mineralized portions of the breccia to date has indicated a cumulative 3.2 kilometre strike length this style from which 41 samples have been collected that average 158 g/t silver (4.61 oz/t) and 8.98% lead. Petrographic work indicates that the replacement-

style mineralization is comprised almost entirely of silver-bearing galena (PbS); no discrete silver minerals were identified.

Recently a potential third type of mineralization has been recognized that shares characteristics of the above two styles. It is a breccia similar to that noted above but with copper oxides. Its presence appears to be restricted to the near the margins of felsic volcanic units. In terms of grade, it contains silver values intermediate to those noted above typically hundreds to a few thousand grams per tonne of silver as well as significant amounts of both lead and copper - the later is absent in the typical replacement style mineralization.

It is worth noting that ALS-Chemex has been the primary assay laboratory for all of the above work, but that a extensive check assay program initiated early in the project history in which to date 31 samples have been assayed by the secondary assay laboratory, Alex Stewart (assayers) Argentina S.A. of Mendoza which is part of an international organization serving the mineral industry in environmental, exploration, and production analytical work and has extensive experience in umpire assays and mineral concentrate analysis. Results of these check assays indicate very good concurrence of the two laboratories.

Preliminary soil sampling has been conducted over a strike length of 5.0km along north-south oriented lines spaced at 200m intervals with samples collected at 50m intervals. Outside of the previously reported Navidad Hill bonanza-grade zone, soil sampling has identified a highly anomalous area of 1,200 metres by approximately 500 metres with values consistently greater than 2 g/t silver. These high silver values in soil samples correlate very well with anomalous copper (>50 ppm Cu) values and reflect the high silver-copper values in the bonanza-grade silver-copper-lead mineralization at Navidad Hill. These results indicate an excellent potential for the discovery of new zones of bonanza-grade silver mineralization similar to those previously reported.

Extending to the northeast and southwest from the 1,200 x 500 metre silver-copper anomaly, highly anomalous lead values, consistently greater than 500 ppm, occur naturally in soils and define a trend that correlates with, and potentially expands, the known replacement style silver-lead mineralization. Within this area of high lead values there are numerous additional soil samples with high silver and copper values, including values up to 531 g/t silver (15.61 oz/t) and 574 ppm copper. One area, 1,200m to the northwest of Navidad Hill stands out due to its high silver and lead values in soil. This area has yet to be prospected, but has values of up to 18.3 ppm silver and 5,800 ppm lead in soils over an area of 300 by 600m.

Ongoing work at Navidad includes detailed mapping and sampling, infill soil sampling, geophysical surveys including induced polarization and gravimetrics with the goal of defining drill targets. It is anticipated that this work will be completed during the Patagonian Fall (approximately June) and that drilling will commence in the Patagonian Spring (approximately September) of 2003.

IMA ARGENTINAS GROUP 3 PROPERTIES (LAGUNA DEL TOROS, EVELINA-LAS BAYAS, VICTORIA, COSTA, LAGO PICO, CORCOVADO, LOMA ALTA, RUTA 17, PENASCUDO)

In early 2001, IMA acquired, by staking, a 100% interest in four cateos totalling 4,200 hectares (10,377 acres) in western Chubut Province, Patagonia, named the Los Toros property. In October, 2001, IMA then acquired, also by staking, a 100% interest in the 3,450.3 hectare (8,522 acres) Evelina (Las Bayas) Property, which consists of one cateo. Both cateos have been granted to the Company as of December 31, 2002. During 2002 the Company expanded its land portfolio in Chubut by staking the following mining rights: Toros II, 3,000 hectares (7,410 acres); Victoria 5,400 hectares (13,338 acres); Victoria I, 1,800 hectares (4,446 acres); Victoria II , 6,509 hectares (16,077 acres); Victoria III, 750 hectares (1,852 acres); Victoria 4, 739.35 hectares (11,706 acres); Victoria 5, 932.44 hectares (14,653 acres); Costa 4,660.5 hectares (11,511 acres); Costa I, 3,285 hectares (8,114 acres); Costa II, 6,467 hectares (15,973 acres); Lago Pico, 10,000 hectares (24,700 acres); Corcovado, 10,000 hectares (24,700 acres); Loma Alta 10,000 hectares (24,700 acres); and Ruta 17, 4180 hectares (10,325 acres). The Company also applied for and was granted, seven vacant minas: Alberto, 1,100 hectares (2,717 acres); Rolando, 1,300 hectares (3,211 acres); Cecilia, 1,400 hectares (3,458 acres); Pedro, 1,300 hectares (3,211 acres); Fernando, 1,300 hectares (3,211 acres); Ivan, 1,300 hectares (3,211 acres); and Daniel, 1,300 hectares (3,211 acres). All of these Chubut properties are in the exploration stage.

The Patagonia region of Argentina has long been recognized as a highly prospective setting for low sulphidation epithermal gold mineralization. The discovery and delineation of Brancote's Esquel deposit and Anglo Gold's Cerro Vanguardia deposit have demonstrated the potential for significant gold deposits in this region. Worldwide, this deposit type has produced numerous low cost and highly profitable mines, including El Penon in Chile, Hishikari in Japan, and Creede and Round Mountain in the United States, making it a much sought after style of mineralization. Preliminary reconnaissance geological mapping and rock sampling in mid-2002 indicates that Laguna del Toros, covers a number of mineralized epithermal quartz veins. The largest occurrence, the Morgul vein, outcrops discontinuously for over one kilometre, with widths of up to 20 meters of quartz vein material. The presence of anomalous gold values together with strongly anomalous silver, arsenic and mercury values suggests that the exposed vein could represent the upper portion of a more strongly mineralized gold system at depth.

LAS BAYAS/VICTORIA PROPERTY

LOCATION AND ACCESS

The Las Bayas property is located in west central Chubut Province, Argentina, 40 kilometres north of the town of Alto Rio Senguer and 200 kilometres northwest of the port of Comodoro Rivadavia . Elevations on the property are modest at between 675 and 800m. A local road provides easy access to the central portions of the property from highway 40 which passes through the eastern extremity of the property.

EXPLORATION HISTORY

Preliminary reconnaissance geological mapping and rock sampling in 2001 indicated that host strata at Las Bayas is cut by a series of subparallel epithermal quartz veins exposed over a minimum one kilometre strike length.

Subsequent surface work in 2002 included over 700 rock chip samples and 1,200 soil samples which defined a 4 kilometre by 1.5 kilometre area of outcropping low-sulphidation epithermal quartz veins. Geochemistry indicated potentially economic gold and silver values and anomalous arsenic, antimony, and mercury.

Results of the 2002 surface work led to a 1,953 metre diamond drill campaign in February, 2003. This program tested approximately 900 linear metres of the total 15,000 linear metres of quartz veins mapped on the property.

GEOLOGY AND MINERALIZATION

An impressive amount of outcropping quartz veins and subcropping quartz float is present at Mincor, Eagle, and Owl hills in the west-central portion of the Las Bayas property. These three hills define a north-northeast trending zone of intense quartz veining over 4 kilometres long and up to 1.5 kilometres wide. Vein orientations are dominantly parallel with this trend, and most veins dip moderately to steeply to the east. Samples of vein material have returned values of