

Edgar Filing: IMA EXPLORATION INC - Form 20-F

IMA EXPLORATION INC  
Form 20-F  
March 31, 2008

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

FORM 20-F

- ☐ Registration Statement Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934  
or
- ☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007  
or
- ☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
or
- ☐ Shell Company Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number: 001-32558

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

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

BRITISH COLUMBIA, CANADA  
(Jurisdiction of incorporation or organization)

#709, 837 WEST HASTINGS STREET, VANCOUVER, BRITISH COLUMBIA, CANADA V6C 2N6  
(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 STOCK, 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 the close of the period covered by the annual report.

52,132,064 COMMON SHARES AS OF DECEMBER 31, 2007

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

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If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes                      No                      X

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Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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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 whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

| Large accelerated filer | Accelerated filer | Non-accelerated filer | X |
|-------------------------|-------------------|-----------------------|---|
|                         |                   |                       |   |

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

Item 17      X      Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes                      No                      X

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## GENERAL INFORMATION:

Unless otherwise indicated, all references herein are to Canadian dollars.

CAUTIONARY NOTE TO UNITED STATES READERS CONCERNING ESTIMATES OF MEASURED,  
INDICATED AND INFERRED RESOURCES

This form uses the terms "Measured," "Indicated" and "Inferred" Mineral Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission (the "SEC") does not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to

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higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.

### PART I

#### ITEM 1. DIRECTORS, SENIOR MANAGEMENT AND ADVISORS.

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Not applicable.

#### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

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Not applicable.

#### ITEM 3. KEY INFORMATION.

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##### SELECTED FINANCIAL DATA

The selected financial data and the information in the following table of IMA Exploration Inc. (the "Company") for the years ended December 31, 2007, 2006 and 2005 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 and the information in the following table for the years ended December 31, 2004 and 2003 are derived from the Company's audited consolidated financial statements after reflecting the carve out of Golden Arrow Resources Corporation not included herein.

The information in the following table should be read in conjunction with the information appearing under the heading "Item 5. Operating and Financial Review and Prospects".

Reference is made to Note 11 of the 2007 consolidated financial statements of the Company included herein for a discussion of the material measurement differences between Canadian Generally Accepted Accounting Principles ("Canadian GAAP") and United States Generally Accepted Accounting Principles ("U.S. GAAP"), and their effect on the Company's financial statements.

To date, the Company has not generated sufficient cashflow from operations to fund ongoing operational requirements and cash commitments. The Company has financed its operations principally through the sale of its equity securities. The Company considers that it has adequate resources to meet its commitments. The funds on hand and received in January and February 2008 will allow the company to acquire viable advance stage exploration

assets. The Company may need to obtain additional financing or joint venture

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partners in order to initiate any such programs. See "Item 5. Operating and Financial Review and Prospects".

### CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

|                                               | (CDN\$ IN 000, EXCEPT PER SHARE) |           |         |     |
|-----------------------------------------------|----------------------------------|-----------|---------|-----|
|                                               | 2007                             | 2006      | 2005    |     |
| Revenue                                       | -                                | -         | -       |     |
| General Corporate Expenditures                | (2,093)                          | (3,452)   | (6,092) | (4) |
| General Exploration Expenditures              | (209) (a)                        | (499) (a) | (56)    |     |
| Foreign Exchange Gain (Loss)                  | (8)                              | (3)       | 233     |     |
| Interest and Miscellaneous Income             | 1,225                            | 373       | 150     |     |
| Provision for Marketable Securities           | -                                | -         | -       |     |
| Loss Allocated to Spin off Assets             | -                                | -         | -       |     |
| Net Loss for the Year                         | (1,085)                          | (3,581)   | (5,765) | (4) |
| Loss per Share from Continuing Operations     | (0.02)                           | (0.07)    | (0.12)  | (0) |
| Loss per Share -Basic and Diluted             | (0.02)                           | (0.07)    | (0.12)  | (0) |
| Weighted Average Number of Shares Outstanding | 52,100                           | 51,264    | 46,197  | 40  |
| Working Capital                               | 26,019                           | 9,060     | 7,489   | 5   |
| Capital Assets                                | -                                | -         | -       |     |
| Mineral Properties                            | -                                | -         | 15,032  | 6   |
| Navidad Interest                              | -                                | 17,950    | -       |     |
| Spin-Off Assets                               | -                                | -         | -       |     |
| Long-Term Debt                                | -                                | -         | -       |     |
| Total Assets                                  | 26,124                           | 27,246    | 23,498  | 12  |
| Net Assets - Shareholder's Equity             | 26,019                           | 27,010    | 20,761  | 10  |

- (a) The 2007 and 2006 General Exploration balance includes Navidad holding costs which are comprised of:
- i) costs incurred in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline;
  - ii) costs incurred in the period between the date of the judgment and the transfer of control of the Navidad project to Aquiline that would normally have been included in mineral properties and deferred costs.

### ADJUSTED TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

|                                                                                                                                            | (CDN\$ IN 000, EXCEPT PER SHARE) |            |             |            |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|------------|-------------|------------|
|                                                                                                                                            | 2007                             | 2006       | 2005        |            |
| -----                                                                                                                                      |                                  |            |             |            |
| CONSOLIDATED STATEMENT OF OPERATIONS                                                                                                       |                                  |            |             |            |
| Loss for the year under Canadian GAAP                                                                                                      | \$ (1,085)                       | \$ (3,581) | \$ (5,765)  | \$ (4,000) |
| Mineral property and deferred exploration costs for the year, net of reversal of future income tax and write down of marketable securities | -                                | (4,492)    | (7,605)     | (4,000)    |
| Mineral property and deferred exploration costs written off during the year which would have been expensed in the year incurred            | -                                | -          | -           | -          |
| Stock-based compensation                                                                                                                   | -                                | -          | -           | -          |
| Realization of Navidad interest                                                                                                            | 17,683                           | -          | -           | -          |
| -----                                                                                                                                      |                                  |            |             |            |
| Income (loss) for the year under US GAAP                                                                                                   | \$16,598                         | \$ (8,073) | \$ (13,370) | \$ (9,000) |
| Unrealized (loss) gains on available-for-sale securities                                                                                   | -                                | (3)        | -           | -          |
| -----                                                                                                                                      |                                  |            |             |            |
| Comprehensive Income (loss) for the year                                                                                                   | \$16,598                         | \$ (8,076) | \$ (13,370) | \$ (9,000) |
| =====                                                                                                                                      |                                  |            |             |            |
| Income (loss) per share under US GAAP                                                                                                      | \$0.32                           | \$ (0.16)  | \$ (0.29)   | \$ (0.16)  |
| =====                                                                                                                                      |                                  |            |             |            |
| Diluted Income (loss) per share under US GAAP                                                                                              | \$0.32                           | \$ (0.16)  | \$ (0.29)   | \$ (0.16)  |
| =====                                                                                                                                      |                                  |            |             |            |
| -----                                                                                                                                      |                                  |            |             |            |
|                                                                                                                                            | 2007                             | 2006       | 2005        |            |
| -----                                                                                                                                      |                                  |            |             |            |
| SHAREHOLDERS' EQUITY                                                                                                                       |                                  |            |             |            |
| Balance per Canadian GAAP                                                                                                                  | \$26,019                         | \$27,010   | \$20,761    | \$10,000   |
| Mineral property and deferred exploration costs expensed net of reversal of future income tax                                              | -                                | (17,764)   | (13,272)    | (5,000)    |
| Accumulated other comprehensive income                                                                                                     | -                                | 81         | 84          | -          |
| -----                                                                                                                                      |                                  |            |             |            |
| Balance per US GAAP                                                                                                                        | \$26,019                         | \$9,327    | \$7,573     | \$5,000    |
| =====                                                                                                                                      |                                  |            |             |            |
| -----                                                                                                                                      |                                  |            |             |            |
|                                                                                                                                            | 2007                             | 2006       | 2005        |            |

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## MINERAL PROPERTIES/NAVIDAD INTEREST

|                                                                                               |          |          |          |     |
|-----------------------------------------------------------------------------------------------|----------|----------|----------|-----|
| Balance per Canadian GAAP                                                                     | \$18,500 | \$17,950 | \$15,032 | \$6 |
| Mineral property and deferred exploration costs expensed net of reversal of future income tax | -        | (17,750) | (15,032) | (6  |
| Transfer of marketable securities                                                             | -        | 81       | -        |     |
| Balance per US GAAP                                                                           | \$18,500 | \$267    | \$-      |     |

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(CDN\$ IN 000, EXCEPT PER SHARE)

|                                        | 2007       | 2006       | 2005        |       |
|----------------------------------------|------------|------------|-------------|-------|
| CONSOLIDATED STATEMENTS OF CASH FLOWS  |            |            |             |       |
| OPERATING ACTIVITIES                   |            |            |             |       |
| Cash used per Canadian GAAP            | \$ (1,954) | \$ (3,785) | \$ (3,850)  | \$ (2 |
| Mineral properties and deferred costs  | -          | (4,492)    | (7,025)     | (4    |
| Cash used per US GAAP                  | \$ (1,954) | \$ (8,277) | \$ (10,875) | \$ (7 |
| INVESTING ACTIVITIES                   |            |            |             |       |
| Cash used per Canadian GAAP            | \$1,687    | \$ (5,412) | \$ (10,259) | \$ (8 |
| Mineral properties and deferred costs  | -          | 4,492      | 7,026       | 4     |
| Cash provided (used) per US GAAP       | \$1,687    | \$ (920)   | \$ (3,233)  | \$ (4 |
| FINANCING ACTIVITIES                   |            |            |             |       |
| Cash provided per Canadian and US GAAP | \$ 60      | \$9,437    | \$13,478    | \$9   |

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

## EXCHANGE RATE HISTORY

The noon rate of exchange on February 29, 2008, reported by the United States Federal Reserve Bank of New York for the conversion of Canadian dollars into United States dollars was US\$1.00 (US\$1.00 =0.9999 CDN\$).

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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 February 29, 2008.

| MONTH          | HIGH   | LOW    |
|----------------|--------|--------|
| September 2007 | 0.9721 | 0.9783 |
| October 2007   | 1.0218 | 1.0283 |
| November 2007  | 1.0292 | 1.0398 |
| December 2007  | 0.9924 | 1.0010 |
| January 2008   | 0.9852 | 0.9940 |
| February 2008  | 0.9964 | 1.0047 |

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, 2003 - December 31, 2003 | 0.7206  |
| January 1, 2004 - December 31, 2004 | 0.7682  |
| January 1, 2005 - December 31, 2005 | 0.8254  |
| January 1, 2006 - December 31, 2006 | 0.8818  |
| January 1, 2007 - December 31, 2007 | 1.0740  |

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.

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### RISK FACTORS

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

**TITLE TO PROPERTIES RISK:** The validity of mining claims, which will constitute a significant portion of the Company's contemplated property holdings, is often uncertain and may be contested. Although the Company will attempt to acquire satisfactory title to undeveloped properties it acquires, the Company, in accordance with mining industry practice, does not intend to obtain title opinions until a decision is made to develop a property, with the attendant risk that some titles, particularly titles to undeveloped properties, may be subject to contest by other parties. Title to properties may be subject to litigation claims by others. The Company has no mineral properties as of the date of this filing.

**LIQUIDITY AND CASH FLOW:** As at the date of this annual report, the Company has not generated any revenues from operations to fund ongoing operational requirements and cash commitments. The Company has financed its operations principally through the sale of its equity securities. As at February 29, 2008 the Company had working capital of approximately \$25,485,000. Management believes the Company has adequate resources to maintain its ongoing operations. See "Item 5. Operating and Financial Review and Prospects - Liquidity and Capital Resources".

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

**ADDITIONAL FINANCING:** The Company presently has sufficient financial resources to meet its commitments. The Company will continue to rely on successfully completing additional equity financing and/or conducting joint venture arrangements to further exploration on its properties. There can be no assurance that the Company will be successful in obtaining the required financing or negotiating joint venture agreements. The Company's management may elect to acquire new projects, at which time additional equity financing may be required to fund overhead and maintain its interests in current projects, or may decide to relinquish certain of its properties. These decisions will be based on the results of ongoing exploration programs and the response of equity markets to the projects and business plan. The failure to obtain such financing or complete joint venture arrangements could result in the loss or substantial dilution of the Company's interests (as existing or as proposed to be acquired) in its properties as disclosed herein. The Company does not have any definitive commitment or agreement concerning any investment, strategic alliance or related effort. The Company may seek joint venture partners to provide funding for further work on any or all of those other properties. Joint ventures may involve significant risks and the Company may lose any investment it makes in a joint venture. Any investments, strategic alliances or related efforts are accompanied by risks such as:

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

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

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

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required to establish resources, determine suitable metallurgical processes and construct such mining and processing facilities, the economic feasibility of production may change because of fluctuating prices.

**METAL PRICE RISK:** The prices of metals greatly affect the value of the Company and the potential value of its potential properties and investments.

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

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

**CURRENCY RISK:** Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

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

**PROJECT DELAY RISK:** The Company's minerals business will be subject to the risk of unanticipated delays in permitting its contemplated 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.

**PRICE FLUCTUATIONS AND SHARE PRICE VOLATILITY:** In recent years the securities markets in Canada have experienced a high level of price and volume volatility and the market price of securities of many companies, particularly junior mineral exploration companies, like the Company, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, the per share price of the Company's common shares on the TSX Venture Exchange (the "TSX-V") fluctuated from a high of \$1.20 to a low of \$0.36 during the 12-month period ending December 31, 2007. There can be no assurance that continual fluctuations in price will not occur.

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

**INSURABLE RISKS AND LIMITATIONS OF INSURANCE:** The Company maintains certain insurance, however, such insurance is subject to numerous exclusions and limitations. The Company maintains a Total Office Policy in Canadian dollars on

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its principal offices. Generally, the Total Office Policy provides All Risk Replacement Cost Coverage on office contents, up to \$450,000, with a \$2,500 deductible. In addition, the policy provides Commercial General Liability coverage of up to \$5,000,000 for Third Party Bodily Injury or Property Damage, per occurrence and \$2,000,000 for Tenants Legal Liability for any one leased premises, with a \$500 deductible. The Company also has insurance coverage of up to \$5,000,000 for non-owned automobile liability.

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

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

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

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

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

MANAGEMENT: The Company is dependent on the services of Joseph Grosso, the

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President and a director of the Company. The loss of Mr. Grosso could have an adverse affect on the Company. Joseph Grosso provides his services to the Company through Oxbow International Marketing Corp. ("Oxbow"). The Company has entered into a consulting agreement with Oxbow.

All of the Company's other officers are employed by Grosso Group Management Ltd. (the "Grosso Group"). See "Item 6. Directors, Senior Management and Employees - Directors and Senior Management - Conflicts of Interest". 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 acquire properties or projects of merit; (ii) the ability to enter into strategic alliances through a combination of one or more joint ventures, mergers or acquisition transactions; (iii) the ability to discover and produce minerals; (iv) the ability to attract and retain additional key personnel in investor relations, marketing, technical support, and finance; and (v) the ability and the operating resources to develop and maintain the properties held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company. There can be no assurance of success with any or all of these factors on which the Company's operations will depend.

**CONFLICTS OF INTEREST:** Several of the Company's directors are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk

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

**FOREIGN COUNTRIES AND REGULATORY REQUIREMENTS:** Mineral exploration and mining activities in foreign jurisdictions may be affected in varying degrees by political instability and government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. The Company does not maintain and does not intend to purchase political risk insurance. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriations of property, environmental legislation and mine safety. The effect of all of these factors cannot be accurately predicted.

**CURRENCY FLUCTUATIONS:** The Company's operations make it subject to foreign currency fluctuations and such fluctuation may adversely affect the Company's financial position and results. Certain of the Company's expenses are denominated in U.S. dollars. As such, the Company's principal foreign exchange exposure is related to the conversion of the Canadian dollar into U.S. dollars. The Canadian dollar varies under market conditions. Continued fluctuation of the Canadian dollar against the U.S. dollar will continue to affect the Company's

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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. The Company does not engage in hedging activities. See "Item 5. Operating and Financial Review and Prospects".

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

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

**ENFORCEMENT OF LEGAL PROCESS:** It may be difficult to bring and enforce suits against the Company. The Company is incorporated in British Columbia, Canada. Only one of the Company's directors is a resident of the United States and all, or a substantial portion, of the other directors' assets are located outside of the United States. As a result, it may be difficult for U.S. holders of the Company's common shares to effect service of process on these persons within the United States or to enforce judgments obtained in the U.S. based on the civil liability provisions of the U.S. federal securities laws against the Company or their officers and directors. In addition, a shareholder should not assume that the courts of Canada (i) would enforce judgments of U.S. courts obtained in actions against the

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States, or (ii) would enforce, in original actions, liabilities against the Company or their officers or directors predicated upon the U.S. federal securities laws or other laws of the United States.

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

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

### ITEM 4. INFORMATION ON THE COMPANY.

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#### HISTORY AND DEVELOPMENT OF THE COMPANY

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

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

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under-explored.

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

The Company initially received 500,000 common shares, or 30.76%, of the then issued and outstanding common shares of IMPSA, for its \$250,000 capital contribution. As a result of issuing 375,000 shares to IMPSA's management and key employees, and the completion of two private placements (resulting in the issuance of a total

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of 1,528,000 common shares of IMPSA), the Company's initial investment in IMPSA was diluted to 20.76%. However, in order to assure the Company an ongoing interest in the assets of IMPSA, the Company retained a 20% participating interest in IMPSA (BVI) and retained the right to maintain a 20% ownership interest in IMPSA. During fiscal 1998, the Company increased its investment in IMPSA by purchasing 990,963 shares, which increased the Company's percentage ownership of IMPSA from 20.76% to 43.81%. In January 1999, the Company acquired an additional 6,500,000 common shares of IMPSA, increasing its equity interest from 43.81% to 80.69%. During 2001, the Company completed the reorganization of its corporate structure to continue the funding of the Company's Peruvian exploration activities. On August 20, 2001, the Company entered into an agreement with IMPSA, its 80.69% owned subsidiary, to acquire IMPSA's 80% interest in IMPSA (BVI) and IMPSA's advances to IMPSA (BVI) of approximately US\$1.536 million, in exchange for \$850,000 plus a 2% fee on any net revenue or proceeds from the disposition of certain properties held by IMPSA (BVI). See "Item 4. Information on the Company - Organizational Structure." The fee is limited to a maximum of \$1,400,000. This transaction was approved by IMPSA's shareholders on September 4, 2001. IMPSA used the cash proceeds to retire its debt to the Company. Rio Tabaconas (formerly known as Tamborapa), IMPSA's principal property, is for the most part an early stage exploration property and involves a high degree of risk.

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

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

IHC's primary asset was a 50% joint venture interest in Minas Argentinas

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(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 Resource Corporation ("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 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

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

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

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

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

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

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

In early 2003, the Company focused its efforts on its Navidad property in Chubut Province located in southern Argentina. The preliminary results of its initial exploration efforts were very encouraging. The first phase of a drill program commenced in late 2003. The Company continued its exploration and development program until mid 2006.

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

On May 3, 2004, the Company announced its intention to proceed with a reorganization of the Company which had the result of dividing its present mineral resource assets between two separate public companies. Under the reorganization, the Company's most advanced project, the Navidad silver-lead-copper project and certain other Navidad area properties in central Chubut Province, Argentina (the "Navidad Properties") continued to be owned by the Company, while the Company's non-Navidad mineral properties along with \$750,000 of operating cash and the joint venture agreements (including the marketable securities) relating to the transferred properties (collectively the "Transferred Assets") were transferred to Golden Arrow Resources Corporation ("Golden Arrow"), a public company formed to effect the reorganization. The Company retained the Navidad project and focused on:

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

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

The common shares of Golden Arrow were distributed to shareholders of the Company in proportion to their shareholdings in the Company on July 7, 2004 and on the basis of one Golden Arrow share for every 10 shares of the Company held. The reorganization was intended to enhance shareholder value by enabling each company to

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focus on the development of its own properties, and by allowing shareholders to hold an interest in Golden Arrow which reflects the value of the Company's portfolio of exploration projects.

On March 5, 2004, Aquiline Resources Inc. ("Aquiline"), through its subsidiary, Minera Aquiline Argentina SA, filed a claim in the Supreme Court of British Columbia against the Company seeking a constructive trust over the Navidad properties and damages. The trial was held in Vancouver British Columbia commencing in October 2005, and ended on December 12, 2005. Additionally, as a condition of the reorganization, Golden Arrow became a party to the Aquiline action. The Company provided an indemnity to Golden Arrow for any costs or losses that might be incurred by Golden Arrow in connection with this matter.

On July 14, 2006 the court released its judgment on the Aquiline claim. The Company was not successful in its defense and the court found in Aquiline's favour.

The Order read in part:

- "(a) that Inversiones Mineras Argentinas SA ("IMA SA") transfer the Navidad Claims and any assets related thereto to Minera Aquiline or its nominee within 60 days of this order;
- (b) that IMA take any and all steps required to cause IMA SA to comply with the terms of this order;
- (c) that the transfer of the Navidad Claims and any assets related thereto is subject to the payment to IMA SA of all reasonable amounts expended by IMA SA for the acquisition and development of the Navidad Claims to date; and
- (d) any accounting necessary to determine the reasonableness of the expenditures referred to in (c) above shall be by reference to the Registrar of this court."

On October 18, 2006, the Company and Aquiline reached a definitive agreement (the "Interim Agreement") for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The parties agreed that the transactions outlined in the Interim Agreement were in satisfaction of the Order referenced above. The principal terms and conditions of the Interim Agreement were as follows:

- (i) control of the Navidad Project was transferred to Aquiline in trust for the ultimately successful party in the appeal
- (ii) the Company and Aquiline agreed to the costs spent to date developing the Navidad Project in the amount of \$18,500,000. Upon transfer of control of the Navidad Project, Aquiline paid \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions and
- (iii) in the event that the Company was unsuccessful on appeal, the Company was to be paid such \$18,500,000 amount.

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

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

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

The Company was paid \$18,500,000 as consideration for these assets. The Company received the \$7.5 million held in trust on January 8, 2008, plus interest that had accrued in the amount of \$341,380. The \$11 million balance was received on February 11, 2008.

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On February 29, 2008 IMA Holdings Inc. was wound up into IMA Exploration Inc.

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

The Company has made additions to mineral properties and deferred costs of \$Nil and capital assets of \$Nil, \$2,731,414 and \$Nil, \$8,480,509 and \$Nil for the fiscal years ended December 31, 2007, 2006 and 2005, respectively. As at December 31, 2006, the Company's mineral properties and deferred costs had been reclassified as a component of the Navidad interest balance of \$17,949,521, comprised of mineral properties and deferred costs of \$17,949,521 and marketable securities of \$186,000 which are subject to transfer to Aquiline under the terms of the Interim Agreement. As at December 31, 2007, the Navidad interest was increased to \$18,500,000 as a result of a recovery of overhead costs that were previously expensed. The \$18,500,000 was received subsequent to December 31, 2007.

### PLANNED EXPLORATION EXPENDITURES AND PROPERTY PAYMENTS

The Company has been actively reviewing many projects and opportunities for future acquisitions. The Company has \$25 million of cash available and is well funded to acquire projects and properties and to then further develop their potential for 2008 and beyond. The Company's reviews have focused on projects with a defined resource combined with future potential or which have had previous positive exploration activities. In the fall of 2007 Dr. Greg Myers was retained to assist the existing staff and management in this search. Management is very cognizant of the shareholders' expectations for the Company to return to active exploration and development. However, this is a process that cannot be rushed. Proper due diligence takes time and resources, then followed by negotiations with the property vendors and then whatever regulatory approvals may also be required.

The Company is well placed to apply strict criteria to its selection and given current market conditions expects to be presented with excellent opportunities for one or more acquisitions on which to act.

The Company considers that it has adequate resources to maintain its contemplated operations. The Company will continue to rely on successfully completing additional equity financing and/or conducting joint venture arrangements to identify and acquire future 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 Company being unable to identify and acquire future properties. See "Item 4. History and Development of the Company."

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### BUSINESS OVERVIEW

The Company is a natural resource company engaged in the business of acquisition, exploration and development of mineral properties. At present, the Company has no producing properties and consequently has no current operating income or cash flow. As of the date of this annual report, the Company is an exploration stage company and has not generated any revenues from mining operations. There is no assurance that a commercially viable mineral deposit exists on any of the Company's properties. Further exploration and evaluation will be required before a final determination as to the economic and legal feasibility of any of the properties is determined.

### GOVERNMENT REGULATIONS

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

### ORGANIZATIONAL STRUCTURE

The Company has one direct wholly-owned subsidiary, IMA Latin America Inc. ("IMA Latin America"), a British Virgin Islands company.

IMA Latin America has one direct wholly-owned subsidiary, Punto Dorado SA, an Argentine company.

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

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



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### PROPERTIES, PLANTS AND EQUIPMENT

The Company's principal business is the acquisition and exploration of mineral properties. As of the date of this annual report, the Company's has no mineral properties and the Company's operations are exploratory in nature. See "Item 4. History and Development of the Company."

### PRINCIPAL PROPERTIES

#### ARGENTINEAN PROPERTIES

As described in "Item 4. History and Development of the Company," the Company no longer has an interest in its former Argentinean Properties. During the fiscal years ending December 31, 2007, 2006 and 2005 the Company had capitalized and expensed costs on all of its properties as follows:

| Fiscal Year Ending<br>----- | Amount<br>Capitalized<br>----- | General<br>Exploration<br>Expensed in<br>Fiscal Year(a)<br>----- | Aggregate<br>Amount<br>Written-off In<br>Fiscal Year<br>----- |
|-----------------------------|--------------------------------|------------------------------------------------------------------|---------------------------------------------------------------|
| December 31, 2005           | \$15,032,107                   | \$55,914                                                         | \$ Nil                                                        |
| December 31, 2006           | \$17,763,521                   | \$498,921                                                        | \$ Nil                                                        |
| December 31, 2007           | \$ -                           | \$209,255                                                        | \$ Nil                                                        |

(a) In fiscal 2007, this amount includes \$109,666 (2006 - \$312,349) in Navidad holding costs which is comprised of:

- (i) costs incurred in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline; and
- (ii) costs incurred in the period between the date of the judgment and the transfer of control of the Navidad project to Aquiline that would normally have been included in mineral properties and deferred costs.

### PRINCIPAL OFFICE

The Company's principal office is located at #709 - 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6. On January 1, 2005 the Company engaged the Grosso Group to provide office facilities and management services. See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

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

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The following discussion of the results of operations of the Company for the fiscal years ended December 31, 2007, 2006 and 2005, respectively, should be read in conjunction with the consolidated financial statements of the Company and related notes included therein.

### CRITICAL ACCOUNTING POLICIES

Reference should be made to significant accounting policies contained in Note 3 of the December 31, 2007 consolidated financial statements of the Company attached hereto. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

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### LEGAL PROCEEDINGS

On March 5, 2004, Aquiline, through its subsidiary, filed a claim in the Supreme Court of British Columbia against the Company seeking a constructive trust over the Navidad properties and damages. The trial was held in Vancouver British Columbia commencing in October 2005 and ended on December 12, 2005.

On July 14, 2006 the court released its judgment on the Aquiline claim. The Company was not successful in its defense and the court found in Aquiline's favour.

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

The Company filed an application for leave to appeal to the Supreme Court of Canada in October 2007. On December 20, 2007 the Supreme Court of Canada denied the Company's appeal. This brought the lawsuit to a close. As a result, the Navidad property has been transferred to Aquiline. See "Item 4. History and Development of the Company."

### USE OF ESTIMATES

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

### MINERAL PROPERTIES AND DEFERRED COSTS

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

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

The Company's consolidated financial statements were prepared on a going concern basis which assumes that it will be able to realize assets and discharge

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liabilities in the normal course of business.

The Company's consolidated financial statements are in Canadian dollars (CDN\$) and are prepared in accordance with Canadian GAAP, the application of which, in the case of the Company, conforms in all material respects for the periods presented with U.S. GAAP except for the measurement differences referred to in Note 11 of the consolidated financial statements of the Company included herein. The effects of inflation and price changes have not had a material impact on the Company's income or net sales revenues during the past three years, as the Company has had no income or net sales revenue during such period.

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

### OVERVIEW

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

The Company's accounting policy under Canadian GAAP is to defer all direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company are deferred on an individual property basis until the viability of a property is determined. For US GAAP purposes, the Company expenses exploration costs relating to unproven mineral properties as incurred, and reverses any associated future income tax liabilities. When a property is placed in commercial production, such deferred costs are depleted using the units-of-production method. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned, then the costs are written-off, or if its carrying value has been impaired, then the costs are written down to fair value. At December 31, 2007 the Company recorded \$18,500,000 as Navidad Interest receivable; this amount was received in January and February 2008. At December 31, 2006, the Company had capitalized \$17,763,521 (2005 - \$15,032,107) on its Argentine properties. In 2006 the Company's mineral properties and deferred costs balance was classified as a component of the Navidad interest balance.

During the year ended December 31, 2007, the Company issued 119,000 common shares on the exercise of options, warrants and agents warrants for \$59,500. As of December 31, 2007, the Company had reserved 3,271,070 common shares (2006 - 3,504,404, 2005 - 1,900,004) for issuance upon the exercise of outstanding warrants.

During the year ended December 31, 2006, Company completed a syndicated brokered private placement financing of 2,865,000 special warrants at \$3.50 per warrant for gross proceeds of \$10,027,500. Each special warrant entitled the holder to acquire one unit consisting of one common share and one half common share purchase warrant without payment of any additional consideration. All special warrants were converted into common shares and common share purchase warrants on May 25, 2006. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$3.80 per share until March 21, 2010. In addition to a cash commission of 6% the underwriters were granted 171,900 agents' warrants, representing 6% of the

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number of special warrants issued. Each agents' warrant is exercisable for one share at a price of \$3.80, for a period of twenty four months, expiring on March 21, 2008. As of February 28, 2007 no common share purchase warrants or agents' warrants had been exercised. During the year ended December 31, 2006, 335,000 common shares were issued on exercise of options for proceeds of \$280,950.

During the year ended December 31, 2005, the Company completed a brokered private placement of 3,333,340 units at \$3.00 per unit, for proceeds of \$9,263,283 net of \$600,001 agent's commission and \$136,736 of related issue costs. Each unit consisted of one common share and one half common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$3.45 per share until September 14, 2009. In addition to the cash commission the underwriters were paid a commission of

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7% (233,334) underwriter's warrants. Each underwriter's warrant is exercisable for one share at a price of \$3.25, for a period of twenty four months, expiring on September 12, 2007. The financing closed on September 12, 2005.

During the year ended December 31, 2005, the Company issued 1,663,517 common shares on the exercise of options, warrants and agents warrants for \$4,361,011. As of December 31, 2005, the Company had reserved 1,900,004 common shares for issuance upon the exercise of outstanding warrants.

Cash on hand and short-term investments at February 29, 2008 were approximately \$25,560,000.

### RESULTS OF OPERATIONS

The following discussion of the results of operations of the Company for the fiscal years ended December 31, 2007, 2006 and 2005 should be read in conjunction with the consolidated financial statements of the Company attached hereto and related notes included therein.

#### YEAR ENDED DECEMBER 31, 2007 COMPARED TO YEAR ENDED DECEMBER 31, 2006

For the year ended December 31, 2007, the Company reported a consolidated loss of \$1,084,689 (\$0.02 per share), a decrease of \$2,496,671 from the loss of \$3,581,360 (\$0.07 per share) for the year ended December 31, 2006. The decrease in the loss in 2007, compared to the 2006 amount, can primarily be attributed to a \$1,649,504 decrease in operating expenses and an increase of income \$847,167 from other income items.

The Company's operating expenses for the year ended December 31, 2007 were \$2,302,000, a decrease of \$1,649,504 from \$3,951,504 in 2006.

Professional fees decreased \$101,823 to \$1,022,321 in 2007, as the Company incurred significant legal costs incurred in connection with the Aquiline legal action. The Company's 2007 legal fees primarily consist of costs related to the appeal to the British Columbia Court of Appeal in and the application of leave to appeal to the Supreme Court of Canada. In 2007 the Company recorded non-cash stock-based compensation of \$34,421 compared to \$393,120 in 2006, for stock options granted to its employees, consultants and directors.

Other notable changes in the operating expenses are:

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- (i) Administrative and management services decreased by \$252,352 primarily as a result of decreased fees paid for the services of the president of the Company which included a bonus of \$150,000 paid in 2006. See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions
- (ii) Corporate development and investor relations decreased by \$160,962 primarily as a result of the Company's termination of its third-party investor relation contracts in 2006 as well as decreased investor relations activity during the year.
- (iii) General exploration decreased by \$86,983, as the 2006 expenses included payments made to review properties.
- (iv) Office and sundry increased by \$56,307 as a result of increased insurance purchased during the year.
- (v) Salaries decreased \$408,193 to \$244,337 in 2007 due to a decrease in activity levels and bonuses paid in 2006 totalling \$100,000.
- (vi) Travel and accommodation decreased \$58,162 due to decreased activity during the year.
- (vii) Navidad holding costs decreased \$202,683 to \$109,666. These are costs incurred in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline. The Company expensed all Navidad related costs that would otherwise being capitalized from September 30, 2006. In 2006 the Company funded costs during the transfer of the Navidad project in October and November. As the full amount of the costs agreed to, between the Company and Aquiline, were received

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(\$18,500,000) a recovery of overhead costs in the amount of \$550,479 was recorded in 2007 representing the excess over the Navidad carrying costs.

In 2007 the Company recorded interest income of \$675,156 compared to \$373,009 in 2006. As a result of the transfer of \$7.5 million amount of funds in trust on January 8, 2008 interest of \$341,380 was recorded in 2007. A loss of \$8,324 for foreign exchange was recorded in 2007 compared to loss of \$2,865 in 2006.

### YEAR ENDED DECEMBER 31, 2006 COMPARED TO YEAR ENDED DECEMBER 31, 2005

For the year ended December 31, 2006, the Company reported a consolidated loss of \$3,581,360 (\$0.07 per share), a decrease of \$2,183,514 from the loss of \$5,764,874 (\$0.12 per share) for the year ended December 31, 2005. The decrease in the loss in 2006, compared to 2005 amount, can primarily be attributed to a \$2,196,370 decrease in operating expenses.

The Company's operating expenses for the year ended December 31, 2006 were \$3,951,504 a decrease of \$2,196,370 from \$6,148,234 in 2005.

Professional fees decreased \$1,088,046 to \$1,124,144 in 2006, as the Company incurred significant legal costs incurred in connection with the Aquiline legal action during and preceding the initial trial in 2005. The Company's 2006 legal fees primarily consist of costs incurred in preparing and proceeding with the appeal of the Aquiline judgment and costs relating to the establishment of the

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Interim Agreement. In 2006 the Company recorded non-cash stock based compensation of \$393,120 compared to \$2,380,000 in 2005, for stock options granted to its employees, consultants and directors, of which \$393,120 is included in expenses in 2006 compared to \$1,800,000 in 2005. In 2006 \$Nil compared to \$580,000 in 2005 is included in capitalized mineral property expenditures.

Other notable changes in the operating expenses are:

- (i) Administrative and management services increased by \$166,725 primarily as a result of increased fees paid for the services of the president of the Company (see discussion on related party transactions below).
- (ii) Corporate development and investor relations decreased by \$167,759 primarily as a result of the Company's termination of its third-party investor relation contracts in 2006.
- (iii) General exploration increased \$130,658 as a result of higher activity levels of evaluating potential exploration projects.
- (iv) Travel and accommodation decreased \$162,643 due to decreased Navidad Project related travel by Company staff subsequent to the Aquiline judgment.
- (v) Salaries increased \$66,970 due to higher staff costs in the year.
- (vi) Navidad holding costs of \$312,349 were incurred in 2006 compared to \$Nil in 2005 as a result of:
  - i) costs incurred in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline; and
  - ii) costs incurred in the period between the date of the judgment and the transfer of control of the Navidad project to Aquiline that would normally have been included in mineral properties and deferred costs.

In 2006 the Company recorded interest income of \$373,009 compared to \$150,406 in 2005, primarily as a result of increase of funds on deposit. A loss of \$2,865 for foreign exchange was recorded in 2006 compared to gain of \$232,954 in 2005. The small foreign exchange adjustment in 2006 is a result of the relatively flat exchange rate between the Canadian and US dollars during the year. In 2005, the large gain was a result of strengthening of the Canadian dollar compared to US dollar and due to the exchange movements between expenses being incurred in US\$ and amounts exchanged to settle such payables.

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### YEAR ENDED DECEMBER 31, 2005 COMPARED TO YEAR ENDED DECEMBER 31, 2004

For the year ended December 31, 2005, the Company reported a consolidated loss of \$5,764,874 (\$0.12 per share), an increase of \$1,109,811 from the loss of \$4,655,063 (\$0.11 per share) for the year ended December 31, 2004. The increase in the loss in 2005, compared to 2004 amount, was due to a number of factors of which \$1,835,618 can be attributed to increases in operating expenses and \$725,807 decrease in other items.

The Company's prior period financial statements have been reclassified in accordance with Canadian GAAP. The net assets transferred to Golden Arrow were

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described as "Spin-Off Assets Transferred" and the allocated expenses are described as "Loss Allocated to Spin-Off Assets" in the consolidated financial statements. This reclassification did not change previously reported total losses. The allocation of expenses was calculated on the basis of the ratio of the specific assets transferred to assets retained. A loss of \$131,231 was allocated to spin-off assets in the 2004 period.

The Company's operating expenses for the year ended December 31, 2005 were \$6,148,234 an increase of \$1,835,618 from \$4,312,616 in 2004. \$339,516 of the 2004 operating expenses had been reclassified as "Loss Allocated to Spin-Off Assets" which relate to the assets transferred to Golden Arrow. The allocation was calculated on the basis of the ratio of the specific assets transferred to assets retained. Certain "Other Income and Expense" items have been allocated to spin-off assets on a cost specific basis.

Professional fees increased \$1,432,498 to \$2,327,278 in 2005, primarily due to legal costs incurred in connection with the Aquiline legal action as well as increased costs of compliance. In 2005 the Company recorded non-cash stock based compensation of \$2,380,000 compared to \$1,972,860 in 2004, for stock options granted to its employees, consultants and directors, of which \$1,800,000 is included in expenses in 2005 compared to \$1,972,860 in 2004 and \$580,000 in 2005 compared to \$Nil in 2004 is included in capitalized mineral property expenditures. Other notable changes in the operating expenses are: (i) Salaries increased \$272,151 due to staff increases (salaries in 2005 are a portion of the monthly fee charged for services by the Grosso Group while in 2004 the Company directly employed its staff); (ii) Administrative and management services decreased by \$89,744 due to some of the services provided by consultants in 2004 were provided by employees of the Grosso Group during 2005 and are included in salaries (iii) there are no cost recoveries (for shared administrative costs and rent) from Amera or Golden Arrow in 2005; (iv) Corporate development and investor relations increased \$207,951, as the Company has made its shareholders and others more aware of its Navidad project and its potential, (v) Office and Sundry increased \$40,337 mainly due to the increase in insurance premiums and an increase in activity, (vi) Transfer agent and regulatory fees increased \$141,972 mainly due to the costs of the Company's listing on the American Stock Exchange, (vii) General exploration decreased by \$173,047 as the Company's focus is on Navidad property for which costs are included in capitalized mineral property expenditures, (viii) Travel increased \$52,444 due to travel related to conferences and investor presentations as well as to South America.

In 2005 the Company recorded interest income of \$150,406 compared to \$101,589 in 2004, primarily as a result of increase of funds on deposit. In 2005 there were no reorganization costs recorded by the Company, in 2004 reorganization costs of \$346,103 were recorded. There was no gain on the optioning of properties to other mining exploration companies, in 2004 a gain of \$328,346 was recognized. No write down for the carrying value of marketable securities in 2005 was recognized while a \$99,762 write down for the carrying value of marketable securities was recorded in 2004. A gain of \$232,954 for foreign exchange was recorded in 2005 compared to loss of \$195,285 in 2004. The foreign exchange adjustment in 2005 is a result of a continued strengthening of the Canadian dollar compared to US dollar and due to the exchange movements between expenses being incurred in US\$ and amounts exchanged to settle such payables. No gain or loss was allocated to spin-off assets in 2005, in 2004 a loss of \$131,232 was recorded.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at December 31, 2007 was \$183,628, a decrease of \$207,792 from December 31, 2006. Short-term investments decreased \$1,686,538 to \$6,813,462 at December 31, 2007 from \$8,500,000 at December 31, 2006. Total assets decreased to \$26,124,490 at December 31, 2007 from \$27,246,146 at December 31, 2006. This increase is mainly due to the increase in Navidad

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carrying value and in cash balance.

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During fiscal 2006, Company completed a syndicated brokered private placement financing of 2,865,000 special warrants at \$3.50 per warrant for gross proceeds of \$10,027,500. Each special warrant entitled the holder to acquire one unit consisting of one common share and one half common share purchase warrant. All special warrants were converted into common shares on May 25, 2006. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$3.80 per share until March 21, 2010. In addition to a cash commission of 6% the underwriters were granted 171,900 agents' warrants, representing 6% of the number of special warrants issued. Each agent's warrant is exercisable for one share at a price of \$3.80, for a period of twenty four months, expiring on March 21, 2008. At December 31, 2007, no common share purchase warrants or agent's warrants had been exercised.

Stock options were exercised which resulted in cash proceeds of \$59,500 during 2007. No warrants were exercised in 2007.

The Company has received \$Nil from the exercise of options and warrants from January 1 to February 29, 2008. As at February 29, 2008, the Company had working capital of approximately \$25,485,000.

The Company considers that it has adequate resources to maintain its core operations for the next fiscal year. The Company will continue to rely on successfully completing additional equity financing to identify, acquire and conduct exploration and development of mineral exploration projects. There can be no assurance that the Company will be successful in obtaining the required financing.

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

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

### OFF-BALANCE SHEET ARRANGEMENTS

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

### TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Except as otherwise disclosed, the Company knows of no other contractual obligations during the period from January 1, 2008 through December 31, 2008.

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Payments Due by Period  
-----

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

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

### DIRECTORS AND SENIOR MANAGEMENT

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

| NAME, AGE AND POSITION(1)                                                     | PRINCIPAL OCCUPATION DURING PAST<br>FIVE YEARS                                                                                                                                                         | PERIOD OF<br>DIRECT                                 |
|-------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| JOSEPH GROSSO<br>President, Chief Executive<br>Officer and Director<br>Age 70 | Director, President and CEO of the<br>Company since February 1990.                                                                                                                                     | Director,<br>February 1                             |
| ARTHUR LANG<br>Chief Financial Officer,<br>and Director<br>Age 64             | CFO of the Company since April 2,<br>2004. Consultant providing financial<br>management services to various<br>clients from 1999 to April 2004<br>through Arthur G Lang Inc., a private<br>BC company. | Director,<br>since April<br>Corporate<br>2005 to De |

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|                                                                 |                                                                                                                                                                                                                                                                                |                                               |
|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| NIKOLAOS CACOS<br>Vice President<br>Age 41                      | President, CEO and director of Amera Resources Corporation, a public British Columbia company, since April 2000.                                                                                                                                                               | Vice President, present. Corporate January 20 |
| SEAN HURD<br>Vice President, Corporate Communications<br>Age 41 | Corporate Communications Manager for the Grosso Group since 2005 and for the Company from February 1999 to present.                                                                                                                                                            | Vice President, present. Director S 2004.     |
| ROBERT STUART (TOOKIE) ANGUS<br>Director<br>Age 59              | Independent Business Adviser to the mining industry since January 2006. Managing Director, Mergers and Acquisitions, Endeavour Financial Ltd., November 2003 to December 2005. Partner in law firm, Fasken Martineau DuMoulin LLP from February 2001 to October 2003.          | Director s                                    |
| DAVID TERRY<br>Director, Vice President, Exploration<br>Age 42  | Vice President for the Company from June 2004 to present. Vice President, Exploration for the Grosso Group from January 2005 to present. Regional geologist with the British Columbia Ministry of Energy and Mines in Cranbrook, British Columbia from May 2001 to March 2004. | Director s Vice President June 2004           |
| DAVID HORTON<br>Director<br>Age 71                              | Senior Vice-President and Director of Canaccord Capital Corporation from 1996 to present.                                                                                                                                                                                      | Director s                                    |
| LEONARD HARRIS<br>Director<br>Age 80                            | Retired Mining Consultant since 1995.                                                                                                                                                                                                                                          | Director s present.                           |

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|                           |                                             |                  |
|---------------------------|---------------------------------------------|------------------|
| NAME, AGE AND POSITION(1) | PRINCIPAL OCCUPATION DURING PAST FIVE YEARS | PERIOD OF DIRECT |
|---------------------------|---------------------------------------------|------------------|

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CARLOS D'AMICO  
President (of subsidiary)  
Age 50

President of Desarrollo de Inversiones  
S. A. from November 2006 to present  
President of Punto Dorado S.A, .a  
subsidiary of the Company, from May  
2007 to present. President from  
February 2005 and General Manager from  
2003 to November 2006 of Inversiones  
Mineras Argentinas S.A.

President  
of subsidi

LINDA MCCLUSKY  
Corporate Secretary  
Age 65

Corporate Secretary for Grosso Group  
companies since October 2005. From  
1999 to 2005, paralegal, Corporate  
Legal Department, Imperial Parking  
Canada Corporation.

Corporate  
4, 2007.

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

There are no family relationships between any directors or executive officers of the Company. There are no known arrangements or understandings with any major shareholders, customers, suppliers or others, pursuant to which any of the Company's officers or directors was selected as an officer or director of the Company. See "Item 7.

Major Shareholders and Related Party Transactions - Related Party Transactions."

### CONFLICTS OF INTEREST

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

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

All of the Company's directors are also directors, officers or shareholders of other companies that are engaged in the business of acquiring, developing and exploiting natural resource properties including properties in countries where the Company is conducting its operations. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk that the Company may enter into a transaction on terms which place the Company in a worse position than if no conflict existed. The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the

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Company and to disclose any interest which they may have in any project or opportunity of the Company. However, each director has a similar obligation to other companies for which such director serves as an officer or director. The Company has no specific internal policy governing conflicts of interest.

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

| NAME OF DIRECTOR | NAME OF COMPANY                    | POSITION          | TER |
|------------------|------------------------------------|-------------------|-----|
| Arthur Lang      | Golden Arrow Resources Corporation | Director, CFO ,VP | Jul |
|                  | Amera Resources Corporation        | CFO               | Mar |
|                  | Astral Mining Corporation          | CFO               | Feb |
|                  | Blue Sky Uranium Corp.             | CFO               | Mar |

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| NAME OF DIRECTOR             | NAME OF COMPANY                    | POSITION                            | TER |
|------------------------------|------------------------------------|-------------------------------------|-----|
| Joseph Grosso                | Amera Resources Corporation        | Chairman/Director                   | Feb |
|                              | Golden Arrow Resources Corporation | Chairman/President/<br>CEO/Director | Jul |
| Robert Stuart (Tookie) Angus | Wildcat Silver Corporation         | Director                            | May |
|                              | Uranium North Resources Corp.      | Director                            | May |
|                              | United Bolero Development Corp     | Director                            | Mar |
|                              | Crescent Gold Limited              | Director                            | Nov |
|                              | Tsodilo Resources Limited          | Director                            | Sep |
|                              | CMQ Resources Inc.                 | Director                            | Dec |
|                              | Nevsun Resources Ltd.              | Director                            | Jan |
|                              | Plutonic Power Corporation         | Director                            | Jun |
|                              | Blackstone Ventures Inc.           | Director                            | Sep |
|                              | Dynasty Gold Corp.                 | Director                            | Jan |
| David Terry                  |                                    | Chairman                            | Oct |
|                              | Polaris Minerals Corporation       | Director                            | Sep |
|                              | Amera Resources Corporation        | Director                            | Dec |
|                              |                                    | VP, Exploration                     | Mar |
|                              | Golden Arrow Resources Corporation | Director &                          | Jul |
|                              |                                    | VP Exploration                      |     |
|                              | Astral Mining Corporation          | Director                            | Mar |

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|                |                                    |                |     |
|----------------|------------------------------------|----------------|-----|
| David Horton   | Golden Arrow Resources Corporation | Director       | Jul |
| -----          |                                    |                |     |
| Leonard Harris | Solitario Resources Corp.          | Director       | Jun |
|                | Cardero Resource Corp.             | Director       | Feb |
|                | Canarc Resource Corp.              | Director       | Jun |
|                | Sulliden Exploration Inc.          | Director       | Sep |
|                | Endeavour Silver Corp.             | Director       | Jul |
|                | Alamos Gold Inc.                   | Director       | Nov |
|                | Morgain Minerals Inc.              | Director       | Jun |
|                | Indico Technologies Ltd.           | Director       | Apr |
|                | Golden Arrow Resources Corp.       | Director       | Jan |
| -----          |                                    |                |     |
| Jerry Minni    | Raytec Development Corp.           | Director & CEO | Feb |
|                | Mantra Mining Inc.                 | Director & CEO | Jul |
|                | Avantec Technologies Inc.          | Director       | Jun |
|                | Amera Resources Corporation        | Director       | Nov |
|                | Weststar Resources Ltd.            | Director & CFO | Jun |
| -----          |                                    |                |     |

### COMPENSATION

During the fiscal year ended December 31, 2007, the directors and officers of the Company, as a group, had received or charged the Company a total of \$353,283 (2006-\$533,917; 2005-\$241,088 ) for services rendered by the directors and officers or companies owned by the individuals.

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

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### EXECUTIVE COMPENSATION

"Named Executive Officers" means the Chief Executive Officer and Chief Financial Officer of the Company, regardless of the amount of compensation of that individual, and each of the Company's four most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, who were serving as executive officers at the end of the most recent fiscal year and whose total salary and bonus amounted to \$150,000 or more. In addition, disclosure is also required for any individual whose total salary and bonus during the most recent fiscal year was at least \$150,000, whether or not they were an executive officer at the end of the most recent fiscal year.

During the year ended December 31, 2007, the Company had two Named Executive Officers: Joseph Grosso, President and Chief Executive Officer and Arthur Lang, Chief Financial Officer (the "Named Executive Officers"). The following table sets forth all annual and long-term compensation awarded, paid to or earned by the Company's Named Executive Officers during the financial years ended December 31, 2005 , 2006 and 2007.

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|                                                                  |                      | ANNUAL COMPENSATION                          |                         |                                              | LONG TERM COMPENSATION                                  |                                                             |
|------------------------------------------------------------------|----------------------|----------------------------------------------|-------------------------|----------------------------------------------|---------------------------------------------------------|-------------------------------------------------------------|
|                                                                  |                      |                                              |                         |                                              | AWARDS                                                  |                                                             |
| NAME AND<br>PRINCIPAL POSITION                                   | YEAR(1)              | SALARY<br>(\$)                               | BONUS<br>(\$)           | OTHER<br>ANNUAL<br>COMPEN-<br>SATION<br>(\$) | SECURITIES<br>UNDER OPTIONS/<br>SARS GRANTED<br>(#) (2) | RESTRICTED<br>SHARES OR<br>RESTRICTED<br>SHARE UNITS<br>(#) |
| Joseph Grosso (3)<br>President and<br>Chief Executive<br>Officer | 2007<br>2006<br>2005 | \$250,000<br>\$200,667<br>\$102,000          | Nil<br>\$150,000<br>Nil | Nil<br>Nil<br>Nil                            | Nil<br>48,000<br>150,000                                | Nil<br>Nil<br>Nil                                           |
| Arthur Lang, Chief<br>Financial Officer                          | 2007<br>2006<br>2005 | \$59,834 (4)<br>\$59,400 (5)<br>\$68,927 (6) | Nil<br>\$50,000<br>Nil  | Nil<br>Nil<br>Nil                            | Nil<br>35,000<br>100,000                                | Nil<br>Nil<br>Nil                                           |

(1) Fiscal years ended December 31, 2007, 2006 and 2005.

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

(3) See the description of termination payment provisions in the agreement with Oxbow International Marketing Corp. dated July 1, 1999 for Mr. Grosso in "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

(4) During the year ended December 31, 2007 Mr. Lang's total compensation from the Grosso Group was \$150,000, of which \$59,834 was allocated to the Company as part of the Grosso Group fees for the year.

(5) During the year ended December 31, 2006 Mr. Lang's total compensation from the Grosso Group was \$134,000, of which \$59,400 was allocated to the Company as part of the Grosso Group fees for the year. Additionally, during the year ended December 31, 2006 a bonus of \$50,000 was paid to Mr. Lang directly by the Company.

(6) During the year ended December 31, 2005 Mr. Lang's total compensation from the Grosso Group was \$94,667, of which \$68,927 was allocated to the Company as part of the Grosso Group fees for the year.

#### LONG TERM INCENTIVE PLAN AWARDS

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

#### OPTIONS AND STOCK APPRECIATION RIGHTS

Stock Appreciation Rights ("SAR's") means a right, granted by an issuer or any

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

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### OPTION GRANTS

The following table sets forth stock options granted by the Company during the financial year ended December 31, 2007 to the Named Executive Officers of the Company:

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

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

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

### AGGREGATED OPTION EXERCISES AND OPTION VALUES

The following table sets forth details of all exercises of stock options by the Named Executive Officers during the most recently completed fiscal year and the fiscal year-end value of unexercised options on an aggregated basis:

| Name          | Securities<br>Acquired on<br>Exercise(1)<br>(#) | Aggregate Value<br>Realized(2)<br>(\$) | Unexercised Options<br>at Fiscal Year-End<br>Exercisable/Unexercisable<br>(#) | Value<br>In-<br>F-<br>Exer |
|---------------|-------------------------------------------------|----------------------------------------|-------------------------------------------------------------------------------|----------------------------|
| Joseph Grosso | Nil                                             | Nil                                    | 548,000 / Nil                                                                 |                            |

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Arthur Lang Nil Nil 185,000 / Nil

(1) All options are exercisable to acquire the Company's Common Shares.

## PENSION PLAN

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

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

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

## COMPENSATION OF DIRECTORS

There are no arrangements under which directors were compensated by the Company during the most recently completed financial year ended December 31, 2007 for their services in their capacity as directors.

During the last completed financial year ending December 31, 2007, the Company paid directly \$250,000 and indirectly \$84,413 (as part of the allocated Grosso Group monthly fees) to its directors who are not Named

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Executive Officers, as a group, for salaries and professional services rendered. See also "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

## Option Grants

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

| Name                                      | Securities<br>Under Options<br>Granted(1)<br>(#) | % of Total<br>Options Granted<br>in<br>Financial Year(2)<br>(%) | Exercise or<br>Base Price(3)<br>(\$/Security) | Market Value<br>of Securities<br>Underlying Options<br>on Date of Grant<br>(\$/Security) |
|-------------------------------------------|--------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------|------------------------------------------------------------------------------------------|
| Directors as a group<br>who are not Named | Nil                                              | Nil                                                             | N/A                                           | N/A                                                                                      |

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### Executive Officers

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

### Aggregated Option Exercises and Option Values

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

| Name                                                                 | Securities<br>Acquired on<br>Exercise (1)<br>(#) | Aggregate Value<br>Realized<br>(\$) | Unexercised Options<br>at Fiscal Year-End<br>Exercisable/Unexercisable<br>(#) | Value<br>In-t<br>F<br>Exer |
|----------------------------------------------------------------------|--------------------------------------------------|-------------------------------------|-------------------------------------------------------------------------------|----------------------------|
| Directors, as a<br>group, who are not<br>Named Executive<br>Officers | Nil                                              | Nil                                 | 865,000 / N/A                                                                 |                            |

- (1) All options are exercisable to acquire the Company Common Shares.

### PROPOSED COMPENSATION

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

### MANAGEMENT CONTRACTS

#### GROSSO GROUP MANAGEMENT LTD.

Pursuant to the terms of an Administration Services Agreement, the Company engages Grosso Group Management Ltd. (the "Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow, Amera Resources Corporation ("Amera"), Astral Mining Corporation ("Astral"), Gold Point Energy Corp. ("GPE") and Blue Sky Uranium Corp. ("Blue Sky"), each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate

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development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During fiscal 2007, the Company incurred fees of \$349,143 (2006: \$724,902; 2005: \$730,802) to the Grosso Group: \$330,305 (2006: \$764,115; 2006: \$764,012 ) was paid in twelve monthly payments and \$18,838 (2006: \$39,213 included in amounts receivable; 2005: \$33,210 included in amounts receivable) is included in accounts payable as a result of a review of the allocation of the Grosso Group costs to the member companies for the year. In addition, included in other receivables, prepaids and deposits is other receivables of a \$205,000 (2006: \$205,000; 2005: \$205,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital. Effective February 29, 2008, GPE withdrew from Grosso Group.

The Administration Services Agreement may be terminated by a shareholder company after January 1, 2007, upon 30 days written notice to the Grosso Group.

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

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

The members of the board of directors of the Grosso Group are appointed by the shareholder companies, with each shareholder company appointing one of its directors to serve as a director of the Grosso Group. As of February 29, 2008, the directors of the Grosso Group are Nikolaos Cacos, Joseph Grosso, Arthur Lang, Manfred Kurschner and Sean Hurd. Messrs. Lang and Grosso are officers and directors of the Company. Mr. Lang is also an officer and director of Golden Arrow and an officer of Amera, Blue Sky and Astral. Mr. Grosso is also an officer and director of Golden Arrow and of Amera. Mr. Cacos is an officer of the Company and is also a director and officer of Golden Arrow and Amera and a director of Blue Sky. Mr. Kurschner is an officer and director of Astral and a director of Golden Arrow. Mr. Hurd is an officer of the Company and President and Director of Blue Sky.

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

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

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

JOSEPH GROSSO

The Company is party to an agreement with Oxbow, effective as of July 1, 1999, subsequently amended on May 1, 2006, pursuant to which Mr. Grosso provides executive services as President and Chief Executive Officer of the Company. On

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April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase the monthly consulting fee effective May 1, 2006 to \$20,833 (\$250,000 per annum) and to pay a bonus of \$150,000. During the fiscal year ended December 31, 2007, Oxbow was paid \$250,000 (2006 - \$350,667).

Pursuant to the terms of the agreement, in the event the agreement is terminated by the Company as a result of Mr. Grosso's death or permanent disability while providing services to the Company, or by Mr. Grosso as a result of a material breach or default by the Company, Oxbow is entitled to a bonus payment in the amount of \$461,500.

In the event the agreement is terminated by the Company without cause or as a result of a change of control, Oxbow is entitled to (i) any monthly compensation due to the date of termination, (ii) options as determined by the

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Company's Board of Directors, (iii) three years of Mr. Grosso's monthly compensation (which may be adjusted annually), and (iv) a bonus payment of \$461,500.

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

NIKOLAOS CACOS

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

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

SEAN HURD

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

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

ARTHUR LANG

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

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Group fees and \$Nil was paid directly as a bonus.

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

DAVID TERRY

As of January 1, 2005, Mr. Terry provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2005, Mr. Terry's total compensation from the Grosso Group was \$120,000, of which \$63,600 was allocated to the Company as part of the Grosso Group fees during the year. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to \$12,500 (\$150,000 annually) effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006, Mr. Terry's total compensation from the Company was \$107,400 of which \$57,400 was allocated to the Company as part of the Grosso Group fees and \$50,000 was paid directly as a bonus. On July 9, 2007 the Grosso Group increased Mr. Terry's monthly fee to \$16,667 (\$200,000 annually) effective July 1, 2007. During the year ended December 31, 2007, Mr. Terry's total compensation from the Grosso Group was \$175,000 of which \$24,579 was allocated to the Company as part of the Grosso Group fees.

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

LINDA MCCLUSKY

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

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### CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

Other than as disclosed herein, no director or officer of the Company is or has been, within the preceding 10 years, a director or officer of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade order or similar order or an order that denied the other issuer access to any exemptions for a period of more than 30 consecutive days, or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### PENALTIES OR SANCTIONS

No director or officer of the Company is or has, within the past 10 years:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or Canadian securities regulatory authority or has entered into a

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settlement agreement with a Canadian securities regulatory authority, or

- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

### INDIVIDUAL BANKRUPTCIES

No director or officer of the Company is or has, within the preceding 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### BOARD PRACTICES

#### COMPENSATION COMMITTEE

The Board of Directors of the Company has adopted procedures to ensure that all employment, consulting or other compensation agreements between the Company and any director or senior officer of the Company or between any associate or affiliate of the Company and any director or senior officer are considered and approved by the disinterested members of the Board of Directors or a committee of independent directors.

The Company's Compensation Committee must be comprised of at least two independent directors, who are not employees, control persons or members of the management of the Company or any of its associates or affiliates. As of the date of this report, Messrs. Horton and Angus are members of the Compensation Committee. The Board of Directors of the Company, after each annual shareholder's meeting must appoint or re-appoint a compensation committee.

#### TERMS OF REFERENCE FOR THE COMPENSATION COMMITTEE

### GENERAL

The Compensation Committee is a committee of the Board to which the Board has delegated its responsibility for oversight of the Corporation's overall human resources policies and procedures. This includes reviewing the adequacy and form of the compensation paid to the Corporation's executives and key employees to ensure that such compensation realistically reflects the responsibilities and risks of such positions.

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The Compensation Committee's objectives are to assist the Board in meeting its responsibilities in respect of overall human resources policies and procedures including recruitment, performance management, compensation, benefit programs, resignation/terminations, training and development, succession planning and organizational planning and design, to ensure a broad plan of executive compensation is established that is competitive and motivating in order to attract, retain and inspire executive management and other key employees and to review all compensation and benefit proposals for the Corporation's executives

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and make recommendations to the Board.

### COMPOSITION AND PROCESS

1. The Compensation Committee will be comprised of a minimum of two directors, all of whom will be independent.
2. Compensation Committee members will be appointed by the Board on an annual basis for a one-year term and may serve any number of consecutive terms, which are encouraged to ensure continuity of experience.
3. The Chair of the Compensation Committee will be appointed by its members on an annual basis for a one-year term and may serve any number of consecutive terms. The Compensation Committee Chair will arrange for an alternate chair for a specific meeting if he or she is planning to be absent.
4. The Compensation Committee Chair will establish the agenda for Compensation Committee meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for review prior to the meeting.
5. The Compensation Committee will meet at least twice per year and may call special meetings as required. A quorum at meetings of the Compensation Committee will be one of its members. The Compensation Committee may hold its meetings, and members of the Compensation Committee may attend meetings, by telephone conference call.
6. At all meetings of the Compensation Committee every question will be decided by a majority of the votes cast. In case of an equality of votes, the Compensation Committee Chair will forward the matter to the Board of Directors for resolution.
7. The minutes of Compensation Committee meetings will document the date and time of the meetings.
8. The Compensation Committee will have the authority to retain (or terminate) any outside counsel, advisors or consultants it determines necessary to assist it in discharging its functions, independently of the Board, Chair or CEO. The Compensation Committee will be provided with the necessary funding to compensate any counsel, advisors or consultants it retains.
9. The CEO may attend and participate in meetings of the Compensation Committee, except when his compensation is the subject matter.

### RESPONSIBILITIES

1. The Compensation Committee will review management prepared policies and make recommendations to the Board regarding the following matters:
2. Compensation, philosophy, policies and guidelines for senior officers, as well as supervisory and management personnel of the Corporation and any subsidiary companies.
3. Corporate benefits for senior management (i.e. car insurance, life insurance, retirement plan, expense accounts, etc.).
4. Incentive plans, along with global payment information as it applies to senior management bonus and discretionary bonus plans.
5. Review and approval of Corporate goals and objectives relevant to CEO and other senior management compensation.
6. Evaluation of the performance of the CEO and other senior management in light of corporate goals and objectives and making recommendations with respect to compensation levels based on such evaluations.
7. Policies regarding the Corporation's Incentive Stock Option Plan and the granting of stock options to Directors, management and employees of the

Corporation.

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8. Policies regarding the development and implementation of incentive compensation plans and equity based compensation plans.
9. Compensation levels for directors and committee members, including the compensation of the Chair and the Chair of any Board committees, to ensure compensation realistically reflects the responsibilities and risk involved in being an effective director. Compensation should be commensurate with the time spent by directors in meeting their obligations and should be transparent and easy for shareholders to understand.
10. Succession plan for the CEO and other executives and key employees of the Corporation, in conjunction with the CEO.
11. Any material changes in human resources policy, procedure, remuneration and benefits.
12. Review of executive compensation disclosure in all public disclosure documents.
13. The Compensation Committee will review and assess its effectiveness, contribution and these Terms of Reference annually and recommend any proposed changes thereto to the Board.
14. Perform any other activities consistent with these Terms of Reference, as the Compensation Committee or the Board deems necessary or appropriate.
15. The Compensation Committee will have the authority to delegate any specific tasks to individual Compensation Committee members.

#### AUDIT COMMITTEE

##### TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

#### General

The Company's Audit Committee must be comprised of at least three directors, who are not employees, control persons or members of the management of the Company or any of its associates or affiliates. As of the date of this report, Messrs. Horton, Angus, Minni are members of the Audit Committee. The Board of Directors of the Company, after each annual shareholder's meeting must appoint or re-appoint an audit committee.

The Audit Committee must review the annual financial statements of the Company before they are approved by the Board of Directors of the Company. The Board of Directors of the Company must review, and if considered appropriate, approve the annual financial statements of the Company before presentation to the shareholders of the Company. In addition, the Audit Committee is responsible for:

- retaining the external auditors and communicating to them that they are ultimately accountable to the Committee and the Board as the representatives of the shareholders;
- reviewing the external audit plan and the results of the audit, approves all audit engagement fees and terms and pre-approves all non-audit services to be performed by the external auditor;
- reviewing the Company's financial statements and related management's discussion and analysis of financial and operating results; and
- having direct communication channels with the Company's auditors.

The Audit Committee's mandate requires that all of the members be financially literate and at least one member have accounting or related financial management

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expertise. The mandate of the Committee empowers it to retain legal, accounting and other advisors.

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

### EMPLOYEES

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

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### SHARE OWNERSHIP

As of February 29, 2008, the Company had 52,132,064 shares outstanding. The following table sets forth details of all employee share ownership and includes information regarding the date of expiration or any options or warrants held by each employee; the exercise price of the particular option or warrant held; the total number of options and warrants held by each employee; the total number of shares held by each employee; and each employee's percentage of ownership:

The following table sets forth certain information regarding ownership of the Company's shares by the Company's officers and directors as of February 29, 2008.

| TITLE OF CLASS | NAME                                            | SHARES AND RIGHTS<br>BENEFICIALLY OWNED OR<br>CONTROLLED (1) | PERCENTAGE OF<br>TOTAL SHARES OUTSTANDING |
|----------------|-------------------------------------------------|--------------------------------------------------------------|-------------------------------------------|
| Common Stock   | Joseph Grosso                                   | 1,744,667 (2)                                                | 3.35%                                     |
| Common Stock   | Nikolaos Cacos                                  | 188,151 (3)                                                  | 0.36%                                     |
| Common Stock   | Sean Hurd                                       | 310,000 (4)                                                  | 0.59%                                     |
| Common Stock   | Gerald Carlson (former director)                | 252,500 (5)                                                  | 0.48%                                     |
| Common Stock   | David Terry                                     | 222,000 (6)                                                  | 0.43%                                     |
| Common Stock   | Chet Idziszek                                   | 245,000 (7)                                                  | 0.47%                                     |
| Common Stock   | Robert Stuart (Tookie) Angus                    | 260,000 (8)                                                  | 0.50%                                     |
| Common Stock   | Arthur Lang                                     | 195,000 (9)                                                  | 0.37%                                     |
| Common Stock   | David Horton                                    | 160,300 (10)                                                 | 0.31%                                     |
| Common Stock   | Leonard Harris                                  | 105,000 (11)                                                 | 0.20%                                     |
| Common Stock   | Officers and Directors (as a group, 10 persons) | 3,682,618 (12)                                               | 7.06%                                     |

(1) Where persons listed on this table have the right to obtain additional shares of common stock through the exercise of outstanding options, these

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additional shares are deemed to be outstanding for the purpose of computing the percentage of common stock owned by such persons, but are not deemed to be outstanding for the purpose of computing the percentage owned by any other person. Based on 52,132,064 shares of common stock outstanding as February 29, 2008.

- (2) Includes the following shares, options and warrants held by Mr. Grosso, Evelyn Grosso (Mr. Grosso's wife) and Mr. Grosso's private companies:
  - (a) 703,219 shares held by Mr. Grosso;
  - (b) 348,448 shares held by Oxbow (50%);
  - (c) 75,000 Options held by Mr. Grosso's wife (50%)
  - (d) 548,000 Options held by Mr. Grosso to acquire 548,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."; and
  - (e) 70,000 shares held in Mr. Grosso's RRSP account.
- (3) Includes 13,151 shares held by Mr. Cacos and 175,000 options held by Mr. Cacos to acquire an additional 175,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (4) Includes 310,000 options held by Mr. Hurd to acquire an additional 310,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (5) Includes 50,000 shares held by Mr. Carlson and 47,500 shares held by KGE Management Ltd., a private company owned by Mr. Carlson and options held by Mr. Carlson to acquire an additional 155,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (6) Includes 22,000 shares held by Mr. Terry and options held by Mr. Terry to acquire an additional 200,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (7) Mr. Idziszek holds 245,000 options to acquire 245,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (8) 260,000 options held by Mr. Angus to acquire 260,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (9) Includes 10,000 shares and 185,000 options held by Mr. Lang to acquire 185,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (10) Includes 200 shares and 160,000 options held by Mr. Horton to acquire 160,000 shares. Mr. Horton also holds 100 Warrants to acquire an additional 100 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (11) Includes 5,000 shares and options held by Mr. Harris to acquire 100,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."

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- (12) Includes the shares, options, and warrants set forth in footnotes 2 through 11 above. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."
- (13) Effective March 19, 2008 Mr. Idziszek tendered his resignation as a director.

OPTIONS, WARRANTS AND OTHER RIGHTS TO ACQUIRE SECURITIES

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As of February 29, 2008, the Company had granted a number of stock options, issued a number of warrants and entered into a number of agreements pursuant to which up to 7,834,404 common shares of the Company may be issued. The following is a brief summary of these stock options and warrants currently outstanding and agreements.

### STOCK OPTIONS

The TSX-V requires all TSX-V listed companies to adopt stock options plans, and such plans must contain certain provisions. At the annual and extraordinary general meeting of shareholders of the Company held on June 26, 2003, the shareholders approved the Company's stock option plan (the "Stock Option Plan"). At the annual and extraordinary general meetings of shareholders of the Company held on June 24, 2004, June 23, 2005, June 14, 2006 and December 4, 2007, respectively, the shareholders approved and ratified by ordinary resolution the 2003 Stock Option Plan to make a total of up to 10% of the issued and outstanding shares of IMA available for issuance. The purpose of the Stock Option Plan is to provide incentive to the Company's employees, officers, directors, and consultants responsible for the continued success of the Company. The following is a summary of the Stock Option Plan.

### ADMINISTRATION OF THE STOCK OPTION PLAN

The Stock Option Plan provides that it will be administered by the Company's Board of Directors or by the Compensation Committee of the Company's Board of Directors consisting of not less than two of its members. The Stock Option Plan is currently administered by the Compensation Committee.

### DESCRIPTION OF STOCK OPTION PLAN

The effective date (the "Effective Date") of the Stock Option Plan is June 2, 2003, the date the Board of Directors approved the Stock Option Plan, and it will terminate ten years from the Effective Date.

The Stock Option Plan provides that options may be granted to any employee, officer, director or consultant of the Company or a subsidiary of the Company.

The options issued pursuant to the Stock Option Plan will be exercisable at a price not less than the market value of the Company's common shares at the time the option is granted. "Market Value" means:

- (a) for each organized trading facility on which the common shares are listed, Market Value will be the closing trading price of the common shares on the day immediately preceding the grant date less any discounts permitted by the applicable regulatory authorities;
- (b) if the Company's common shares are listed on more than one organized trading facility, the Market Value shall be the Market Value as determined in accordance with subparagraph (a) above for the primary organized trading facility on which the common shares are listed, as determined by the Board (or a committee thereof), subject to any adjustments as may be required to secure all necessary regulatory approvals;
- (c) if the Company's common shares are listed on one or more organized trading facilities but have not traded during the ten trading days immediately preceding the grant date, then the Market Value will be determined by the Board (or a committee thereof), subject to any adjustments as may be required to secure all necessary regulatory approvals; and
- (d) if the Company's common shares are not listed for trading on a stock exchange or over the counter market, the value which is determined by the Board (or a committee thereof) to be the fair value of the Company's common shares, taking into consideration all factors that the

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Board (or a committee thereof) deems appropriate, including, without limitation, recent sale and offer prices of the Company shares in private transactions negotiated at arms' length.

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Options granted under the Stock Option Plan will be granted for a term not to exceed 10 years from the date of their grant, provided that if the Company is then a "Tier 2" company listed on the TSX-V, the term of the option will be not more than five years.

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

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

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

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

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

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

| OPTIONEE | NATURE<br>OF OPTION(1) | NUMBER<br>OF SHARES | EXERCISE<br>PRICE | EXPIRATION<br>DATE |
|----------|------------------------|---------------------|-------------------|--------------------|
|----------|------------------------|---------------------|-------------------|--------------------|

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

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| OPTIONEE      | NATURE<br>OF OPTION(1) | NUMBER<br>OF SHARES | EXERCISE<br>PRICE | EXPIRATION<br>DATE |
|---------------|------------------------|---------------------|-------------------|--------------------|
| E. Grosso (2) | Consultant             | 75,000              | \$3.10            | Mar. 24/09         |
| K. Patterson  | Consultant             | 25,000              | \$3.10            | Mar. 24/09         |
|               |                        | 25,000              | \$2.92            | Nov. 16/10         |
| D. Terry      | Director               | 50,000              | \$3.10            | Mar. 24/09         |
|               |                        | 80,000              | \$4.16            | Mar. 16/10         |
|               |                        | 70,000              | \$2.92            | Nov. 16/10         |
| C. Idziszek   | Director               | 150,000             | \$0.90            | May 30/08          |
|               |                        | 75,000              | \$3.10            | Mar. 24/09         |
|               |                        | 20,000              | \$4.16            | Mar. 16/10         |
| W. Lee (3)    | Consultant             | 75,000              | \$1.87            | Aug. 27/08         |
|               |                        | 30,000              | \$3.10            | Mar. 24/09         |
| R. Angus      | Director               | 150,000             | \$0.90            | May 30/08          |
|               |                        | 40,000              | \$3.10            | Mar. 24/09         |
|               |                        | 30,000              | \$4.16            | Mar. 16/10         |
|               |                        | 40,000              | \$3.21            | Jun. 22/11         |
| D. Dorval     | Consultant             | 60,000              | \$3.10            | Mar. 24/09         |
|               |                        | 30,000              | \$4.16            | Mar. 16/10         |

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|               |                                                  |         |        |            |
|---------------|--------------------------------------------------|---------|--------|------------|
| J. Denee      | Consultant                                       | 10,000  | \$3.10 | Mar. 24/09 |
|               |                                                  | 5,000   | \$4.16 | Mar. 16/10 |
| C. Sandoval   | Consultant                                       | 10,000  | \$3.10 | Mar. 24/09 |
|               |                                                  | 15,000  | \$4.16 | Mar. 16/10 |
|               |                                                  | 5,000   | \$3.21 | Jun. 22/11 |
| C. D'Amico(5) | Director (of subsidiary-exempted from reporting) | 220,000 | \$1.87 | Aug. 27/08 |
|               |                                                  | 75,000  | \$3.10 | Mar. 24/09 |
| C. Timossi    | Consultant                                       | 75,000  | \$3.10 | Mar. 24/09 |
| S. Phillips   | Consultant                                       | 300,000 | \$1.87 | Aug. 27/08 |
|               |                                                  | 50,000  | \$3.10 | Mar. 24/09 |
| J. Faccin     | Consultant                                       | 10,000  | \$3.10 | Mar. 24/09 |
| M. De Simone  | Director (of subsidiary-exempted from reporting) | 80,000  | \$3.10 | Mar. 24/09 |
| D. Horton     | Director                                         | 100,000 | \$3.10 | Mar. 24/09 |
|               |                                                  | 30,000  | \$4.16 | Mar. 16/10 |
|               |                                                  | 30,000  | \$3.21 | Jun. 22/11 |
| A. Lang       | Director                                         | 50,000  | \$3.10 | Mar. 24/09 |
|               |                                                  | 75,000  | \$4.16 | Mar. 16/10 |
|               |                                                  | 25,000  | \$2.92 | Nov. 16/10 |
|               |                                                  | 35,000  | \$3.21 | Jun. 22/11 |
| G. James      | Consultant                                       | 7,000   | \$3.10 | Mar. 24/09 |
| A. Colucci    | Consultant                                       | 120,000 | \$1.87 | Aug. 27/08 |

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| OPTIONEE   | NATURE OF OPTION(1) | NUMBER OF SHARES | EXERCISE PRICE | EXPIRATION DATE |
|------------|---------------------|------------------|----------------|-----------------|
| P. Hedblom | Consultant          | 30,000           | \$1.87         | Aug. 27/08      |
|            |                     | 20,000           | \$2.92         | Nov. 16/10      |
| J. Wong    | Consultant          | 25,000           | \$1.87         | Aug. 27/08      |
| F. Riedl   | Consultant          | 30,000           | \$4.16         | Mar. 16/10      |
| A. Baertl  | Consultant          | 150,000          | \$4.16         | Mar. 16/10      |
|            |                     | 150,000          | \$2.92         | Nov. 16/10      |

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|             |            |         |        |            |
|-------------|------------|---------|--------|------------|
| I. Thomson  | Consultant | 10,000  | \$4.16 | Mar. 16/10 |
| L. Harris   | Director   | 50,000  | \$2.92 | Nov. 16/10 |
|             |            | 50,000  | \$3.21 | Jun. 22/11 |
| C. Smyth    | Consultant | 5,000   | \$2.92 | Nov. 16/10 |
| L. McClusky | Officer    | 10,000  | \$3.21 | Jun. 22/11 |
| B. Dubowska | Consultant | 5,000   | \$3.21 | Jun. 22/11 |
| G. Myers    | Consultant | 100,000 | \$0.47 | Oct. 23/12 |

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|       |           |
|-------|-----------|
| TOTAL | 4,330,000 |
|-------|-----------|

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

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- (1) Pursuant to the rules of the TSX-V, the Company has issued stock options to employees, directors, officers and consultants. "Employee" refers to the employees of the Grosso Group providing administrative and management services to the Company.
- (2) Evelyn Grosso is the wife of Joseph Grosso.
- (3) The Company granted Mr. Lee options to acquire common shares during his tenure as director. Mr. Lee resigned as an officer and director of the Company effective April 2, 2004 and currently remains as a consultant to the Company.
- (4) Includes options held by Joseph Grosso's wife, Evelyn Grosso.
- (5) The Company granted Mr. D'Amico options to acquire common shares during his tenure as director of a subsidiary.

### WARRANTS AND OTHER COMMITMENTS

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

As of February 29, 2008, the Company's officers and directors, as a group, including entities controlled or under significant influence of officers and directors of the Company, held 100 warrants to purchase the Company's common shares.

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

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### ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.

#### PRINCIPAL HOLDERS OF VOTING SECURITIES

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

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

## NOTES:

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

## CHANGES IN OWNERSHIP BY MAJOR SHAREHOLDERS

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

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### SHARES HELD IN THE UNITED STATES

As of February 29, 2008, there were approximately 189 registered holders of the Company's shares in the United States, with combined holdings of 7,354,240 shares (14.14% of the Company's 52,013,065 outstanding shares at February 29, 2008).

### CHANGE OF CONTROL

As of February 29, 2008, there were no arrangements known to the Company which may, at a subsequent date, result in a change of control of the Company.

### CONTROL BY OTHERS

To the best of the Company's knowledge, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

### RELATED PARTY TRANSACTIONS

Other than as disclosed below, from January 1, 2007 through February 29, 2008, the Company did not enter into any transactions or loans between the Company and any (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close members of any such individual's family; (d) key management personnel and close members of such individuals' families; or (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly by any person described in (c) or (d) or over which such a person is able to exercise significant influence.

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

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

2. The Company is party to an agreement with Oxbow, pursuant to which Mr. Grosso, an officer and director of the Company, provides executive services to the Company. During the fiscal year ended December 31, 2007, Oxbow was paid \$250,000 (2006 - \$350,667, 2005 - \$102,000). See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts".
3. On July 7, 2004, the Company entered into an indemnity agreement, for any costs or losses incurred by Golden Arrow in respect of the legal action commenced by Minera Aquiline Argentina S.A. against the Company. See "Item 8. Financial Information - Legal Proceedings."
4. The Company leased a portion of its office space from Beauregard, a private company owned by Mr. Grosso's wife, Mrs. Evelina Grosso and subleased these premises to the Grosso Group in 2005 and 2006, the balance of the existing lease term, and recovered the 2006 and 2005 rent it had paid Effective January 1,

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

5. As of January 2005, Mr. Terry provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2005, Mr. Terry's total compensation from the Grosso Group was \$120,000, of which \$63,600 was allocated to the Company as part of the Grosso Group fees during the year. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to \$12,500 (\$150,000 annually) effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006, Mr. Terry's total compensation from the Grosso Group was \$140,000, of which \$57,400 was allocated to the Company. On July 9, 2007 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to \$16,667 (\$200,000 annually) effective July 1, 2007. During the year ended December 31, 2007, Mr. Terry's total compensation from the Grosso Group was \$175,000, of which \$24,579 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."
6. As of January 2005, Mr. Lang provides executive services to the Company as an employee of the Grosso Group. Effective May 1, 2005, Mr. Lang's annual salary was increased to \$102,000. During the year ended December 31, 2005, Mr. Lang's total compensation from the Grosso Group was \$94,667, of which \$68,927 was allocated to the Company as part of the Grosso Group fees for the year. On April 12, 2006, the Board accepted

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the recommendation from the Compensation Committee to increase Mr. Lang's annual salary to \$150,000 effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006, Mr. Lang's total compensation from the Grosso Group was \$134,000, of which \$54,940 was allocated to the Company. During the year ended December 31, 2007, Mr. Lang's total compensation from the Grosso Group was \$151,000 of which \$59,834 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."

7. As of January 2005, Mr. Cacos provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2007, Mr. Cacos's total compensation from the Grosso Group was \$22,500 (2006 - \$22,500, 2005 - \$22,500), of which \$938 was allocated to the Company (2006 - \$9,225, 2005 - \$14,862) as part of the Grosso Group fees for the year. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."
8. As of January 2005, Mr. Hurd provides executive services to the Company as an employee of the Grosso Group. During the year ended December 31, 2007, Mr. Hurd's total compensation from the Grosso Group was \$120,000 (2006 - \$112,000, 2005 - \$96,000), of which \$25,497 was allocated to the Company (2006 - \$45,920, 2005 - \$72,216) as part of the Grosso Group fees for the year. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."
9. On February 14, 2006 and effective January 1, 2006, the Company entered into an agreement with RSA Holdings Ltd., pursuant to which Mr. Angus, a director of the Company, provides advisory services including participation on various committees of the Company. A monthly fee of US\$5,000 for services is payable under this agreement for a minimum period of six months. In 2007, the Company paid RSA \$66,050 (2006 - \$68,350). This agreement was terminated by mutual agreement, effective December 31, 2007.

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### ITEM 8. FINANCIAL INFORMATION.

#### CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

##### FINANCIAL STATEMENTS

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

##### SIGNIFICANT CHANGES

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

##### LEGAL PROCEEDINGS

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

##### DIVIDEND POLICY

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

### ITEM 9. THE OFFER AND LISTING

#### PRICE HISTORY

The Company's common shares are listed on the TSX-V. From April 15, 1996 to November 28, 1999, the Company's shares were listed on the Vancouver Stock Exchange (the "VSE"). Effective November 29, 1999, the VSE and the Alberta Stock Exchange (the "ASE") merged and began operations as the Canadian Venture Exchange or CDNX. On August 1, 2001, the CDNX was acquired by the Toronto Stock Exchange and became known as the TSX-V. The Company is classified as a Tier I company on the TSX-V and trades under the symbol "IMR". Companies which satisfy the minimum initial listing requirements of the TSX-V are designated as Tier II companies and are subject to listing requirements which are stricter than those for companies which are designated as Tier I companies.

The following table lists the volume of trading and high and low sales prices on the TSX-V (or predecessor), for shares of the Company's common stock for the last five fiscal years, each quarterly period during the last two fiscal years and each month from September 2007 through February 2008.

#### TSX VENTURE EXCHANGE (OR PREDECESSOR) STOCK TRADING ACTIVITY

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

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

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

AMERICAN STOCK EXCHANGE AND OVER-THE-COUNTER BULLETIN BOARD  
STOCK TRADING ACTIVITY

As of July 6, 2005, the Company's shares started to trade on the American Stock Exchange ("AMEX"). Prior to that the Company's shares were trading on the OTC Bulletin Board operated by the National Association of Securities Dealers in the United States from October 8, 2002. The Company currently trades on the AMEX under the symbol "IMR". The following tables set forth the market price ranges and the aggregate volume of trading of the common shares of the Company on the AMEX or the OTC Bulletin Board system for the periods indicated:

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

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

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

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ITEM 10. ADDITIONAL INFORMATION.

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MEMORANDUM AND ARTICLES OF ASSOCIATION

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

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

AMENDMENT OF NOTICE OF ARTICLES

On March 29, 2004, the new British Columbia Business Corporations Act came into force in British Columbia (the "BCBCA"). The Board of Directors of the Company approved the Transition of the Company and the Company filed a transition application with the Registrar of Companies British Columbia and completed the Transition on May 4, 2004.

In order to bring the Company's Articles in line with the BCBCA, the Company deleted and replaced its Articles in their entirety. Accordingly, the shareholders passed a special resolution removing the application of the Pre-Existing Company Provisions at a meeting held on June 24, 2004.

SUMMARY OF MATERIAL PROVISIONS

The following is a summary of certain material provisions of the Company's Articles of Association and Memorandum:

A. DIRECTOR'S POWER TO VOTE ON A PROPOSAL, ARRANGEMENT OR CONTRACT IN WHICH THE DIRECTOR IS MATERIALLY INTERESTED.

Under the BCBCA, subject to certain exceptions, a director or senior officer of the Company must disclose any material interest that he personally has, or that he as a director or senior officer of another corporation has in a contract or transaction that is material to the Company and which the Company has entered into or proposes to enter into.

A director or senior officer of the Company does not hold a disclosable interest in a contract or transaction if:

1. the situation that would otherwise constitute a disclosable interest arose before the coming into force of the BCBCA, or

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- the interest was disclosed and approved under, or was not required to be disclosed under legislation that applied to the Company before the coming into effect of the BCBCA;
2. both the Company and the other party to the contract or transaction are wholly owned subsidiaries of the same corporation;
  3. the Company is a wholly owned subsidiary of the other party to the contract or transaction;
  4. the other party to the contract or transaction is a wholly owned subsidiary of the Company ; or
  5. the director or senior officer is the sole shareholder of the Company or of a corporation of which the Company is a wholly owned subsidiary.

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A director or senior officer of the Company does not hold a disclosable interest in a contract or transaction merely because:

1. the contract or transaction is an arrangement by way of a security granted by the Company for money loaned to, or obligations undertaken by, the director or senior officer, or a person in whom the director or senior officer has a material interest, for the benefit of the Company or an affiliate of the Company;
2. the contract or transaction relates to an indemnity or insurance under the BCBCA;
3. the contract or transaction relates to the remuneration of the director or senior officer, or a person in whom the director or senior officer, employee or agent of the Company or of an affiliate of the Company;
4. the contract or transaction relates to a loan to the Company, and the director or senior officer, or a person in whom the director or senior officer has a material interest, is or is to be a guarantor of some or all of the loan; or
5. the contract or transaction has been or will be made with or for the benefit of a corporation that is affiliated with the Company and the director or senior officer is also a director or senior officer of that corporation or an affiliate of that corporation.

A director or senior officer who holds such a material interest must disclose such interest in writing. The disclosure must be evidenced in writing in a consent resolution, the minutes of a meeting or any other record deposited with the Company's record office. A director who has a disclosable interest in a contract or transaction is not entitled to vote of any directors' resolution to approve that contract or transaction, but may be counted in the quorum at the directors' meeting at which such vote is taken.

- B. DIRECTOR'S POWER, IN THE ABSENCE OF AN INDEPENDENT QUORUM, TO VOTE COMPENSATION TO THEMSELVES OR ANY MEMBERS OF THEIR BODY.

The compensation of the directors is decided by the directors unless the Board of Directors requests approval of the compensation from the shareholders. If the issuance of compensation to the directors is decided by the directors, a quorum is the majority of the directors in office.

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### C. BORROWING POWERS EXERCISABLE BY THE DIRECTORS AND HOW SUCH BORROWING POWERS MAY BE VARIED.

The Company, if authorized by the directors, may:

1. borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;
2. issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
3. guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
4. mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

The borrowing powers may be varied by amendment to the Articles of the Company which requires approval of the shareholders of the Company by special resolution.

### D. RETIREMENT AND NON-RETIREMENT OF DIRECTORS UNDER AN AGE LIMIT REQUIREMENT.

There are no such provisions applicable to the Company under the Notice of Articles, Articles (as existing or the new proposed Articles) or the BCBCA.

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### E. NUMBER OF SHARES REQUIRED FOR A DIRECTOR'S QUALIFICATION.

A director of the Company is not required to hold a share in the capital of the Company as qualification for his office.

### DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of common shares without par value and 100,000,000 Preferred shares without par value, of which 18,283,053 have been designated as Preferred Shares, Series I.

#### COMMON SHARES

A total of 52,132,064 common shares were issued and outstanding as of February 29, 2008. All of the common shares are fully paid and not subject to any future call or assessment. All of the common shares of the Company rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and the entitlement to dividends. The holders of the common shares are entitled to receive notice of all shareholder meetings and to attend and vote at such meetings. Each common share carries with it the right to one vote. The common shares do not have preemptive or conversion rights. In addition, there are no sinking fund or redemption provisions applicable to the common shares or any provisions discriminating against any existing or prospective holders of such securities as a result of a shareholder owning a substantial number of shares.

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### PREFERRED SHARES

The Company is authorized to issue up to 100,000,000 preferred shares in one or more series of which 18,283,053 have been designated as Preferred Shares, Series I. The preferred shares are entitled to priority over the common shares with respect to the payment of dividends and distribution in the event of the dissolution, liquidation or winding-up of the Company. The holders of preferred shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Company, other than at a meeting of holders of Preferred Shares. As of February 29, 2008 there were no issued or outstanding preferred shares.

### CHANGES TO RIGHTS AND RESTRICTIONS OF SHARES

If the Company wishes to change the rights and restrictions of the common shares or the preferred shares, the Company must obtain the approval of a special resolution by 2/3 of the holders of the common shares, or 2/3 of the holders of the preferred shares.

### DIVIDEND RECORD

The Company has not paid any dividends on its common shares and has no policy with respect to the payment of dividends.

### OWNERSHIP OF SECURITIES AND CHANGE OF CONTROL

There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by foreign law or by the constituent documents of the Company.

Any person who beneficially owns or controls, directly or indirectly, more than 10% of the Company's voting shares is considered an insider, and must file an insider report with the British Columbia, Alberta and Ontario Securities Commissions within ten days of becoming an insider disclosing any direct or indirect beneficial ownership of, or control over direction over securities of the Company. In addition, if the Company itself holds any of its own securities, the Company must disclose such ownership.

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There are no provisions in the Company's Memorandum and Articles of Association or Bylaws that would have an effect of delaying, deferring or preventing a change in control of the Company operating only with respect to a merger, acquisition or corporate restructuring involving the Company or its subsidiaries.

### MEETINGS OF THE SHAREHOLDERS

#### ANNUAL AND GENERAL MEETINGS

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

The Directors may fix in advance a date, which is no fewer than 35 days or no

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more than 60 days prior to the date of the meeting. All the holders of common shares as at that date are entitled to attend and vote at a general meeting.

### QUORUM FOR SHAREHOLDER MEETING

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

### SPECIAL MAJORITY FOR RESOLUTIONS

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

### INDEMNITY PROVISION

The Company's Articles allow the Company to indemnify directors, officers, employees and agents, subject to the limits imposed under the BCBCA. Management believes that it is in the best interests of the Company to allow the indemnification of directors, officers, employees and agents, subject to the limits and conditions of the BCBCA.

The directors, officers, employees and agents have entered into Indemnity Agreements, as allowed under the Articles of the Company. However, under the BCBCA, the Company will be prohibited from paying an indemnity if:

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

### DIFFERENCES FROM REQUIREMENTS IN THE UNITED STATES

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

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### MATERIAL CONTRACTS

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

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

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Officer of the Company. Pursuant to the terms of the agreement, in the event the agreement is terminated by the Company as a result of Mr. Grosso's death or permanent disability while providing services to the Company, or by Mr. Grosso as a result of a material breach or default by the Company, Oxbow is entitled to a bonus payment in the amount of \$461,500. In the event the agreement is terminated by the Company without cause or as a result of a change of control, Oxbow is entitled to (i) any monthly compensation due to the date of termination, (ii) options as determined by the Company's Board of Directors, (iii) three years of Mr. Grosso's monthly compensation (which may be adjusted annually), and (iv) a bonus payment of \$461,500. During the fiscal year ended December 31, 2007, Oxbow was paid \$250,000 (2006 - \$350,667, 2005 - \$102,000). See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts".

2. By agreement dated April 1, 2004, between the Company and KGE Management Ltd. ("KGE"), a private company owned by Mr. Carlson, former Chairman of the Board of Directors of the Company, this new agreement, which replaced a prior agreement, provided for a monthly retainer of \$2,000 per month plus a fee of \$600 per day for additional days in excess of 3 days per month. This agreement expired March 31, 2005 and was renewed for six months with the same terms. Effective January 1, 2006 the Company agreed to pay KGE a fee of \$600 per day if services were required and the former agreement was not renewed. During the fiscal year ended December 31, 2007, the Company paid \$Nil to KGE (2006 - \$3,300 2005 - \$24,000).
3. In July 2004, the Company entered into an indemnity agreement, for any costs or losses incurred by Golden Arrow in respect of the legal action commenced by a Minera Aquiline Argentina S.A. against the Company. See "Item 8. Financial Information - Legal Proceedings."
4. Pursuant to the terms of an Administration Services Agreement dated January 1, 2005, the Company engages the Grosso Group to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow, Amera, Astral, Gold Point and Blue Sky, each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During fiscal 2007, the Company incurred fees of \$349,143 (2006: \$724,902; 2005: \$730,802) to the Grosso Group: \$330,305 was paid in twelve monthly payments (2006: \$764,115; 2006: \$764,012) and \$18,838 (2006: \$39,213 included in amounts receivable; 2005: \$33,210 included in amounts receivable) is included in accounts payable as a result of a review of the allocation of the Grosso Group costs to the member companies for the year. In addition, included in other receivables, prepaids and deposits is other receivables of a \$205,000 deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital (2006: \$205,000; 2005: \$205,000). Effective February 29, 2008, Gold Point withdrew from Grosso Group. The Administration Services Agreement may be terminated by a shareholder company after January 1, 2007, upon 30 days written notice to the Grosso Group. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts".
5. As of January 2005, Mr. Terry provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2005, Mr. Terry's total compensation from the Grosso Group

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was \$120,000, of which \$63,600 was allocated to the Company as part of the Grosso Group fees during the year. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to \$12,500 (\$150,000 annually) effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006, Mr. Terry's total compensation from the Grosso Group was \$140,000, of which \$57,400 was allocated to the Company. On July 9, 2007 the Board accepted the recommendation from the Compensation Committee to increase Mr. Terry's monthly fee to \$16,667

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

6. As of January 2005, Mr. Lang provides executive services to the Company as an employee of the Grosso Group. Effective May 1, 2005, Mr. Lang's annual salary was increased to \$102,000. During the year ended December 31, 2005, Mr. Lang's total compensation from the Grosso Group was \$94,667, of which \$68,927 was allocated to the Company as part of the Grosso Group fees for the year. On April 12, 2006, the Board accepted the recommendation from the Compensation Committee to increase Mr. Lang's annual salary to \$150,000 effective May 1, 2006 and to pay a bonus of \$50,000. During the year ended December 31, 2006, Mr. Lang's total compensation from the Grosso Group was \$134,000, of which \$54,940 was allocated to the Company. During the year ended December 31, 2007, Mr. Lang's total compensation from the Grosso Group was \$151,000 of which \$59,834 was allocated to the Company. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."
7. As of January 2005, Mr. Cacos provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2007, Mr. Cacos's total compensation from the Grosso Group was \$22,500 (2006 - \$22,500, 2005 - \$22,500), of which \$938 was allocated to the Company (2006 - \$9,225, 2005 - \$14,862) as part of the Grosso Group fees for the year. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."
8. As of January 2005, Mr. Hurd provides executive services to the Company as an employee of the Grosso Group. During the year ended December 31, 2007, Mr. Hurd's total compensation from the Grosso Group was \$120,000 (2006 - \$112,000, 2005 - \$96,000), of which \$25,497 was allocated to the Company (2006 - \$45,920, 2005 - \$72,216) as part of the Grosso Group fees for the year. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts."
9. The Company leased a portion of its office space from Beauregard, a private company owned by Mr. Grosso's wife, Mrs. Evelina Grosso and subleased these premises to the Grosso Group in 2005 and 2006, the balance of the existing lease term, and recovered the 2006 and 2005 rent it had paid Effective January 1, 2007 Beauregard and Grosso Group executed a lease for the office premises. During the fiscal years ended December 31, 2006 and 2005, the Company paid rent to Beauregard in the amount of \$141,203 and \$128,722, respectively. During the year ended December 31, 2007, the Company's rent from the Grosso Group was

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\$235,471, of which \$32,966 was allocated to the Company. - See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Office".

10. On February 14, 2006 and effective January 1, 2006, the Company entered into an agreement with RSA Holdings Ltd., pursuant to which Mr. Angus, a director of the Company, provides advisory services including participation on various committees of the Company. A monthly fee of US\$5,000 for services is payable under this agreement for a minimum period of six months. In 2007, the Company paid RSA \$66,050 (2006 - \$68,350). This agreement was terminated by mutual agreement, effective December 31, 2007.
11. On October 18, 2006, the Company and Aquiline entered into the Interim Agreement for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The principal terms and conditions of the Interim Agreement were as follows:
  - (i) control of the Navidad Project was transferred to Aquiline in trust for the ultimately successful party in the appeal;
  - (ii) the Company and Aquiline agreed to the costs spent to date developing the Navidad Project in the amount of \$18,500,000. Upon transfer of control of the Navidad Project, Aquiline paid \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions and
  - (iii) in the event that the Company was unsuccessful on appeal, the Company was to be paid such \$18,500,000 amount

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

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

### EXCHANGE CONTROLS

There are no governmental laws, decrees, or regulations in Canada relating to

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restrictions on the export or import of capital, or affecting the remittance of interest, dividends, or other payments to non-resident holders of the Company's Common Stock. Any remittances of dividends to United States residents are, however, subject to a 15% withholding tax (10% if the shareholder is a corporation owning at least 10% of the outstanding Common Stock of the Company) pursuant to Article X of the reciprocal tax treaty between Canada and the United States. See "Item 10. Additional Information - Taxation".

Except as provided in the Investment Canada Act (the "Act"), there are no limitations specific to the rights of non-Canadians to hold or vote the Common Stock of the Company under the laws of Canada or the Province of British Columbia or in the charter documents of the Company.

Management of the Company considers that the following general summary is materially complete and fairly describes those provisions of the Act pertinent to an investment by an American investor in the Company.

The Act requires a non-Canadian making an investment which would result in the acquisition of control of a Canadian business, the gross value of the assets of which exceed certain threshold levels or the business activity of which is related to Canada's cultural heritage or national identity, to either notify, or file an application for review with, Investment Canada, the federal agency created by the Investment Canada Act.

The notification procedure involves a brief statement of information about the investment of a prescribed form which is required to be filed with Investment Canada by the investor at any time up to 30 days following implementation of the investment. It is intended that investments requiring only notification will proceed without government intervention unless the investment is in a specific type of business activity related to Canada's cultural heritage and national identity.

If an investment is reviewable under the Act, an application for review in the form prescribed is normally required to be filed with Investment Canada prior to the investment taking place and the investment may not be implemented until the review has been completed and the Minister responsible for Investment Canada is satisfied that the investment is likely to be of net benefit to Canada. If the Minister is not satisfied that the investment is likely to be of net benefit to Canada, the non-Canadian must not implement the investment or, if the investment has been implemented, may be required to divest himself of control of the business that is the subject of the investment.

The following investments by non-Canadians are subject to notification under the Act:

- (a) an investment to establish a new Canadian business; and
- (b) an investment to acquire control of a Canadian business that is not reviewable pursuant to the Act.

An investment is reviewable under the Act if there is an acquisition by a non-Canadian of a Canadian business and the asset value of the Canadian business being acquired equals or exceeds the following thresholds:

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- (a) for non-WTO Investors, the threshold is \$5,000,000 for a direct acquisition and over \$50,000,000 for an indirect acquisition. The

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\$5,000,000 threshold will apply however for an indirect acquisition of the asset value of the Canadian business being acquired exceeds 50% of the asset value of the global transaction;

- (b) except as specified in paragraph (c) below, a threshold is calculated for reviewable direct acquisitions by or from WTO Investors. The threshold for 2005 is \$250,000,000. Pursuant to Canada's international commitments, indirect acquisitions by or from WTO Investors are not reviewable; and
- (c) the limits set out in paragraph (a) apply to all investors for acquisitions of a Canadian business that:
  - (i) engages in the production of uranium and owns an interest in a producing uranium property in Canada;
  - (ii) provides any financial services;
  - (iii) provides any transportation service; or
  - (iv) is a cultural business.

WTO Investor as defined in the Act means:

- (a) an individual, other than a Canadian, who is a national of a WTO Member or who has the right of permanent residence in relation to that WTO Member;
- (b) a government of a WTO Member, whether federal, state or local, or an agency thereof;
- (c) an entity that is not a Canadian-controlled entity, and that is a WTO investor-controlled entity, as determined in accordance with the Act;
- (d) a corporation or limited partnership:
  - (i) that is not a Canadian-controlled entity, as determined pursuant to the Act;
  - (ii) that is not a WTO investor within the meaning of the Act;
  - (iii) of which less than a majority of its voting interests are owned by WTO investors;
  - (iv) that is not controlled in fact through the ownership of its voting interests; and
  - (v) of which two thirds of the members of its board of directors, or of which two thirds of its general partners, as the case may be, are any combination of Canadians and WTO investors;
- (e) a trust:
  - (i) that is not a Canadian-controlled entity, as determined pursuant to the Act;
  - (ii) that is not a WTO investor within the meaning of the Act;
  - (iii) that is not controlled in fact through the ownership of its voting interests, and
  - (iv) of which two thirds of its trustees are any combination of Canadians and WTO investors, or
- (f) any other form of business organization specified by the regulations that is controlled by a WTO investor.

WTO Member as defined in the Act means a member of the World Trade Organization.

Generally speaking, an acquisition is direct if it involves the acquisition of control of the Canadian business or of its Canadian parent or grandparent and an acquisition is indirect if it involves the acquisition of control of a

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non-Canadian parent or grandparent of an entity carrying on the Canadian business. Control may be acquired through the acquisition of actual or de jure voting control of a Canadian corporation or through the acquisition of substantially all of the assets of the Canadian business. No change of voting control will be deemed to have occurred if less than one-third of the voting control of a Canadian corporation is acquired by an investor.

The Act specifically exempts certain transactions from either notification or review. Included among the category of transactions is the acquisition of voting shares or other voting interests by any person in the ordinary course of that person's business as a trader or dealer in securities.

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### TAXATION

#### MATERIAL CANADIAN FEDERAL INCOME TAX CONSEQUENCES

Management of the Company considers that the following discussion describes the material Canadian federal income tax consequences applicable to a holder of Common Stock of the Company who is a resident of the United States and who is not a resident of Canada and who does not use or hold, and is not deemed to use or hold, his shares of Common Stock of the Company in connection with carrying on a business in Canada (a "non-resident shareholder").

This summary is based upon the current provisions of the Income Tax Act (Canada) (the "ITA"), the regulations thereunder (the "Regulations"), the current publicly announced administrative and assessing policies of Revenue Canada, Taxation and all specific proposals (the "Tax Proposals") to amend the ITA and Regulations announced by the Minister of Finance (Canada) prior to the date hereof. This description is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action.

#### DIVIDENDS

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

#### CAPITAL GAINS

In general, a non-resident of Canada is not subject to tax under the ITA with respect to a capital gain realized upon the disposition of a share of a corporation resident in Canada that is listed on a prescribed stock exchange. For purposes of the ITA, the Company is listed on a prescribed stock exchange. Non-residents of Canada who dispose of shares of the Company will be subject to income tax in Canada with respect to capital gains if:

- (a) the non-resident holder;
- (b) persons with whom the non-resident holder did not deal at

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- arm's length; or
- (c) the non-resident holder and persons with whom the non-resident holder did not deal with at arm's length,

owned not less than 25% of the issued shares of any class or series of the Company at any time during the five-year period preceding the disposition. In the case of a non-resident holder to whom shares of the Company represent taxable Canadian property and who is resident in the United States, no Canadian taxes will be payable on a capital gain realized on such shares by reason of the Canada-U.S. Income Tax Convention (1980) (the "Treaty") unless the value of such shares is derived principally from real property situated in Canada. However, in such a case, certain transitional relief under the Treaty may be available.

### MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

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

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The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, published Internal Revenue Service ("IRS") rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. In addition, this discussion does not consider the potential effects, both adverse and beneficial of recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. Holders and prospective holders of the Company's Common Stock should consult their own tax advisors about the federal, state, local and foreign tax consequences of purchasing, owning and disposing of shares of Common Stock of the Company.

### U.S. HOLDERS

As used herein, a "U.S. Holder" is defined as (i) citizens or residents of the U.S., or any state thereof, (ii) a corporation or other entity created or organized under the laws of the U.S., or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income tax regardless of source or that is otherwise subject to U.S. federal income tax on a net income basis in respect of the common stock, or (iv) a trust whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. fiduciaries who have the authority to control all substantial decisions of the trust, whose ownership of common stock is not effectively connected with the conduct of a trade or business in the United States and shareholders who acquired their stock through the exercise of employee stock options or otherwise as compensation.

### DISTRIBUTIONS ON SHARES OF COMMON STOCK

U.S. Holders receiving dividend distributions (including constructive dividends)

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with respect to the Company's common stock are required to include in gross income for United States federal income tax purposes the gross amount of such distributions to the extent that the Company has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's United States federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder's United States federal taxable income by those who itemize deductions. (See more detailed discussion at "Foreign Tax Credit" below.) To the extent that distributions exceed current or accumulated earnings and profits of the Company, they will be treated first as a return of capital up to the U.S. Holder's adjusted basis in the common stock and thereafter as gain from the sale or exchange of such shares. Preferential tax rates for long-term capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation. Dividends paid on the Company's common stock will not generally be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations.

### FOREIGN TAX CREDIT

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of the Company's common stock may be entitled, at the option of the U.S. Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. Subject to certain limitations, Canadian taxes withheld will be eligible for credit against the U.S. Holder's United States federal income taxes. Under the Code, the limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Dividends paid by the Company generally will be either "passive" income or "financial services" income, depending on the particular U.S. Holder's circumstances. Foreign tax credits allowable with respect to each class of income cannot exceed the U.S. federal income tax otherwise payable with respect to such class of income. The consequences of the separate limitations will depend on the nature and sources of each U.S. Holder's income and the deductions appropriately allocated or apportioned thereto. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific and holders and prospective holders of common stock should consult their own tax advisors regarding their individual circumstances.

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### DISPOSITION OF SHARES OF COMMON STOCK

A U.S. Holder will recognize gain or loss upon the sale of shares of common stock equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received; and (ii) the shareholder's tax basis in the common stock. This gain or loss will be capital gain or loss if the shares are a capital asset in the hands of the U.S. Holder, and such gain or loss will be long-term capital gain or loss if the U.S. Holder has held the common stock for more than one year. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders who are individuals, any unused

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portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders which are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

### OTHER CONSIDERATIONS

The Company has not determined whether it meets the definition of a "passive foreign investment company" (a "PFIC"). It is unlikely that the Company meets the definition of a "foreign personal holding company" (a "FPHC") or a "controlled foreign corporation" (a "CFC") under current U.S. law.

If more than 50% of the voting power or value of the Company were owned (actually or constructively) by U.S. Holders who each owned (actually or constructively) 10% or more of the voting power of the Company's common shares ("10% Shareholders"), then the Company would become a CFC and each 10% Shareholder would be required to include in its taxable income as a constructive dividend an amount equal to its share of certain undistributed income of the Company. If (1) more than 50% of the voting power or value of the Company's common shares were owned (actually or constructively) by five or fewer individuals who are citizens or residents of the United States and (2) 60% or more of the Company's income consisted of certain interest, dividend or other enumerated types of income, then the Company would be a FPHC. If the Company were a FPHC, then each U.S. Holder (regardless of the amount of the Company's Common Shares owned by such U.S. Holder) would be required to include in its taxable income as a constructive dividend its share of the Company's undistributed income of specific types.

If 75% or more of the Company's annual gross income has ever consisted of, or ever consists of, "passive" income or if 50% or more of the average value of the Company's assets in any year has ever consisted of, or ever consists of, assets that produce, or are held for the production of, such "passive" income, then the Company would be or would become a PFIC. The Company has not provided assurances that it has not been and does not expect to become a PFIC. Please note that the application of the PFIC provisions of the Code to mining companies is somewhat unclear.

If the Company were to be a PFIC, then a U.S. Holder would be required to pay an interest charge together with tax calculated at maximum tax rates on certain "excess distributions" (defined to include gain on the sale of stock) unless such U.S. Holder made an election either to (1) include in his or her taxable income certain undistributed amounts of the Company's income or (2) mark to market his or her Company common shares at the end of each taxable year as set forth in Section 1296 of the Internal Revenue Code of 1986, as amended. The elections require certain conditions be met such as filing on or before the due date, as extended, for filing the shareholder's income tax return for the first taxable year to which the election will apply.

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### INFORMATION REPORTING AND BACKUP WITHHOLDING

U.S. information reporting requirements may apply with respect to the payment of dividends to U.S. Holders of the Company's shares. Under Treasury regulations currently in effect, non-corporate holders may be subject to backup withholding at a 31% rate with respect to dividends when such holder (1) fails to furnish or certify a correct taxpayer identification number to the payor in the required

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manner, (2) is notified by the IRS that it has failed to report payments of interest or dividends properly or (3) fails, under certain circumstances, to certify that it has been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments.

### DOCUMENTS ON DISPLAY

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

### ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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As of the date of this report, the Company does not have any material market risk sensitive financial instruments.

### ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.

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Not applicable.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.

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Not applicable.

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

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Not applicable.

### ITEM 15T. CONTROLS AND PROCEDURES.

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#### DISCLOSURE CONTROLS AND PROCEDURES

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

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

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way the Company's financial statements prepared in accordance with Canadian GAAP. This material weakness has since been corrected and does not exist as of the date of this filing.

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### MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the fiscal year ended December 31, 2007, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.

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

ITEM 16B. CODE OF BUSINESS CONDUCT AND ETHICS.

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The Board of Directors of the Company has adopted a Code of Business Conduct and Ethics that outlines the Company's values and its commitment to ethical business practices in every business transaction. This code applies to all directors, officers, and employees of the Company and its subsidiaries and affiliates. A copy of the Company's Code of Business Conduct and Ethics is available on the Company's website at [www.imaexploration.com/s/CorporateGovernance.asp](http://www.imaexploration.com/s/CorporateGovernance.asp).

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HONEST AND ETHICAL CONDUCT

The Company expects a high level of personal integrity for each employee, officer and director when interacting with investors, business partners, shareholders, suppliers, consultants and other employees.

CONFLICT OF INTEREST

When possible, conflicts of interest between personal and professional relationships should be avoided, however, unavoidable conflict of interest will be handled in accordance with the Company's ethical standards.

A director, officer or employee may not represent the Company in any transaction with a person or an entity in which the director, officer or employee has a direct or indirect interest or from which the director, officer or employee may derive personal benefit.

ACCURATE AND TIMELY DISCLOSURE

Full, fair, accurate, timely and understandable disclosure in reports or documents submitted to the Securities and Exchange Commission and other securities commissions across Canada as well as all public communications. Employees and officers who prepare financial and other reports will exercise diligence in ensuring that there are no false or misleading statements.

COMPLIANCE WITH APPLICABLE GOVERNMENTAL LAWS, RULES AND REGULATIONS

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

PROMPT INTERNAL REPORTING OF VIOLATIONS

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

PROTECTION AND PROPER USE OF COMPANY ASSETS AND OPPORTUNITIES

All employees have an obligation to protect the Company's assets and to ensure that all opportunities available to the Company are brought to the attention of the relevant officer or employee.

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### CONFIDENTIALITY OF COMPANY INFORMATION

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

### INSIDER TRADING

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

### FAIR DEALING

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

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### REPORTING UNETHICAL AND ILLEGAL CONDUCT/ETHICS QUESTIONS

The Company is committed to taking prompt action against violations of the Code of Business Conduct and Ethics and it is the responsibility of all directors, officers and employees to comply with the Code and to report violations or suspected violations to the Company's Compliance Officer. Employees may also discuss their concerns with their supervisor who will then report suspected violations to the Compliance Officer.

The Compliance Officer is appointed by the Board of Directors and is responsible for investigating and resolving all reported complaints and allegations and shall advise the President and CEO, the CFO and/or the Audit Committee.

The Compliance Officer can be reached via telephone at 1-866-921-6714 or via the internet site located at <http://www.whistleblowersecurity.com>.

### VIOLATIONS AND WAIVERS

The Compliance Officer will report suspected fraud or securities law violations for review by the Audit Committee. The Audit Committee will report all violations reviewed by the Audit Committee to the Board of Directors.

The Compliance Officer will report regularly to the Board of Directors on the results and resolution of complaints and allegations concerning violations of the Code.

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

Only the Audit Committee may amend the Company's Code of Business Conduct and Ethics.

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

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#### AUDIT FEES

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

#### AUDIT RELATED FEES

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

#### TAX FEES

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

#### PRE-APPROVAL POLICIES AND PROCEDURES

Generally, in the past, prior to engaging the Company's auditors to perform a particular service, the Company's audit committee has, when possible, obtained an estimate for the services to be performed. The audit committee in accordance with procedures for the Company approved all of the services described above.

Additionally, the auditors have been engaged to perform services by non-independent directors of the Company pursuant to pre-approval policies and procedures established by the audit committee (which are detailed as to the particular service) and the audit committee has been informed of any such engagement and service.

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Beginning July 1, 2004, the Company's audit committee obtained estimates for services to be performed, prior to engaging the Company's auditor to perform any audit or non-audit related services, including those set forth above. The audit committee also allowed the engagement of the auditor, by a non-independent member of the Board of Directors, to render services pursuant to pre-approval policies and procedures established by the audit committee (which are detailed as to the particular service), provided the audit committee is informed of any such engagement and service. The audit committee may delegate to one of its members, who is also an independent director of the Company, the ability to approve such services on behalf of the audit committee. Any approval by such director shall be ratified by the audit committee at its next scheduled meeting.

### ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES.

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Not applicable.

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

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Not applicable.

### PART III

ITEM 17. FINANCIAL STATEMENTS.

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See pages F-1 through F-27.

ITEM 18. FINANCIAL STATEMENTS.

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Not applicable.

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ITEM 19. EXHIBITS.

| EXHIBIT<br>NUMBER | DESCRIPTION                                                                                                |
|-------------------|------------------------------------------------------------------------------------------------------------|
| 1.1               | Notice of Articles (8)                                                                                     |
| 1.2               | Articles (12)                                                                                              |
| 4.1               | Share Purchase Agreement Between Shareholders and 389863 B.C. Ltd. (1)                                     |
| 4.2               | Arrangement Agreement Between Viceroy Resource Corporation and IMA Resource Corporation (1)                |
| 4.3               | Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation (1) |
| 4.4               | Employment Agreement with William Lee (1)                                                                  |
| 4.5               | Consulting Services Agreement Between Nikolaos Cacos and IMA Resource Corporation (1)                      |
| 4.6               | Consulting Agreement Between KGE Management Ltd. and IMA Exploration Inc. dated April 1, 2004 (8)          |
| 4.7               | Consulting Agreement Between Lindsay R. Bottomer and IMA Exploration Inc. (1)                              |
| 4.8               | Exploration and Option Agreement with Barrick Exploraciones Argentina S.A. (1)                             |

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| EXHIBIT<br>NUMBER | DESCRIPTION                                                                                                          |
|-------------------|----------------------------------------------------------------------------------------------------------------------|
| 4.9               | Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. (1) |
| 4.10              | Option Agreement with Lirio and Lir-Fer Construcciones S.R.L. (1)                                                    |

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- 4.11 Option Agreement with Oscar Garcia and others (1)
- 4.12 Purchase Agreement with Modesto Enrique Arasena (1)
- 4.13 Option Agreement with Hugo Arturo Bosque (1)
- 4.14 Option Agreement with Guillermo Munoz, Lydia Gonzalez, Ricardo Sanchez and Antonio Monteleone (1)
- 4.15 Option Agreement with Jorge Ernesto Rodriguez and Gerardo Javier Rodriguez (1)
- 4.16 Option Agreement with Jorge Ernesto Rodriguez and Raul Alberto Garcia (1)
- 4.17 Purchase Agreement with Victor Ronchietto (1)
- 4.18 Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltd) Don Alberto JJ de Piura (1)
- 4.19 Amendment to Option Agreement with Hugo Arturo Bosque (2)
- 4.20 Amendment to Purchase Agreement with Victor Ronchietto (2)
- 4.21 Option Agreement with Dionisio Ramos (2)
- 4.22 Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation (2)
- 4.23 Amendment to consulting Agreement between IMA Exploration Inc. and Nikolaos Cacos (3)
- 4.24 Agreement between the Company and Sean Hurd dated June 2, 2002 (3)
- 4.25 Option Agreement between Nestor Arturo and IMA S.A. (3)
- 4.26 Amendment to Option Agreement with Guillermo Munoz, Lydia Gonzalez, Ricardo Sanchez and Antonio Monteleone (3)
- 4.27 Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura (3)
- 4.28 Option Agreement with Rio Tinto Mining and Exploration Limited (4)
- 4.29 Amendment to Exploration and Option Agreement with Barrick Exploraciones Argentina S.A. (4)
- 4.30 Consulting Agreement between the Company and Lindsay Bottomer dated April 1, 2002 (4)
- 4.31 Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. (4)
- 4.32 Amendment to Option Agreement with Juan Demetrio Lirio and Lir-Fer Construcciones S.R.L. (4)
- 4.33 Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura (4)
- 4.34 Amendment to Option Agreement between Nestor Arturo and IMA S.A. (4)
- 4.35 Consulting Agreement Between KGE Management Ltd. and IMA Exploration Inc. (4)
- 4.36 Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. (5)
- 4.37 Amendment to Option Agreement with Juan Demetrio Lirio and Lir-Fer Construcciones S.R.L. (5)
- 4.38 Amendment to Option Agreement between Nestor Arturo and IMA S.A. (5)
- 4.39 Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura (5)

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| EXHIBIT<br>NUMBER | DESCRIPTION                                                                                                                                                                                                    |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.40              | Short Form Offering Document (5)                                                                                                                                                                               |
| 4.41              | Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation (5)                                                                                        |
| 4.42              | Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. (5)                                                                                                                     |
| 4.43              | Amendment to Agreement between the Company and Sean Hurd (5)                                                                                                                                                   |
| 4.44              | Amendment to Exploration and Option Agreement with Barrick Exploraciones Argentina S.A. dated March 26, 2003. (6)                                                                                              |
| 4.45              | Letter of Intent dated March 6, 2003 with Amera Resources Corporation (6)                                                                                                                                      |
| 4.46              | Letter Agreement with Amera Resources Corporation re: reimbursement of office expenses (6)                                                                                                                     |
| 4.47              | Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura dated December 23, 2002 (6) |
| 4.48              | Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. dated July 10, 2002 (6)                                                          |
| 4.49              | Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. dated December 27, 2002 (6)                                                      |
| 4.50              | Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation dated July 15, 2002 (6)                                                                    |
| 4.51              | Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. dated June 14, 2002 (6)                                                                                                 |
| 4.52              | Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. dated October 3, 2002 (6)                                                                                               |
| 4.53              | Amendment to Agreement between the Company and Sean Hurd dated June 10, 2002 (6)                                                                                                                               |
| 4.54              | Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation dated April 17, 2003 (6)                                                                   |
| 4.55              | Arrangement Agreement between IMA Exploration Inc., IMA Holdings Corp. and Golden Arrow Resources Corporation dated May 14, 2004 (7)                                                                           |
| 4.56              | Amendment to consulting Agreement with Nikolaos Cacos dated January 5, 2004 (8)                                                                                                                                |
| 4.57              | Amendment to Agreement with Sean Hurd dated January 5, 2004 (8)                                                                                                                                                |
| 4.58              | Financial Advisory Services Agreement with Endeavour Financial Ltd. (8)                                                                                                                                        |
| 4.59              | Agreement between the Company and Amera Resources Corporation dated March 6, 2003 relating to the Lago Pico, Loma Alta and Nueva Ruta properties (8)                                                           |
| 4.60              | Amendment to Letter of Intent with Amera Resources Corporation dated September 30, 2003 (8)                                                                                                                    |
| 4.61              | Amendment to Letter of Intent with Amera Resources Corporation dated April 8, 2004 (8)                                                                                                                         |
| 4.62              | Letter Agreement with Beauregard Holdings Corp. dated February 5, 2004 regarding office lease (8)                                                                                                              |
| 4.63              | Option Agreement dated September 22, 2003, between the Company and Cloudbreak Resources Ltd. (8)                                                                                                               |
| 4.64              | Option Agreement dated August 12, 2003 between the Company and                                                                                                                                                 |

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

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| EXHIBIT<br>NUMBER | DESCRIPTION                                                                                                                                                                                                  |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.66              | Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura dated August 15, 2003 (8) |
| 4.67              | Letter Agreement with Arthur Lang dated April 23, 2004 (8)                                                                                                                                                   |
| 4.68              | Arrangement Agreement by and among the Company, Golden Arrow Resources Corporation and IMA Holdings Corp. dated May 14, 2004 (9)                                                                             |
| 4.69              | Indemnity Agreement provided to Golden Arrow Resources Corporation dated July 7, 2004 (9)                                                                                                                    |
| 4.70              | Administration Services Agreement with the Grosso Group Management Ltd. dated January 1, 2005 (9)                                                                                                            |
| 4.71              | Amendment to Consulting Agreement between KGE Management Ltd. and IMA Exploration Inc. dated April 1, 2005 (9)                                                                                               |
| 4.72              | Audit Committee Charter (9)                                                                                                                                                                                  |
| 4.73              | Amendment to Consulting Agreement between KGE Management Ltd. and IMA Exploration Inc. dated January 26, 2006 (10)                                                                                           |
| 4.74              | Advisory Services Agreement between RSA Holdings Ltd. and IMA Exploration Inc. dated February 14, 2006 (10)                                                                                                  |
| 4.75              | Interim Project Development Agreement between IMA Exploration Inc. and Aquiline Resources Inc. dated October 18, 2006.(11)                                                                                   |
| 4.76              | Amended and restated Management Agreement between IMA and Oxbow dated May 1, 2006                                                                                                                            |
| 8.1               | List of Subsidiaries (8)                                                                                                                                                                                     |
| 12.1              | Certification of Joseph Grosso Pursuant to Rule 13a-14(a)                                                                                                                                                    |
| 12.2              | Certification of Arthur Lang Pursuant to Rule 13a-14(a)                                                                                                                                                      |
| 13.1              | Certification of Joseph Grosso Pursuant to 18 U.S.C. Section 1350                                                                                                                                            |
| 13.2              | Certification of Arthur Lang Pursuant to 18 U.S.C. Section 1350                                                                                                                                              |
| (1)               | Previously filed as an exhibit to the Company's Registration Statement on Form 20-F, filed with the Commission on January 6, 2000. File number 00-30464.                                                     |
| (2)               | Previously filed as an exhibit to the Company's Registration Statement on Form 20-F/A Amendment No. 1 filed July 14, 2000. File Number 00-30464.                                                             |
| (3)               | Previously filed as an exhibit to the Company's Registration Statement on Form 20-F/A Amendment No. 2 filed September 15, 2000. File Number 00-30464.                                                        |
| (4)               | Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 8, 2001. File Number 00-30464.                                                                                          |
| (5)               | Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 8, 2002. File Number 00-30464.                                                                                          |
| (6)               | Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 16, 2003. File Number 00-30464.                                                                                         |
| (7)               | Previously filed as with the Company's Report on Form 6-K filed June 18, 2004. File Number 00-30464.                                                                                                         |
| (8)               | Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed June 23, 2004. File Number 00-30464.                                                                                        |
| (9)               | Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed June 7, 2005. File Number 00-30464.                                                                                         |

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- (10) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 8, 2006. File Number 01-32558.
- (11) Previously filed as with the Company's Report on Form 6-K filed October 19, 2006. File Number 01-32558.
- (12) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed April 2, 2007. File Number 01-32558.

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### SIGNATURES

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

IMA EXPLORATION INC.

Dated: March 25, 2008

/s/ Arthur Lang

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

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IMA EXPLORATION INC.  
(An Exploration Stage Company)

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

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

/s/Joseph Grosso

Joseph Grosso  
President

/s/ Art Lang

Art Lang  
Chief Financial Officer

March 28, 2008

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PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS LLP  
CHARTERED ACCOUNTANTS  
PricewaterhouseCoopers Place  
250 Howe Street, Suite 700  
Vancouver, British Columbia  
Canada V6C 3S7  
Telephone +1 604 806 7000  
Facsimile +1 604 806 7806

INDEPENDENT AUDITORS' REPORT

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TO THE SHAREHOLDERS OF  
IMA EXPLORATION INC.

We have audited the consolidated balance sheets of IMA EXPLORATION INC. (the "Company") as at December 31, 2007 and 2006 and the consolidated statements of loss, comprehensive loss and deficit, cash flows and changes in shareholders' equity for each of the years in the three-year period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS

Vancouver, B.C.  
March 19, 2008

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

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

|                                 | 2007<br>\$ | 2006<br>\$ |
|---------------------------------|------------|------------|
| ASSETS                          |            |            |
| CURRENT ASSETS                  |            |            |
| Cash                            | 183,628    | 391,420    |
| Short-term investments (Note 4) | 6,813,462  | 8,500,000  |

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

## LIABILITIES

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

## SHAREHOLDERS' EQUITY

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

NATURE OF OPERATIONS (Note 1)

NAVIDAD INTEREST (Notes 2 and 13)

COMMITMENTS (Note 8)

APPROVED BY THE BOARD

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

/s/ Robert Stuart Angus , Director  
-----

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

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

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

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

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IMA EXPLORATION INC.  
(An Exploration Stage Company)  
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

SUPPLEMENTARY CASH FLOW INFORMATION (Note 12)

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

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IMA EXPLORATION INC.  
(An Exploration Stage Company)  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(Expressed in Canadian Dollars)

|                                                                                    | 2007<br>\$   | 2006<br>\$   | 2005<br>\$   |
|------------------------------------------------------------------------------------|--------------|--------------|--------------|
| SHARE CAPITAL                                                                      |              |              |              |
| Balance at beginning of year                                                       | 58,664,727   | 50,414,672   | 36,982,307   |
| Private placements                                                                 | -            | 10,027,500   | 10,000,020   |
| Warrant valuation                                                                  | -            | (1,298,981)  | -            |
| Exercise of options                                                                | 59,500       | 280,950      | 577,000      |
| Contributed surplus reallocated on the exercise of options                         | 29,274       | 95,300       | 131,270      |
| Exercise of warrants                                                               | -            | -            | 3,784,011    |
| Proceeds collected and paid on behalf of Golden Arrow shares                       | -            | -            | (145,866)    |
| Share issue costs                                                                  | -            | (854,714)    | (914,070)    |
| Balance at end of year                                                             | 58,753,501   | 58,664,727   | 50,414,672   |
| WARRANTS                                                                           |              |              |              |
| Balance at beginning of year                                                       | 1,281,946    | -            | -            |
| Warrant valuation from private placement warrants granted                          | -            | 1,298,981    | -            |
| Warrant valuation from agent's warrants granted                                    | -            | 110,164      | -            |
| Warrant issue costs                                                                | -            | (127,199)    | -            |
| Balance at end of year                                                             | 1,281,946    | 1,281,946    | -            |
| CONTRIBUTED SURPLUS                                                                |              |              |              |
| Balance at beginning of year                                                       | 6,152,265    | 5,854,445    | 3,428,382    |
| Contributed surplus as a result of stock options granted                           | 34,421       | 393,120      | 2,380,000    |
| Warrant valuation from agent's warrants granted                                    | -            | -            | 177,333      |
| Contributed surplus reallocated on the exercise of stock options                   | (29,274)     | (95,300)     | (131,270)    |
| Balance at end of year                                                             | 6,157,412    | 6,152,265    | 5,854,445    |
| DEFICIT                                                                            |              |              |              |
| Balance at beginning of year                                                       | (39,089,404) | (35,508,044) | (29,597,304) |
| Loss for the year                                                                  | (1,084,689)  | (3,581,360)  | (5,764,874)  |
| Distribution of equity on spin-off of assets to Golden Arrow Resources Corporation | -            | -            | (145,866)    |

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|                            |              |              |              |
|----------------------------|--------------|--------------|--------------|
|                            | -----        | -----        | -----        |
| Balance at end of year     | (40,174,093) | (39,089,404) | (35,508,044) |
|                            | -----        | -----        | -----        |
| TOTAL SHAREHOLDERS' EQUITY | 26,018,766   | 27,009,534   | 20,761,073   |
|                            | =====        | =====        | =====        |

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

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

1. NATURE OF OPERATIONS

IMA Exploration Inc. (the "Company") is a natural resource company engaged in the business of acquisition, exploration and development of mineral properties. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently the Company considers itself to be an exploration stage company. The amounts that were shown as mineral properties and deferred costs represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. As at December 31, 2007 the Company had no mineral property interests. The Company considers that it has adequate resources to maintain its core operations for the next fiscal year.

2. NAVIDAD INTEREST

On March 5, 2004, Aquiline Resources Inc. ("Aquiline"), through its subsidiary, Minera Aquiline Argentina SA, filed a claim in the Supreme Court of British Columbia against the Company seeking a constructive trust over the Navidad properties and damages. On July 14, 2006 the court released its judgment on the claim. The Company was not successful in its defense and the court found in Aquiline's favour.

The Order reads in part:

"(a) that Inversiones Mineras Argentinas SA ("IMA SA") transfer the Navidad Claims and any assets related thereto to Minera Aquiline or its nominee within 60 days of this order;

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- (b) that IMA take any and all steps required to cause IMA SA to comply with the terms of this order;
- (c) that the transfer of the Navidad Claims and any assets related thereto is subject to the payment to IMA SA of all reasonable amounts expended by IMA SA for the acquisition and development of the Navidad Claims to date; and
- (d) any accounting necessary to determine the reasonableness of the expenditures referred to in (c) above shall be by reference to the Registrar of this court."

On October 18, 2006, the Company and Aquiline reached a definitive agreement for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The parties have agreed that the transactions outlined in the agreement were in satisfaction of the Order referenced above. The principal terms and conditions of the agreement are as follows:

- (a) control of the Navidad Project will be transferred to Aquiline in trust for the ultimately successful party in the appeal;
- (b) the Company and Aquiline have agreed to the costs spent to date developing the Navidad Project in the amount of \$18,500,000. Upon transfer of control of the Navidad Project, Aquiline paid \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions;
- (c) in the event that the Company is unsuccessful on appeal, the Company will be paid such \$18,500,000 amount.

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

### 2. NAVIDAD INTEREST (continued)

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

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

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

As at December 31, 2007, the Company has recorded a Navidad interest balance of \$18,500,000, the components of which are as follows:

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

- (i) The mineral property and deferred costs represent the carrying value of the acquisition and exploration costs the Company has incurred in the development of the Navidad project.
- (ii) Marketable securities represents the carrying value of the common shares of publicly traded companies the Company received as partial consideration for entering into option and sale agreements for certain of its non-core mineral property holdings relating to the Navidad Project. Accordingly, these marketable securities were subject to transfer to Aquiline in relation to the July 2006 court order.
- (iii) The Company has recorded an additional recovery of \$550,479 to bring the total Navidad interest amount recoverable to \$18,500,000.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PRESENTATION

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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### USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates include the assumptions used in the determination of the fair value of stock based compensation. Actual results may differ from these estimates.

### PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All inter-company transactions and balances have been eliminated.

### CASH AND CASH EQUIVALENTS

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

### SHORT-TERM INVESTMENTS

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

### MINERAL PROPERTIES AND DEFERRED COSTS

Direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company are deferred on an individual property basis until the viability of a property is determined. Administration costs and general exploration costs are expensed as incurred. When a property is placed in commercial production, deferred costs will be depleted using the units-of-production method. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the costs are written-off, or if its carrying value has been impaired, then the mineral properties and deferred costs are written down to fair value.

The Company accounts for foreign value added taxes paid as part of mineral properties and deferred costs. The recovery of these taxes will commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a reduction in carrying costs of mineral properties and deferred costs.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are

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recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, any remaining balance of the payments received is recorded as a gain on option or disposition of mineral property.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized on the same basis as the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at December 31, 2007 the Company does not have any asset retirement obligations.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment when events or circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

TRANSLATION OF FOREIGN CURRENCIES

The Company's foreign operations are integrated and are translated using the temporal method. Under this method, the Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates in effect during the period except for depreciation and amortization which are translated at historical rates. The resulting gains or losses are reflected in operating results in the period of translation.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, short-term investments and other receivables. The Company limits its exposure to credit loss by placing its cash and short-term investments with major financial institutions.

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### INCOME TAXES

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

### LOSS PER SHARE

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. In years in which a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted losses per share are the same. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Note 6.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### STOCK-BASED COMPENSATION

The Company has an employee stock option plan. The Company recognizes an expense or addition to exploration properties and deferred exploration expenditures arising from stock options granted using the fair value method. The fair value of option grants is established at the date of grant using a Black Scholes option pricing model and the expense or addition to mineral properties is recognized over the option vesting period.

#### RECENT ACCOUNTING PRONOUNCEMENTS

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

- (a) Section 3855, Financial Instruments - Recognition and Measurement and Section 3861, Financial Instruments - Disclosure and Presentation, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also

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address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

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

The Company has designated its financial instruments as follows:

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

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

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

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

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

#### GENERAL STANDARDS ON FINANCIAL STATEMENT PRESENTATION

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

#### ACCOUNTING CHANGES

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

#### CAPITAL DISCLOSURES

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

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### INVENTORIES

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

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

#### GOODWILL AND INTANGIBLE ASSETS

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

#### FINANCIAL INSTRUMENTS DISCLOSURES

In March 2007, the CICA issued section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives.

The standard deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These sections are effective January 1, 2008 but are not expected to have an impact on the Company's disclosure and presentation.

### 4. SHORT-TERM INVESTMENTS

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

DECEMBER 31, 2007

-----  
PRINCIPAL

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|                              | MATURITY        | AND ACCRUED<br>INTEREST<br>\$ |
|------------------------------|-----------------|-------------------------------|
| 12 month term deposit        |                 |                               |
| - 4.45% annual interest rate |                 |                               |
| (\$6,700,000 principal)      | August 13, 2008 | 6,813,462                     |
|                              | -----           | -----                         |
|                              |                 | 6,813,462                     |
|                              |                 | =====                         |

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

### 4. SHORT-TERM INVESTMENTS (continued)

|                             | DECEMBER 31, 2006 |                 |
|-----------------------------|-------------------|-----------------|
|                             | MATURITY          | PRINCIPAL<br>\$ |
| 12 month term deposit       |                   |                 |
| - 3.7% annual interest rate | March 20, 2007    | 500,000         |
| 12 month term deposit       |                   |                 |
| - 4.2% annual interest rate | November 5, 2007  | 8,000,000       |
|                             | -----             | -----           |
|                             |                   | 8,500,000       |
|                             |                   | =====           |

All term deposits are fully redeemable in full or portion at the Company's option without penalty. Interest is paid on amounts redeemed subsequent to 30 days from the date of investment. The principal and interest are unconditionally guaranteed by the Bank of Montreal.

### 5. MARKETABLE SECURITIES

|                                        | 2007                    | 2006                    | 2005                    |
|----------------------------------------|-------------------------|-------------------------|-------------------------|
|                                        | RECORDED<br>VALUE<br>\$ | RECORDED<br>VALUE<br>\$ | RECORDED<br>VALUE<br>\$ |
| Tinka Resources Limited                |                         |                         |                         |
| - 300,000 common shares                | -                       | -                       | 96,000                  |
| Consolidated Pacific Bay Minerals Ltd. |                         |                         |                         |
| - 900,000 common shares                | -                       | -                       | 90,000                  |
|                                        | -----                   | -----                   | -----                   |
|                                        | -                       | -                       | 186,000                 |

=====

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

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IMA EXPLORATION INC.  
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6. SHARE CAPITAL

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

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

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|                            |            |            |
|----------------------------|------------|------------|
| Balance, December 31, 2007 | 52,132,064 | 58,753,501 |
|                            | =====      | =====      |

- (a) During fiscal 2007, 119,000 stock options were exercised at \$0.50 per share for proceeds of \$59,500.
- (b) During fiscal 2006, the Company completed a syndicated brokered private placement financing of 2,865,000 special warrants at \$3.50 per warrant for gross proceeds of \$10,027,500. Each special warrant entitled the holder to acquire one unit consisting of one common share and one half common share purchase warrant. All special warrants were converted into common shares on May 25, 2006. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$3.80 per share until March 21, 2010. In addition to a cash commission of 6% the underwriters were granted 171,900 agent's warrants, representing 6% of the number of special warrants issued. Each agent's warrant is exercisable for one share at a price of \$3.80, for a period of twenty four months, expiring on March 21, 2008.

The fair value of warrants and agent's warrants were as follows:

- i) value assigned to 1,432,500 warrants was \$1,186,053, net of share issue costs of \$112,928
- ii) value assigned to the 171,900 agent's warrant was \$95,893, net of share issue costs of \$14,271

The Black-Scholes Pricing Model was used to value the warrants and agent's warrants. The warrants were valued at \$0.91 based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 55% and expected life of 24 months. The agent's warrants were valued at \$0.64 based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 61% and expected life of 12 months. At December 31, 2007, no warrants or agent's warrants had been exercised.

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### 6. SHARE CAPITAL (continued)

- (c) During fiscal 2005, the Company completed a brokered private placement for 3,333,340 units at \$3.00 per unit, for proceeds of \$9,263,283 net of \$600,001 agent's commission and \$136,736 of related issue costs. Each unit consisted of one common share and one half common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional

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common share at a price of \$3.45 per share until September 14, 2009. In addition to the cash commission the underwriters were granted as commission 233,334 underwriter's warrants, representing 7% of the number of units issued. Each underwriter's warrant is exercisable for one share at a price of \$3.25, for a period of twenty four months, expiring on September 12, 2007. The underwriter's warrants were valued using the Black-Sholes Pricing Model. The warrants were valued at \$0.76 per warrant for a total value of \$177,333 and have been recorded as share issue costs with a corresponding increase to contributed surplus. At December 31, 2007, all of underwriter's warrants expired unexercised.

(d) Stock options and stock-based compensation

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

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

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

| NUMBER    | EXERCISE PRICE<br>\$ | EXPIRY DATE     |
|-----------|----------------------|-----------------|
| 25,000    | 0.84                 | March 7, 2008   |
| 300,000   | 0.90                 | May 30, 2008    |
| 1,170,000 | 1.87                 | August 27, 2008 |
| 1,347,000 | 3.10                 | March 24, 2009  |
| 785,000   | 4.16                 | March 16, 2010  |

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|           |      |                   |
|-----------|------|-------------------|
| 380,000   | 2.92 | November 16, 2010 |
| 223,000   | 3.21 | June 22, 2011     |
| 100,000   | 0.47 | October 23, 2012  |
| -----     |      |                   |
| 4,330,000 |      |                   |
| =====     |      |                   |

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

### 6. SHARE CAPITAL (continued)

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

The fair value of stock options granted is estimated on the dates of grants using the Black-Scholes Option Pricing Model with the following assumptions used for the grants made during the year:

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

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

The weighted average fair value per share of stock options granted during the year was \$0.34 per share (2006: \$1.44; 2005: \$1.76). Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

#### (e) Warrants

A continuity summary of warrant equity is presented below:

|                                                           |           |
|-----------------------------------------------------------|-----------|
|                                                           | \$        |
| Balance, December 31, 2005                                | -         |
| Warrant valuation from private placement warrants granted | 1,298,981 |
| Warrant valuation from agent's warrants                   |           |

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|                                     |           |
|-------------------------------------|-----------|
| granted                             | 110,164   |
| Warrant issue costs                 | (127,199) |
|                                     | -----     |
| Balance, December 31, 2006 and 2007 | 1,281,946 |
|                                     | =====     |

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

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

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

### 6. SHARE CAPITAL (continued)

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

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

### 7. CONTRIBUTED SURPLUS

A continuity summary of contributed surplus is presented below:

\$

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|                                                              |           |
|--------------------------------------------------------------|-----------|
| Balance, December 31, 2004                                   | 3,428,382 |
| Contributed Surplus as a result of stock options granted     | 2,380,000 |
| Contributed Surplus as a result of brokers' warrants granted | 177,333   |
| Contributed Surplus reallocated on exercise of stock options | (131,270) |
|                                                              | -----     |
| Balance, December 31, 2005                                   | 5,854,445 |
| Contributed Surplus as a result of stock options granted     | 393,120   |
| Contributed Surplus reallocated on exercise of stock options | (95,300)  |
|                                                              | -----     |
| Balance, December 31, 2006                                   | 6,152,265 |
| Contributed Surplus as a result of stock options granted     | 34,421    |
| Contributed Surplus reallocated on exercise of stock options | (29,274)  |
|                                                              | -----     |
| Balance, December 31, 2007                                   | 6,157,412 |
|                                                              | =====     |

### 8. RELATED PARTY TRANSACTIONS

- (a) The Company engages Grosso Group Management Ltd. (the "Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow Resources Corporation, Amera Resources Corporation, Astral Mining Corporation, Gold Point Energy Corp. and Blue Sky Uranium Corp., each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During fiscal 2007, the Company incurred fees of \$349,143 (2006: \$724,902; 2005: \$730,802) to the Grosso Group: \$330,305 (2006: \$764,115; 2006: \$764,012 ) was paid in twelve monthly payments and \$18,838 is included in accounts payable (2006: \$39,213 included in amounts receivable; 2005: \$33,210 included in amounts receivable) as a result of a review of the allocation of the Grosso Group costs to the member companies for the year. In addition, included in other receivables, prepaids and deposits is other receivables of a \$205,000 (2006: \$205,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital which is callable on demand.
- (b) During fiscal 2007, the Company paid \$353,283 (2006: \$533,917; 2005: \$241,088) to directors and officers or companies controlled by directors and officers of the Company, for accounting, management and consulting services provided.

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IMA EXPLORATION INC.  
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(Expressed in Canadian Dollars)

## 8. RELATED PARTY TRANSACTIONS (continued)

- (c) The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase the monthly fee, effective May 1, 2006, to \$20,833 from \$8,500 and to pay a bonus of \$150,000. The total compensation paid to the President in 2007 was \$250,000 (2006 - \$350,667). This amount is included in the total amount paid to directors and officers discussed in Note 8(b) above.

In the event the contract is terminated by the Company or as a result of a change of control, a payment is payable to the President consisting of (i) any monthly compensation due to the date of termination, (ii) options as determined by the board of directors (iii) three years of monthly compensation (which may be adjusted annually) and (iv) bonus of \$461,500. If the termination had occurred on December 31, 2007, the amount payable under the contract would be \$1,211,500. In the event the contract is terminated by the Company as a result of the President's death or permanent disability while providing services to the Company, a bonus in the amount of \$461,500 is payable.

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

All of the related party transactions and balances in these consolidated financial statements arose in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 9. INCOME TAXES

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

|                    | 2007   | 2006   | 2005   |
|--------------------|--------|--------|--------|
| Statutory tax rate | 34.12% | 34.12% | 34.12% |

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

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

### 9. INCOME TAXES (continued)

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

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

### FUTURE INCOME TAX LIABILITIES

For certain acquisitions and other payments for mineral property interests, the Company records a future income tax liability and a

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corresponding adjustment to the related asset carrying amount. During the year ended December 31, 2006, as a result of the uncertainty regarding the status of the mineral properties balance (included in Navidad interest), the Company eliminated the future income tax liability of \$1,760,110 that existed as of December 31, 2005 and made a corresponding adjustment to mineral properties. During the year ended December 31, 2005, the Company recorded an \$875,017 increase to the future income tax liability and a corresponding adjustment to mineral properties.

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

The Company has Canadian capital loss carryforwards of \$161,172 and non-capital loss carryforwards of \$15,951,984 that may be available for tax purposes. The Company's capital losses do not expire and may be carried forward indefinitely. The non-capital losses expire as follows:

| EXPIRY DATE | \$         |
|-------------|------------|
| 2008        | 841,160    |
| 2009        | 1,317,730  |
| 2010        | 1,545,964  |
| 2014        | 2,752,324  |
| 2015        | 4,708,790  |
| 2026        | 3,282,352  |
| 2027        | 1,503,664  |
|             | -----      |
|             | 15,951,984 |
|             | =====      |

### 10. SEGMENTED INFORMATION

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

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

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### 10. SEGMENTED INFORMATION (continued)

DECEMBER 31, 2007

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|                | CANADA<br>\$ | ARGENTINA<br>\$ | TOTAL<br>\$ |
|----------------|--------------|-----------------|-------------|
| Current assets | 26,102,160   | 22,330          | 26,124,490  |
|                | -----        | -----           | -----       |
|                | 26,102,160   | 22,330          | 26,124,490  |
|                | =====        | =====           | =====       |

DECEMBER 31, 2006

|                  | CANADA<br>\$ | ARGENTINA<br>\$ | TOTAL<br>\$ |
|------------------|--------------|-----------------|-------------|
| Current assets   | 9,217,352    | 79,273          | 9,296,625   |
| Navidad interest | -            | 17,949,521      | 17,949,521  |
|                  | -----        | -----           | -----       |
|                  | 9,217,352    | 18,028,794      | 27,246,146  |
|                  | =====        | =====           | =====       |

## 11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements of the Company have been prepared in accordance with Canadian GAAP, which differ in certain material respects from US GAAP.

The effects of significant measurement differences between Canadian GAAP and US GAAP for certain items on the consolidated balance sheets, statements of operations and deficit and statements of cash flows are as follows:

|                                                         | 2007<br>\$  | 2006<br>\$  |
|---------------------------------------------------------|-------------|-------------|
| CONSOLIDATED STATEMENTS OF OPERATIONS                   |             |             |
| Loss for the year under Canadian GAAP                   | (1,084,689) | (3,581,360) |
| Mineral properties and deferred costs for the year (i)  | -           | (4,491,524) |
| Reversal of Future income tax liability (i)             | -           | -           |
| Realization of Navidad interest (iv)                    | 17,682,521  | -           |
|                                                         | -----       | -----       |
| Income (loss) for the year under US GAAP                | 16,597,832  | (8,072,884) |
| Unrealized losses on available-for-sale securities (ii) | -           | (3,000)     |
|                                                         | -----       | -----       |
| Comprehensive loss (iii)                                | 16,597,832  | (8,075,884) |
|                                                         | =====       | =====       |
| Basic and diluted income (loss) per share under US GAAP | 0.32        | (0.16)      |
|                                                         | =====       | =====       |
| Weighted average number of common shares outstanding    | 52,099,787  | 51,263,575  |
|                                                         | =====       | =====       |
|                                                         | 2007<br>\$  | 2006<br>\$  |
| SHAREHOLDERS' EQUITY                                    |             |             |
| Balance per Canadian GAAP                               | 26,018,766  | 27,009,534  |

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

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

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

|                                                | 2007<br>\$  | 2006<br>\$   |
|------------------------------------------------|-------------|--------------|
| NAVIDAD INTEREST / MINERAL PROPERTIES          |             |              |
| Balance per Canadian GAAP                      | 18,500,000  | 17,949,521   |
| Transfer of marketable securities (ii)         | -           | 81,000       |
| Mineral properties and deferred costs          |             |              |
| expensed under US GAAP (i)                     | -           | (17,763,521) |
|                                                | -----       | -----        |
| Balance per US GAAP                            | 18,500,000  | 267,000      |
|                                                | =====       | =====        |
|                                                | 2007<br>\$  | 2006<br>\$   |
| FUTURE INCOME TAX LIABILITY                    |             |              |
| Balance per Canadian GAAP                      | -           | -            |
| Reversal of Future income tax liability (i)    | -           | -            |
|                                                | -----       | -----        |
| Balance per US GAAP                            | -           | -            |
|                                                | =====       | =====        |
|                                                | 2007<br>\$  | 2006<br>\$   |
| CONSOLIDATED STATEMENTS OF CASH FLOWS          |             |              |
| OPERATING ACTIVITIES                           |             |              |
| Cash used per Canadian GAAP                    | (1,953,830) | (3,785,152)  |
| Mineral properties and deferred costs (i)      |             |              |
| (In 2006, classified as a component of Navidad |             |              |
| interest - Note 2)                             | -           | (4,491,524)  |
|                                                | -----       | -----        |

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|                                                                   |             |             |
|-------------------------------------------------------------------|-------------|-------------|
| Cash used per US GAAP                                             | (1,953,830) | (8,276,676) |
|                                                                   | =====       | =====       |
|                                                                   | 2007        | 2006        |
|                                                                   | \$          | \$          |
| INVESTING ACTIVITIES                                              |             |             |
| Cash used per Canadian GAAP                                       | (1,686,538) | (5,411,524) |
| Mineral properties and deferred costs (i)                         |             |             |
| (In 2006, classified as a component of Navidad interest - Note 2) | -           | 4,491,524   |
|                                                                   | -----       | -----       |
| Cash provided by (used) per US GAAP                               | (1,686,538) | (920,000)   |
|                                                                   | =====       | =====       |

## i) Mineral Properties and Deferred Costs

Mineral properties and deferred costs are accounted for in accordance with Canadian GAAP as disclosed in Note 3. For US GAAP purposes, the Company expenses exploration costs relating to unproven mineral properties as incurred, and reverses any associated future income tax liabilities. When proven and probable reserves are determined for a property, subsequent exploration and development costs of the property are capitalized.

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

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

### ii) Investments

For the 2005 fiscal year, the Company's marketable securities were classified as available-for-sale investments under US GAAP and carried at the lower of cost and market value for Canadian GAAP purposes. Such investments are not held principally for the purpose of selling in the near term and, for US GAAP purposes, must have holding gains and losses reported as a separate component of shareholders' equity until realized or until an other than temporary impairment in value occurs. For the 2006 fiscal year, the Company's marketable securities were classified as available for sale investments under US GAAP until July 14, 2006, the date of the Navidad judgment. Subsequently, the marketable securities were transferred to the Navidad interest balance (see Note 2 above).

### iii) Comprehensive Income

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US GAAP requires disclosure of comprehensive income (loss) which is intended to reflect all other changes in equity except those resulting from contributions by and payments to owners.

### iv) Realization of Navidad interest

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

### Accounting for Uncertainty in Income Taxes

In July 2006, the Financial Accounting Standards Board (FASB) issued FIN 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement 109. This Interpretation applies to all tax positions related to income taxes subject to SFAS 109, Accounting for Income Taxes. FIN 48 uses a two-step approach for evaluating tax positions. The first step, recognition, occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. The second step, measurement, is only addressed if the recognition threshold is met; under this step, the tax benefit is measured as the largest amount of the benefit, determined on a cumulative probability basis, that is more likely than not to be realized upon settlement. FIN 48's use of the term "more likely than not" represents a greater than 50 percent likelihood of occurrence.

The cumulative effect of applying the provisions of this Interpretation shall be reported as an adjustment to the opening balance of retained earnings for fiscal year in which the enterprise adopts the Interpretation. FIN 48 is effective for fiscal years beginning after December 15, 2006. Earlier application is permitted if the reporting enterprise has not publicly issued financial statements, including interim financial statements, for that fiscal year. Accordingly, the Company adopted the provisions of this Interpretation in its fiscal 2007 year. This interpretation did not have an impact on the Company for the year ended December 31, 2007.

### Fair Value Measurements

In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements", which establishes a framework for measuring fair value. It also expands disclosures about fair value measurements and is effective for the first quarter of 2008. The Company is currently reviewing the guidance to determine the potential impact, if any, on its consolidated financial statements.

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FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005  
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### 11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

#### RECENTLY ISSUED US GAAP ACCOUNTING STANDARDS:

- i) In September 2006, FASB issued SFAS No. 157, "Fair Value Measurement", effective for fiscal periods beginning after November 15, 2007. SFAS defines fair value, establishes a framework for measuring accepted accounting principles, and expands disclosures about fair value measurements. In December 2007, the FASB issued SFAS157-b, which provided for a one year deferral of the implementation of SFAS 157 for non-financial assets and liabilities. However, SFAS is still required to be adopted effective January 1, 2008 for financial assets and liabilities that are carried at fair value. The Company is currently evaluating the impact of the adoption of this standard on its Consolidated Financial sv) Impact of recently issued accounting standards.
- ii) In February 2007, FASB issued SFAS No. 159, "Fair value option for financial assets and liabilities" which permits entities to choose to measure various financial instruments and certain other items at fair value. We do not expect the adoption of this Interpretation to have a significant effect on the Company's results of operations or financial position.
- iii) In December 2007, the FASB issued SFAS 160 a standard on accounting for noncontrolling interests and transactions with non-controlling interest holders in consolidated financial statements. The standard is converged with standards issued by the AcSB and IASB on this subject. This statement specifies that non-controlling interests are to be treated as a separate component of equity, not as a liability or other item outside of equity. Because non-controlling interests are an element of equity, increases and decreases in the parent's ownership interest that leave control intact are accounted for as capital transactions rather than as a step acquisition or dilution gains or losses. The carrying amount of the non-controlling interests is adjusted to reflect the change in ownership interests, and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly inequity attributable to the controlling interest.

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

attributable to the controlling interest.

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

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

- iv) In December 2007, the FASB issued a revised standard on accounting for business combinations, SFAS 141R. The major changes to accounting for business combinations are summarized as follows:
- all business acquisitions would be measured at fair value.
  - the existing definition of a business would be expanded.
  - pre-acquisition contingencies would be measured at fair value.
  - most acquisition-related costs would be recognized as expense as incurred (they would no longer be part of the purchase consideration).
  - obligations for contingent consideration would be measured and recognized at fair value at acquisition date (would no longer need to wait until contingency is settled).
  - liabilities associated with restructuring or exit activities be recognized only if they meet the recognition criteria of SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities, as of the acquisition date.
  - non-controlling interests would be measured at fair value at the date of acquisition (i.e. 100% of the assets and liabilities would be measured at fair value even when an acquisition is less than 100%).

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- goodwill, if any, arising on a business combination reflects the excess of the fair value of the acquiree, as a whole, over the net amount of the recognized identifiable assets acquired and liabilities assumed. Goodwill is allocated to the acquirer and the non-controlling interest.
- in accounting for business combinations achieved in stages, commonly called step acquisitions, the acquirer is to re-measure its pre-existing non-controlling equity investment in the acquiree at fair value as of the acquisition date and recognize any unrealized gain or loss in income.

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

### 12. SUPPLEMENTARY CASH FLOW INFORMATION

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

|                                                       | 2007<br>\$ | 2006<br>\$ |
|-------------------------------------------------------|------------|------------|
| Investing activities                                  |            |            |
| Expenditures on mineral properties and deferred costs | -          | -          |
| Stock-based compensation capitalized                  | -          | -          |
|                                                       | -----      | -----      |
|                                                       | -          | -          |
|                                                       | =====      | =====      |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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### 12. SUPPLEMENTARY CASH FLOW INFORMATION (continued)

| 2007<br>\$ | 2006<br>\$ |
|------------|------------|
|------------|------------|

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## Financing activities

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

## 13. SUBSEQUENT EVENTS

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

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

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