

CONOCOPHILLIPS
Form 10-Q/A
May 21, 2003

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

FORM 10-Q/A

Amendment No. 1

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2003
Commission file number 000-49987**

ConocoPhillips

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

01-0562944
*(I.R.S. Employer
Identification No.)*

600 North Dairy Ashford Road, Houston, TX 77079
(Address of principal executive offices)

281-293-1000
(Registrant's telephone number, including area code)

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 No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant had 678,740,004 shares of common stock, \$.01 par value, outstanding at April 30, 2003.

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We are amending our Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, to correct a typographical error on the balance sheet included in Item 1. The amount reported under the caption "Accounts payable related parties" was reported in our original Form 10-Q as \$570 million, instead of the correct amount, reported in this amended Form 10-Q, of \$510 million.

CONOCOPHILLIPS

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Consolidated Statement of Operations

ConocoPhillips

	Millions of Dollars	
	Three Months Ended March 31	
	2003	2002**
Revenues		
Sales and other operating revenues*	\$ 26,942	8,431
Equity in earnings of affiliates	49	20
Other income	86	29
	<u>27,077</u>	<u>8,480</u>
Costs and Expenses		
Purchased crude oil and products	17,685	5,639
Production and operating expenses	1,650	917
Selling, general and administrative expenses	509	264
Exploration expenses	116	163
Depreciation, depletion and amortization	877	406
Taxes other than income taxes*	3,422	914
Accretion on discounted liabilities	33	5
Interest and debt expense	209	107
Foreign currency transaction losses (gains)	(3)	1
Preferred dividend requirements of capital trusts and minority interests	14	13
	<u>24,512</u>	<u>8,429</u>
Income from continuing operations before income taxes	2,565	51
Provision for income taxes	1,295	149
	<u>1,270</u>	<u>(98)</u>
Income (Loss) From Continuing Operations	1,270	(98)
Income (loss) from discontinued operations	22	(4)
	<u>1,292</u>	<u>(102)</u>
Income (Loss) Before Cumulative Effect of Change in Accounting Principle	1,292	(102)
Cumulative effect of change in accounting principle	145	
	<u>\$ 1,437</u>	<u>(102)</u>
Net Income (Loss)	\$ 1,437	(102)
Income (Loss) Per Share of Common Stock		
Basic		
Continuing operations	\$ 1.87	(.26)
Discontinued operations	.03	(.01)
	<u>1.90</u>	<u>(.27)</u>
Before cumulative effect of change in accounting principle	1.90	(.27)

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Cumulative effect of change in accounting principle	<u>.21</u>	<u> </u>
Net Income (Loss)	\$ 2.11	(.27)
Diluted		
Continuing operations	\$ 1.86	(.26)
Discontinued operations	.03	(.01)
Before cumulative effect of change in accounting principle	1.89	(.27)
Cumulative effect of change in accounting principle	.21	
Net Income (Loss)	\$ 2.10	(.27)
Dividends Paid Per Share of Common Stock	\$.40	.36
Average Common Shares Outstanding (in thousands)		
Basic	679,538	382,337
Diluted	682,744	382,337
* Includes excise taxes on petroleum products sales	\$ 3,148	764
** Restated for discontinued operations.		

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

ConocoPhillips

	Millions of Dollars	
	March 31 2003	December 31 2002
Assets		
Cash and cash equivalents	\$ 423	307
Accounts and notes receivable (net of allowance of \$48 million in 2003 and 2002)	4,061	2,904
Accounts and notes receivable related parties	1,920	1,476
Inventories	3,988	3,845
Prepaid expenses and other current assets	664	766
Assets of discontinued operations held for sale	1,629	1,605
	<u>12,685</u>	<u>10,903</u>
Total Current Assets		
Investments and long-term receivables	6,914	6,821
Net properties, plants and equipment	44,282	43,030
Goodwill	14,606	14,444
Intangibles	1,127	1,119
Other assets	504	519
	<u>80,118</u>	<u>76,836</u>
Total Assets		
Liabilities		
Accounts payable	\$ 6,735	5,949
Accounts payable related parties	510	303
Notes payable and long-term debt due within one year	844	849
Accrued income and other taxes	3,351	1,991
Other accruals	3,047	3,075
Liabilities of discontinued operations held for sale	578	649
	<u>15,065</u>	<u>12,816</u>
Total Current Liabilities		
Long-term debt	17,396	18,917
Accrued dismantlement, removal and environmental costs	2,639	1,666
Deferred income taxes	8,550	8,361
Employee benefit obligations	2,597	2,755
Other liabilities and deferred credits	1,948	1,803
	<u>48,195</u>	<u>46,318</u>
Total Liabilities		
Company-Obligated Mandatorily Redeemable Preferred Securities of Phillips 66 Capital Trust II	350	350
	<u>648</u>	<u>651</u>
Other Minority Interests		
Common Stockholders Equity		
Common stock (2,500,000,000 shares authorized at \$.01 par value)		
Issued (2003 705,350,628 shares; 2002 704,354,839 shares)		
Par value	7	7
Capital in excess of par	25,205	25,178
Compensation and Benefits Trust (CBT) (at cost: 2003 and 2002 26,785,094 shares)	(907)	(907)
Accumulated other comprehensive income (loss)	9	(164)
Unearned employee compensation Long-Term Stock Savings Plan (LTSSP)	(213)	(218)
Retained earnings	6,824	5,621

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Total Common Stockholders' Equity	<u>30,925</u>	<u>29,517</u>
Total	<u>\$80,118</u>	<u>76,836</u>

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

ConocoPhillips

	Millions of Dollars	
	Three Months Ended March 31	
	2003	2002*
Cash Flows From Operating Activities		
Income (loss) from continuing operations	\$ 1,270	(98)
Adjustments to reconcile income from continuing operations to net cash provided by continuing operations		
Non-working capital adjustments		
Depreciation, depletion and amortization	877	406
Dry hole costs and leasehold impairments	40	109
Accretion on discounted liabilities	33	5
Deferred taxes	236	(81)
Other	67	147
Working capital adjustments**		
Decrease in aggregate balance of accounts receivable sold	(266)	(102)
Increase in other accounts and notes receivable	(1,287)	(289)
Decrease (increase) in inventories	(140)	98
Decrease in prepaid expenses and other current assets	35	55
Increase in accounts payable	972	214
Increase in taxes and other accruals	1,398	108
Net cash provided by continuing operations	3,235	572
Net cash provided by (used in) discontinued operations	(56)	7
Net Cash Provided by Operating Activities	3,179	579
Cash Flows From Investing Activities		
Capital expenditures and investments, including dry hole costs	(1,309)	(645)
Proceeds from asset dispositions	121	45
Long-term advances to affiliates and other investments	(28)	(12)
Net cash used in continuing operations	(1,216)	(612)
Net cash used in discontinued operations	(17)	(12)
Net Cash Used in Investing Activities	(1,233)	(624)
Cash Flows From Financing Activities		
Issuance of debt	269	243
Repayment of debt	(1,825)	(39)
Issuance of company common stock	19	25
Redemption of company common stock	(1)	
Dividends paid on common stock	(271)	(138)
Other	(21)	(18)
Net cash provided by (used in) continuing operations	(1,830)	73
Net Cash Provided by (Used in) Financing Activities	(1,830)	73
Net Change in Cash and Cash Equivalents	116	28

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Cash and cash equivalents at beginning of period	307	142
	<hr/>	<hr/>
Cash and Cash Equivalents at End of Period	\$ 423	170
	<hr/>	<hr/>

* *Restated for discontinued operations.*

** *Net of acquisition and disposition of businesses.*

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements**ConocoPhillips****Note 1 Interim Financial Information**

The financial information for the interim periods presented in the financial statements included in this report is unaudited and includes all known accruals and adjustments that, in the opinion of management, are necessary for a fair presentation of the consolidated financial position of ConocoPhillips and its results of operations and cash flows for such periods. All such adjustments are of a normal and recurring nature. These interim financial statements should be read in conjunction with the consolidated financial statements and notes included in ConocoPhillips 2002 Annual Report on Form 10-K. Certain amounts in the 2002 financial statements have been reclassified to reflect discontinued operations and to conform to ConocoPhillips presentation.

The financial statements reflect the August 30, 2002, merger of Conoco Inc. (Conoco) and Phillips Petroleum Company (Phillips). The transaction has been accounted for using the purchase method of accounting as required by Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations. Phillips was designated as the acquirer. Results of operations for the first quarter of 2002 reflect only Phillips activity.

Note 2 Change in Accounting Principle

Effective January 1, 2003, we adopted SFAS No. 143, Accounting for Asset Retirement Obligations, which applies to legal obligations associated with the retirement and removal of long-lived assets. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period when it is incurred (typically when the asset is installed at the production location). When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related property, plant and equipment. Over time, the liability is accreted upward for the change in its present value each period, and the initial capitalized cost is depreciated over the useful life of the related asset.

Application of this new accounting standard resulted in an increase in net properties, plants and equipment of \$1.2 billion and an asset retirement obligation liability increase of \$1.1 billion. The cumulative effect of this change in accounting principle was an increase in net income in the first quarter of 2003 of \$145 million. The first quarter of 2003 effect of adopting this accounting principle on net income was an increase of \$8 million, or \$.01 per basic and diluted share.

We have numerous asset removal obligations that we are required to perform under law or contract once an asset is permanently taken out of service. Our largest individual obligations are related to fixed-base offshore production platforms around the world and to production facilities and pipelines in Alaska. Most of these obligations are not expected to be paid until several years, or decades, in the future and will be funded from general company resources at the time of removal.

Most of our asset retirement obligations are related to oil and gas production operations. Most of our larger downstream and corporate facilities, such as refineries and office buildings, are not presently subject to any legal requirements to remove these facilities and so are not within the scope of SFAS No. 143.

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SFAS No. 143 calls for measurements of asset retirement obligations to include, as a component of expected costs, an estimate of the price that a third party would demand and could expect to receive for bearing the uncertainties and unforeseeable circumstances inherent in the obligations, sometimes referred to as a market-risk premium. To date, the oil and gas industry has no examples of credit-worthy third parties who are willing to assume this type of risk, for a determinable price, on major oil and gas production facilities and pipelines. Therefore, because determining such a market-risk premium would be a very arbitrary process, we have excluded it from our SFAS No. 143 estimates.

During the first quarter of 2003, ConocoPhillips' overall asset retirement obligation changed as follows:

	Millions of Dollars
Opening balance at January 1, 2003	\$ 2,110
Accretion of discount	27
New obligations	10
Spending on existing obligations	(15)
Property dispositions	(9)
Foreign currency remeasurement	(11)
Other adjustments	(1)
	<hr/>
Ending balance at March 31, 2003	\$ 2,111

The pro forma effects of the retroactive application of the change in accounting principle related to asset retirement obligations are as follows:

	Millions of Dollars Except Per Share Amounts	
	Three Months Ended March 31	
	2003	2002
Net income (loss)	\$ 1,292	(93)
Earnings (loss) per share		
Basic	1.90	(.24)
Diluted	1.89	(.24)

	Millions of Dollars
	2002
Pro forma amount of liability for asset retirement obligation at beginning of quarter	\$ 1,171
Pro forma amount of liability for asset retirement obligation at end of quarter	1,247

Note 3 Merger of Conoco and Phillips

On August 30, 2002, Conoco and Phillips combined their businesses by merging with separate acquisition subsidiaries of ConocoPhillips (the merger). As a result, each company became a wholly owned subsidiary of ConocoPhillips. For accounting purposes, Phillips was treated as the acquirer of Conoco, and ConocoPhillips was treated as the successor of Phillips. Conoco's operating results have been included in ConocoPhillips' consolidated financial statements since the merger date.

The \$16 billion purchase price attributed to Conoco for accounting purposes was based on an exchange of Conoco shares for ConocoPhillips common shares. The preliminary allocation of the purchase price to specific assets and liabilities was based, in part, upon a preliminary outside appraisal of the fair value of Conoco's assets. Over the next few months, ConocoPhillips expects to receive the final outside appraisal of the long-lived assets and conclude the fair value determination of all other Conoco assets and liabilities. Subsequent to completion of the final allocation of the purchase price and determination of the ultimate asset and liability tax bases, the deferred tax liabilities will also be finalized. The following table summarizes, based on the first quarter of 2003 preliminary purchase price allocation, the fair values of the assets acquired and liabilities assumed as of August 30, 2002:

	Millions of Dollars
Cash and cash equivalents	\$ 1,250
Accounts and notes receivable	2,832
Inventories	1,603
Prepaid expenses and other current assets	326
Investments and long-term receivables	3,036

FOR THE COMPENSATION COMMITTEE GENERAL The Compensation Committee is a committee of the Board to which the Board has delegated its responsibility for oversight of the Corporation's overall human resources policies and procedures. This includes reviewing the adequacy and form of the compensation paid to the Corporation's executives and key employees to ensure that such compensation realistically reflects the responsibilities and risks of such positions. - 31 - The Compensation Committee's objectives are to assist the Board in meeting its responsibilities in respect of overall human resources policies and procedures including recruitment, performance management, compensation, benefit programs, resignation/terminations, training and development, succession planning and organizational planning and design, to ensure a broad plan of executive compensation is established that is competitive and motivating in order to attract, retain and inspire executive management and other key employees and to review all compensation and benefit proposals for the Corporation's executives and make recommendations to the Board.

COMPOSITION AND PROCESS

1. The Compensation Committee will be comprised of a minimum of two directors, all of whom will be independent.
2. Compensation Committee members will be appointed by the Board on an annual basis for a one-year term and may serve any number of consecutive terms, which are encouraged to ensure continuity of experience.
3. The Chair of the Compensation Committee will be appointed by its members on an annual basis for a one-year term and may serve any number of consecutive terms. The Compensation Committee Chair will arrange for an alternate chair for a specific meeting if he or she is planning to be absent.
4. The Compensation Committee Chair will establish the agenda for Compensation Committee meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for review prior to the meeting.
5. The Compensation Committee will meet at least twice per year and may call special meetings as required. A quorum at meetings of the Compensation Committee will be one of its members. The Compensation Committee may hold its meetings, and members of the Compensation Committee may attend meetings, by telephone conference call.
6. At all meetings of the Compensation Committee every question will be decided by a majority of the votes cast. In case of an equality of votes, the Compensation Committee Chair will forward the matter to the

Board of Directors for resolution. 7. The minutes of Compensation Committee meetings will document the date and time of the meetings. 8. The Compensation Committee will have the authority to retain (or terminate) any outside counsel, advisors or consultants it determines necessary to assist it in discharging its functions, independently of the Board, Chair or CEO. The Compensation Committee will be provided with the necessary funding to compensate any counsel, advisors or consultants it retains. 9. The CEO may attend and participate in meetings of the Compensation Committee, except when his compensation is the subject matter.

RESPONSIBILITIES 1. The Compensation Committee will review management prepared policies and make recommendations to the Board regarding the following matters: 2.

Compensation, philosophy, policies and guidelines for senior officers, as well as supervisory and management personnel of the Corporation and any subsidiary companies. 3. Corporate benefits for senior management (i.e. car insurance, life insurance, retirement plan, expense accounts, etc.). 4. Incentive plans, along with global payment information as it applies to senior

management bonus and discretionary bonus plans. 5. Review and approval of Corporate goals and objectives relevant to CEO and other senior management compensation. 6. Evaluation of the performance of the CEO and other senior management in light of corporate goals and objectives and making recommendations with respect to compensation levels based on such evaluations. 7.

Policies regarding the Corporation's Incentive Stock Option Plan and the granting of stock options to Directors, management and employees of the Corporation. - 32 - 8. Policies regarding the development and implementation of incentive compensation plans and equity based compensation plans. 9. Compensation levels for directors and committee members, including the compensation of the Chair and the Chair of any Board committees, to ensure compensation realistically reflects the responsibilities and risk involved in being an effective director.

Compensation should be commensurate with the time spent by directors in meeting their obligations and should be transparent and easy for shareholders to understand. 10. Succession plan for the CEO and other executives and key employees of the Corporation, in conjunction with the CEO. 11. Any material changes in human resources policy, procedure, remuneration and benefits. 12. Review of executive compensation disclosure in all public disclosure documents. 13. The Compensation Committee will review and assess its effectiveness, contribution and these Terms of Reference annually and recommend any proposed changes thereto to the Board. 14. Perform any other activities consistent with these Terms of Reference, as the Compensation Committee or the Board deems necessary or appropriate. 15. The

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

management expertise. The mandate of the Committee empowers it to retain legal, accounting and other advisors. The Audit Committee's Charter is attached hereto as Exhibit 4.72.

EMPLOYEES As of December 31, 2007, the Company uses the services of the Grosso Group, which had 23 full-time employees and 2 part-time employees. The Company also has two part-time employees in Argentina and Joseph Grosso through the contract with Oxbow. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts". Exploration activities are conducted by consultants, laborers and technicians hired for the duration of the exploration program. - 33 - SHARE OWNERSHIP As of February 29, 2008, the Company had 52,132,064 shares outstanding. The following table sets forth details of all employee share ownership and includes information regarding the date of expiration or any options or warrants held by each employee; the exercise price of the particular option or warrant held; the total number of options and warrants held by each employee; the total number of shares held by each employee; and each employee's percentage of ownership: The following table sets forth certain information regarding ownership of the Company's shares by the Company's officers and directors as of February 29, 2008.

 TITLE OF CLASS NAME SHARES AND RIGHTS PERCENT OF CLASS(1)
 BENEFICIALLY OWNED OR CONTROLLED (1)

Common Stock Joseph Grosso 1,744,667(2) 3.3% Common Stock Nikolaos Cacos 188,151(3)
 0.4% Common Stock Sean Hurd 310,000(4) 0.6% Common Stock Gerald Carlson (former
 director) 252,500(5) 0.6% Common Stock David Terry 222,000(6) 0.4% Common Stock Chet
 Idziszek 245,000(7) 0.5% Common Stock Robert Stuart (Tookie) Angus 260,000(8) 0.5%
 Common Stock Arthur Lang 195,000(9) 0.4% Common Stock David Horton 160,300(10) 0.3%
 Common Stock Leonard Harris 105,000(11) 0.2%

 Common Stock Officers and Directors (as a group, 10 persons) 3,682,618(12) 7.6%

(1) Where persons listed on this table have the right to obtain additional shares of common stock through the exercise of outstanding options, these additional shares are deemed to be outstanding for the purpose of computing the percentage of common stock owned by such persons, but are not deemed to be outstanding for the purpose of computing the percentage owned by any other person. Based on 52,132,064 shares of common stock outstanding as February 29, 2008. (2) Includes the following shares, options and warrants held by Mr. Grosso, Evelyn Grosso (Mr. Grosso's wife) and Mr. Grosso's private companies: (a) 703,219 shares held by Mr. Grosso; (b) 348,448 shares held by Oxbow (50%); (c) 75,000 Options held by Mr. Grosso's wife (50%) (d) 548,000 Options held by Mr. Grosso to acquire 548,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options."; and (e) 70,000 shares held in Mr. Grosso's RRSP account. (3) Includes 13,151 shares held by Mr. Cacos and 175,000 options held by Mr. Cacos to acquire an additional 175,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (4) Includes 310,000 options held by Mr. Hurd to acquire an additional 310,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (5) Includes 50,000 shares held by Mr. Carlson and 47,500 shares held by KGE Management Ltd., a private company owned by Mr. Carlson and options held by Mr. Carlson to acquire an additional 155,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (6) Includes 22,000 shares held by Mr. Terry and options held by Mr. Terry to acquire an additional 200,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (7) Mr. Idziszek holds 245,000 options to acquire 245,000 shares.

See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (8) 260,000 options held by Mr. Angus to acquire 260,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (9) Includes 10,000 shares and 185,000 options held by Mr. Lang to acquire 185,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (10) Includes 200 shares and 160,000 options held by Mr. Horton to acquire 160,000 shares. Mr. Horton also holds 100 Warrants to acquire an additional 100 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (11) Includes 5,000 shares and options held by Mr. Harris to acquire 100,000 shares. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." - 34 - (12) Includes the shares, options, and warrants set forth in footnotes 2 through 11 above. See "Item 6. Directors, Senior Management and Employees - Options, Warrants and Other Rights to Acquire Securities - Stock Options." (13) Effective March 19, 2008 Mr. Idziszek tendered his resignation as a director. OPTIONS, WARRANTS AND OTHER RIGHTS TO ACQUIRE SECURITIES As of February 29, 2008, the Company had granted a number of stock options, issued a number of warrants and entered into a number of agreements pursuant to which up to 7,834,404 common shares of the Company may be issued. The following is a brief summary of these stock options and warrants currently outstanding and agreements. STOCK OPTIONS The TSX-V requires all TSX-V listed companies to adopt stock options plans, and such plans must contain certain provisions. At the annual and extraordinary general meeting of shareholders of the Company held on June 26, 2003, the shareholders approved the Company's stock option plan (the "Stock Option Plan"). At the annual and extraordinary general meetings of shareholders of the Company held on June 24, 2004, June 23, 2005, June 14, 2006 and December 4, 2007, respectively, the shareholders approved and ratified by ordinary resolution the 2003 Stock Option Plan to make a total of up to 10% of the issued and outstanding shares of IMA available for issuance. The purpose of the Stock Option Plan is to provide incentive to the Company's employees, officers, directors, and consultants responsible for the continued success of the Company. The following is a summary of the Stock Option Plan. ADMINISTRATION OF THE STOCK OPTION PLAN The Stock Option Plan provides that it will be administered by the Company's Board of Directors or by the Compensation Committee of the Company's Board of Directors consisting of not less than two of its members. The Stock Option Plan is currently administered by the Compensation Committee. DESCRIPTION OF STOCK OPTION PLAN The effective date (the "Effective Date") of the Stock Option Plan is June 2, 2003, the date the Board of Directors approved the Stock Option Plan, and it will terminate ten years from the Effective Date. The Stock Option Plan provides that options may be granted to any employee, officer, director or consultant of the Company or a subsidiary of the Company. The options issued pursuant to the Stock Option Plan will be exercisable at a price not less than the market value of the Company's common shares at the time the option is granted. "Market Value" means: (a) for each organized trading facility on which the common shares are listed, Market Value will be the closing trading price of the common shares on the day immediately preceding the grant date less any discounts permitted by the applicable regulatory authorities; (b) if the Company's common shares are listed on more than one organized trading facility, the Market Value shall be the Market Value as determined in accordance with subparagraph (a) above for the primary organized trading facility on which the common shares are listed, as determined by the Board (or a committee thereof), subject to any adjustments as may be required to secure all necessary regulatory approvals; (c) if the Company's common shares are listed on one or more organized trading facilities but have not traded during the ten trading days immediately preceding the grant date, then the Market Value will be determined by the Board (or a committee thereof), subject to any adjustments as may be required to secure all necessary regulatory approvals; and (d) if the Company's common shares

are not listed for trading on a stock exchange or over the counter market, the value which is determined by the Board (or a committee thereof) to be the fair value of the Company's common shares, taking into consideration all factors that the Board (or a committee thereof) deems appropriate, including, without limitation, recent sale and offer prices of the Company shares in private transactions negotiated at arms' length. - 35 - Options granted under the Stock Option Plan will be granted for a term not to exceed 10 years from the date of their grant, provided that if the Company is then a "Tier 2" company listed on the TSX-V, the term of the option will be not more than five years. Options under the Stock Option Plan will be subject to such vesting schedule as the Compensation Committee may determine. In the event that an option is to be terminated prior to expiry of its term due to certain corporate events, all options then outstanding shall become immediately exercisable for 10 days after notice thereof, notwithstanding the original vesting schedule. Options will also be non-assignable and non-transferable, provided that they will be exercisable by an optionee's legal heirs, personal representatives or guardians for up to 12 months following the death or termination of an optionee due to disability, or up to 12 months following the death of an employee if the employee dies within 12 months of termination due to disability. All such options will continue to vest in accordance with their original vesting schedule. The maximum number of common shares to be reserved for issuance under the Stock Option Plan, including options currently outstanding, will not exceed 10% of the number of common shares of the Company issued and outstanding on the applicable date of grant. If a material alteration in the capital structure of the Company occurs as a result of a recapitalization, stock split, reverse stock split, stock dividend, or otherwise, the Compensation Committee shall make adjustments to the Stock Option Plan and to the options then outstanding under it as the Compensation Committee determines to be appropriate and equitable under the circumstances, unless the Compensation Committee determines that it is not practical or feasible to do so, in which event the options granted under the Stock Option Plan will terminate as set forth above. The TSX-V requires all TSX-V listed companies who have adopted stock option plans which reserve a maximum of 10% of the number of common shares of the Company issued and outstanding on the applicable date of grant, to obtain shareholder approval to the Stock Option Plan on an annual basis. As of February 29, 2007, the Company has issued 4,330,000 non-transferable incentive stock options to purchase common shares outstanding to the following persons:

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

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

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

E.
 Grosso(2) Consultant 75,000 \$3.10 Mar. 24/09 \$3.10 K. Patterson Consultant 25,000 \$3.10 Mar.
 24/09 \$3.10 25,000 \$2.92 Nov. 16/10 \$2.92 D. Terry Director 50,000 \$3.10 Mar. 24/09 \$3.10
 80,000 \$4.16 Mar. 16/10 \$4.16 70,000 \$2.92 Nov. 16/10 \$2.92 C. Idziszek Director 150,000
 \$0.90 May 30/08 \$0.90 75,000 \$3.10 Mar. 24/09 \$3.10 20,000 \$4.16 Mar. 16/10 \$4.16 W.
 Lee(3) Consultant 75,000 \$1.87 Aug. 27/08 \$1.87 30,000 \$3.10 Mar. 24/09 \$3.10 R. Angus

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

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

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

TOTAL 4,330,000 =====

Officers and directors, as a group (10 persons)(4) 2,193,000 ===== (1) Pursuant to the rules of the TSX-V, the Company has issued stock options to employees, directors, officers and consultants. "Employee" refers to the employees of the Grosso Group providing administrative and management services to the Company. (2) Evelyn Grosso is the wife of Joseph Grosso. (3) The Company granted Mr. Lee options to acquire common shares during his tenure as director. Mr. Lee resigned as an officer and director of the Company effective April 2, 2004 and currently remains as a consultant to the Company. (4) Includes options held by Joseph Grosso's wife, Evelyn Grosso. (5) The Company granted Mr. D'Amico options to acquire common shares during his tenure as director of a subsidiary. WARRANTS AND OTHER COMMITMENTS As of February 29, 2008, there were 3,271,070 non-transferable common share purchase warrants exercisable. As of February 29, 2008, the Company's officers and directors, as a group, including entities controlled or under significant influence of officers and directors of the Company, held 100 warrants to purchase the Company's common shares. There are no assurances that the options, warrants or other rights described above will be exercised in whole or in part. - 38 -

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.

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

Shares and Rights Beneficially Title of Class Name and Address of Owner Owned or Controlled (1) Percent of Class (1)

Common Exploration Capital Partners 2006 5,000,000 9.6% Stock Limited Partnership (2) 7770 El Camino Real Carlsbad, California 92009 Citizenship: California

Resource Investment Management 5,000,000 9.6% Corporation (2) 7770 El Camino Real
Carlsbad, California 92009 Citizenship: California

Rule Family Trust udt 12/17/98 (2) 5,000,000 9.6% 7770 El Camino Real Carlsbad, California
92009 Citizenship: California

Arthur Richards Rule (2) 5,000,000 9.6% 7770 El Camino Real Carlsbad, California 92009
Citizenship: California

NOTES: (1) Where persons listed on this table have the right to obtain additional shares of common stock through the exercise of outstanding options or warrants within 60 days from February 29, 2008, these additional shares are deemed to be outstanding for the purpose of computing the percentage of common stock owned by such persons, but are not deemed to be outstanding for the purpose of computing the percentage owned by any other person. Based on 52,132,064 shares of common stock outstanding as of February 29, 2008. (2) These shares are held by affiliated entities as follows: (i) by Exploration Capital Partners 2006 Limited Partnership, as the direct beneficial owner of 5,000,000 Common Shares of the Issuer; (ii) by Resource Investment Management Corporation by virtue of its position as General Partner of Exploration Capital Partners 2006 Limited Partnership; (iii) by the Rule Family Trust udt 12/17/98 by virtue of its indirect ownership and control of Exploration Capital Partners 2006 Limited Partnership (as owner of 100% of Resource Investment Management Corporation); and (iv) by Arthur Richards Rule by virtue of his positions with Resource Investment Management Corporation and ownership interest in the Rule Family Trust udt 12/17/98. Mr. Rule is President and a Director of RIMC and, with his wife, is co-Trustee of the Rule Family Trust udt 12/17/98, which owns 100% of Resource Investment Management Corporation. **CHANGES IN OWNERSHIP BY MAJOR SHAREHOLDERS** To the best of the Company's knowledge there have been no changes in the ownership of the Company's shares other than disclosed herein. - 39 - **SHARES HELD IN THE UNITED STATES** As of February 29, 2008, there were approximately 189 registered holders of the Company's shares in the United States, with combined holdings of 7,354,240 shares (14.14% of the Company's 52,013,065 outstanding shares at February 29, 2008). **CHANGE OF CONTROL** As of February 29, 2008, there were no arrangements known to the Company which may, at a subsequent date, result in a change of control of the Company. **CONTROL BY OTHERS** To the best of the Company's knowledge, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly. **RELATED PARTY TRANSACTIONS** Other than as disclosed below, from January 1, 2007 through February 29, 2008, the Company did not enter into any transactions or loans between the Company and any (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close members of any such individual's family; (d) key management personnel and close members of such individuals' families; or (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly by any person described in (c) or (d) or over which such a person is able to exercise significant influence. 1. The Company engages Grosso Group Management Ltd. (the "Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow, Amara, Astral, GPE and Blue Sky, each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff

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

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

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

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

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

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

Management Contracts." 7. As of January 2005, Mr. Cacos provides executive services to the Company as a consultant of the Grosso Group. During the year ended December 31, 2007, Mr. Cacos's total compensation from the Grosso Group was \$22,500 (2006 - \$22,500, 2005 - \$22,500), of which \$938 was allocated to the Company (2006 - \$9,225, 2005 - \$14,862) as part of the Grosso Group fees for the year. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts." 8. As of January 2005, Mr. Hurd provides executive services to the Company as an employee of the Grosso Group. During the year ended December 31, 2007, Mr. Hurd's total compensation from the Grosso Group was \$120,000 (2006 - \$112,000, 2005 - \$96,000), of which \$25,497 was allocated to the Company (2006 - \$45,920, 2005 - \$72,216) as part of the Grosso Group fees for the year. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts." 9. On February 14, 2006 and effective January 1, 2006, the Company entered into an agreement with RSA Holdings Ltd., pursuant to which Mr. Angus, a director of the Company, provides advisory services including participation on various committees of the Company. A monthly fee of US\$5,000 for services is payable under this agreement for a minimum period of six months. In 2007, the Company paid RSA \$66,050 (2006 - \$68,350). This agreement was terminated by mutual agreement, effective December 31, 2007. - 41 -

ITEM 8. FINANCIAL INFORMATION
 ----- CONSOLIDATED
 STATEMENTS AND OTHER FINANCIAL INFORMATION FINANCIAL STATEMENTS
 DESCRIPTION PAGE ----- Consolidated Financial Statements for the Years
 Ended December 31, 2007, 2006 and 2005. F-1 - F-27 SIGNIFICANT CHANGES There are no
 significant changes to report between the year ended December 31, 2007 and the date of this
 annual report. LEGAL PROCEEDINGS There are no legal proceedings as at February 29, 2008.
 DIVIDEND POLICY The Company has not paid any dividends on its common shares and does
 not intend to pay dividends on its common shares in the immediate future. Any decision to pay
 dividends on its common shares in the future will be made by the Board of Directors on the
 Company on the basis of earnings, financial requirements and other such conditions that may
 exist at that time. ITEM 9. THE OFFER AND LISTING

----- PRICE HISTORY The
 Company's common shares are listed on the TSX-V. From April 15, 1996 to November 28,
 1999, the Company's shares were listed on the Vancouver Stock Exchange (the "VSE").
 Effective November 29, 1999, the VSE and the Alberta Stock Exchange (the "ASE") merged and
 began operations as the Canadian Venture Exchange or CDNX. On August 1, 2001, the CDNX
 was acquired by the Toronto Stock Exchange and became known as the TSX-V. The Company
 is classified as a Tier I company on the TSX-V and trades under the symbol "IMR". Companies
 which satisfy the minimum initial listing requirements of the TSX-V are designated as Tier II
 companies and are subject to listing requirements which are stricter than those for companies
 which are designated as Tier I companies. The following table lists the volume of trading and
 high and low sales prices on the TSX-V (or predecessor), for shares of the Company's common
 stock for the last five fiscal years, each quarterly period during the last two fiscal years and each
 month from September 2007 through February 2008. TSX VENTURE EXCHANGE (OR
 PREDECESSOR) STOCK TRADING ACTIVITY SALES PRICE -----
 YEAR ENDED VOLUME HIGH LOW December 31, 2007 39,182,400 \$1.20 \$0.355 December
 31, 2006 52,243,300 \$3.96 \$0.49 December 31, 2005 18,584,000 \$4.45 \$2.56 December 31,
 2004 37,199,200 \$4.80 \$1.73 December 31, 2003 50,625,400 \$2.54 \$0.49 - 42 - SALES PRICE
 ----- QUARTER ENDED VOLUME HIGH LOW December 31, 2007
 3,506,800 \$0.60 \$0.39 September 30, 2007 5,725,900 \$0.51 \$0.42 June 30, 2007 25,684,600
 \$1.20 \$0.355 March 31, 2007 4,265,100 \$0.95 \$0.57 December 31, 2006 15,052,600 \$0.66 \$0.49
 September 30, 2006 22,456,700 \$3.49 \$0.50 June 30, 2006 5,606,400 \$3.75 \$2.86 March 31,
 2006 9,127,600 \$3.96 \$2.84 SALES PRICE ----- MONTH ENDED
 VOLUME HIGH LOW February 29, 2008 1,801,100 \$0.45 \$0.365 January 31, 2008 2,305,700

\$0.425 \$0.37 December 31, 2007 1,696,600 \$0.51 \$0.39 November 30, 2007 818,400 \$0.55
 \$0.45 October 31, 2007 991,800 \$0.60 \$0.43 September 30, 2007 866,800 \$0.485 \$0.43
**AMERICAN STOCK EXCHANGE AND OVER-THE-COUNTER BULLETIN BOARD
 STOCK TRADING ACTIVITY** As of July 6, 2005, the Company's shares started to trade on the
 American Stock Exchange ("AMEX"). Prior to that the Company's shares were trading on the
 OTC Bulletin Board operated by the National Association of Securities Dealers in the United
 States from October 8, 2002. The Company currently trades on the AMEX under the symbol
 "IMR". The following tables set forth the market price ranges and the aggregate volume of
 trading of the common shares of the Company on the AMEX or the OTC Bulletin Board system
 for the periods indicated: SALES PRICE (US\$) ----- YEAR ENDED
 VOLUME HIGH LOW December 31, 2007 18,219,300 \$1.30 \$0.25 December 31, 2006
 26,580,100 \$3.48 \$0.43 December 31, 2005 13,245,000 \$3.68 \$2.00 December 31, 2004
 20,134,200 \$4.05 \$1.31 December 31, 2003 6,974,500 \$1.89 \$0.36 SALES PRICE (US\$)
 ----- QUARTER ENDED VOLUME HIGH LOW December 31, 2007
 2,080,100 \$0.62 \$0.25 September 30, 2007 2,863,800 \$0.52 \$0.38 June 30, 2007 9,374,600
 \$1.30 \$0.31 March 31, 2007 3,900,800 \$.83 \$0.48 December 31, 2006 4,592,600 \$0.59 \$0.43
 September 30, 2006 9,104,900 \$3.10 \$0.44 June 30, 2006 5,606,700 \$3.44 \$2.57 March 31,
 2006 7,275,900 \$3.48 \$2.43 SALES PRICE (US\$) ----- MONTH ENDED
 VOLUME HIGH LOW February 29, 2008 1,158,000 \$0.45 \$0.36 January 31, 2008 787,100
 \$0.44 \$0.31 December 31, 2007 710,900 \$0.50 \$0.25 November 30, 2007 447,800 \$0.58 \$0.44
 October 31, 2007 921,400 \$0.62 \$0.42 September 30, 2007 648,000 \$0.48 \$0.40 - 43 - ITEM 10.
ADDITIONAL INFORMATION.

----- **MEMORANDUM AND
 ARTICLES OF ASSOCIATION** The Company was incorporated under the COMPANY ACT
 (British Columbia) on September 17, 1979, as Gold Star Resources Ltd. The Company's
 Incorporation Number is 197061. On May 1, 1990, the Company filed an Altered Memorandum
 to reflect its name change to EEC Marketing Corp. On January 13, 1992, the Company filed an
 Altered Memorandum to reflect its name change to Amera Industries Corp. On February 9, 1995,
 the Company filed an Altered Memorandum to reflect its name change to International Amera
 Industries Corp. On February 20, 1996, the Company filed an Altered Memorandum to reflect its
 name change to IMA Resource Corporation. Effective July 7, 1998, the Company underwent a
 statutory plan of arrangement (the "Arrangement") with Viceroy Resource Corporation
 ("Viceroy"), changed its name to IMA Exploration Inc., consolidated its share capital on the
 basis of four old shares for one new share and filed an Altered Memorandum to give effect to the
 foregoing. See "Item 4. Information on the Company". The Company's objects and purposes are
 not set forth in or prescribed by its Articles or Memorandum. The Company is in the business of
 the acquisition, exploration and development of mineral properties. **AMENDMENT OF
 NOTICE OF ARTICLES** On March 29, 2004, the new British Columbia Business Corporations
 Act came into force in British Columbia (the "BCBCA The Board of Directors of the Company
 approved the Transition of the Company and the Company filed a transition application with the
 Registrar of Companies British Columbia and completed the Transition on May 4, 2004. In order
 to bring the Company's Articles in line with the BCBCA, the Company deleted and replaced its
 Articles in their entirety. Accordingly, the shareholders passed a special resolution removing the
 application of the Pre-Existing Company Provisions at a meeting held on June 24, 2004.
SUMMARY OF MATERIAL PROVISIONS The following is a summary of certain material
 provisions of the Company's Articles of Association and Memorandum: **A. DIRECTOR'S
 POWER TO VOTE ON A PROPOSAL, ARRANGEMENT OR CONTRACT IN WHICH THE
 DIRECTOR IS MATERIALLY INTERESTED.** Under the BCBCA, subject to certain
 exceptions, a director or senior officer of the Company must disclose any material interest that
 he personally has, or that he as a director or senior officer of another corporation has in a
 contract or transaction that is material to the Company and which the Company has entered into

or proposes to enter into. A director or senior officer of the Company does not hold a disclosable interest in a contract or transaction if: 1. the situation that would otherwise constitute a disclosable interest arose before the coming into force of the BCBCA, or the interest was disclosed and approved under, or was not required to be disclosed under legislation that applied to the Company before the coming into effect of the BCBCA; 2. both the Company and the other party to the contract or transaction are wholly owned subsidiaries of the same corporation; 3. the Company is a wholly owned subsidiary of the other party to the contract or transaction; 4. the other party to the contract or transaction is a wholly owned subsidiary of the Company ; or 5. the director or senior officer is the sole shareholder of the Company or of a corporation of which the Company is a wholly owned subsidiary. - 44 - A director or senior officer of the Company does not hold a disclosable interest in a contract or transaction merely because: 1. the contract or transaction is an arrangement by way of a security granted by the Company for money loaned to, or obligations undertaken by, the director or senior officer, or a person in whom the director or senior officer has a material interest, for the benefit of the Company or an affiliate of the Company; 2. the contract or transaction relates to an indemnity or insurance under the BCBCA; 3. the contract or transaction relates to the remuneration of the director or senior officer, or a person in whom the director or senior officer, employee or agent of the Company or of an affiliate of the Company; 4. the contract or transaction relates to a loan to the Company, and the director or senior officer, or a person 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. **C. BORROWING POWERS EXERCISABLE BY THE DIRECTORS AND HOW SUCH BORROWING POWERS MAY BE VARIED.** The Company, if authorized by the directors, may: 1. borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate; 2. issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate; 3. guarantee the repayment of money by any other person or the performance of any obligation of any other person; and 4. mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company. The borrowing powers may be varied by amendment to the Articles of the Company which requires approval of the shareholders of the Company by special resolution. **D. RETIREMENT AND NON-RETIREMENT OF DIRECTORS UNDER AN AGE LIMIT REQUIREMENT.** There are no such provisions applicable to the Company under the Notice of Articles, Articles (as existing or the new proposed Articles) or the BCBCA. - 45 - **E. NUMBER OF SHARES REQUIRED FOR A DIRECTOR'S QUALIFICATION.** A director of the Company is not required to hold a share in the capital of the Company as qualification for his office. **DESCRIPTION OF SHARE CAPITAL** The authorized capital of the Company consists of an unlimited number of common shares without par value and 100,000,000 Preferred shares

without par value, of which 18,283,053 have been designated as Preferred Shares, Series I.

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

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

CHANGES TO RIGHTS AND RESTRICTIONS OF SHARES If the Company wishes to change the rights and restrictions of the common shares or the preferred shares, the Company must obtain the approval of a special resolution by 2/3 of the holders of the common shares, or 2/3 of the holders of the preferred shares.

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

OWNERSHIP OF SECURITIES AND CHANGE OF CONTROL There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by foreign law or by the constituent documents of the Company. Any person who beneficially owns or controls, directly or indirectly, more than 10% of the Company's voting shares is considered an insider, and must file an insider report with the British Columbia, Alberta and Ontario Securities Commissions within ten days of becoming an insider disclosing any direct or indirect beneficial ownership of, or control over direction over securities of the Company. In addition, if the Company itself holds any of its own securities, the Company must disclose such ownership.

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

MEETINGS OF THE SHAREHOLDERS ANNUAL AND GENERAL MEETINGS Under BCBCA and the Company's Articles, the Company's annual general meeting is to be held once in each calendar year and not more than 15 months after the previous meeting. No advance notice will be required to be published at a meeting where directors are to be elected. The Company must give shareholders not less than 21 days notice of any general meeting of the shareholders. The Directors may fix in advance a date, which is no fewer than 35 days or no more than 60 days prior to the date of the meeting. All the holders of common shares as at that date are entitled to attend and vote at a general meeting.

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

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

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

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

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

Grosso Group: \$330,305 was paid in twelve monthly payments (2006: \$764,115; 2006: \$764,012) and \$18,838 (2006: \$39,213 included in amounts receivable; 2005: \$33,210 included in amounts receivable) is included in accounts payable as a result of a review of the allocation of the Grosso Group costs to the member companies for the year. In addition, included in other receivables, prepaids and deposits is other receivables of a \$205,000 deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital (2006: \$205,000; 2005: \$205,000). Effective February 29, 2008, Gold Point withdrew from Grosso Group. The Administration Services Agreement may be terminated by a shareholder company after January 1, 2007, upon 30 days written notice to the Grosso Group. See "Item 6. Directors, Senior Management and Employees - Compensation - Management Contracts".

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

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

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

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

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

Company. - See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Office". 10. On February 14, 2006 and effective January 1, 2006, the Company entered into an agreement with RSA Holdings Ltd., pursuant to which Mr. Angus, a director of the Company, provides advisory services including participation on various committees of the Company. A monthly fee of US\$5,000 for services is payable under this agreement for a minimum period of six months. In 2007, the Company paid RSA \$66,050 (2006 - \$68,350). This agreement was terminated by mutual agreement, effective December 31, 2007. 11. On October 18, 2006, the Company and Aquiline entered into the Interim Agreement for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The principal terms and conditions of the Interim Agreement were as follows: (i) control of the Navidad Project was transferred to Aquiline in trust for the ultimately successful party in the appeal; (ii) the Company and Aquiline agreed to the costs spent to date developing the Navidad Project in the amount of \$18,500,000. Upon transfer of control of the Navidad Project, Aquiline paid \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions and (iii) in the event that the Company was unsuccessful on appeal, the Company was to be paid such \$18,500,000 amount - 49 - The effective date of the transfer of the Navidad project was November 16, 2006. A copy of the Interim Agreement is posted on the SEDAR website as one of the Company's public documents and is titled "Interim Project Development Agreement". The Company's appeal of this judgment was heard by the British Columbia Court of Appeal between April 10 and April 12, 2007. The Court of Appeal dismissed the Company's appeal and released their reasons for judgment on June 7, 2007. The Company filed an application for leave to appeal to the Supreme Court of Canada in October 2007. On December 20, 2007, the Supreme Court of Canada denied the Company's appeal. This brought the lawsuit to a close. As a result, the Navidad property has been transferred to Aquiline. The Company was paid \$18,500,000 as consideration for these assets. The Company received the \$7.5 million held in trust on January 8, 2008, plus interest that had accrued in the amount of \$341,380. The \$11 million balance was received on February 11, 2008. "Item 4. Information on the Company - History and Development of the Company."

EXCHANGE CONTROLS There are no governmental laws, decrees, or regulations in Canada relating to restrictions on the export or import of capital, or affecting the remittance of interest, dividends, or other payments to non-resident holders of the Company's Common Stock. Any remittances of dividends to United States residents are, however, subject to a 15% withholding tax (10% if the shareholder is a corporation owning at least 10% of the outstanding Common Stock of the Company) pursuant to Article X of the reciprocal tax treaty between Canada and the United States. See "Item 10. Additional Information - Taxation". Except as provided in the Investment Canada Act (the "Act"), there are no limitations specific to the rights of non-Canadians to hold or vote the Common Stock of the Company under the laws of Canada or the Province of British Columbia or in the charter documents of the Company. Management of the Company considers that the following general summary is materially complete and fairly describes those provisions of the Act pertinent to an investment by an American investor in the Company. The Act requires a non-Canadian making an investment which would result in the acquisition of control of a Canadian business, the gross value of the assets of which exceed certain threshold levels or the business activity of which is related to Canada's cultural heritage or national identity, to either notify, or file an application for review with, Investment Canada, the federal agency created by the Investment Canada Act. The notification procedure involves a brief statement of information about the investment of a prescribed form which is required to be filed with Investment Canada by the investor at any time up to 30 days following implementation of the investment. It is intended that investments requiring only notification will proceed without government intervention unless the investment is in a specific type of business activity related to Canada's cultural heritage and national identity. If an investment is reviewable

under the Act, an application for review in the form prescribed is normally required to be filed with Investment Canada prior to the investment taking place and the investment may not be implemented until the review has been completed and the Minister responsible for Investment Canada is satisfied that the investment is likely to be of net benefit to Canada. If the Minister is not satisfied that the investment is likely to be of net benefit to Canada, the non-Canadian must not implement the investment or, if the investment has been implemented, may be required to divest himself of control of the business that is the subject of the investment. The following investments by non-Canadians are subject to notification under the Act: (a) an investment to establish a new Canadian business; and (b) an investment to acquire control of a Canadian business that is not reviewable pursuant to the Act. An investment is reviewable under the Act if there is an acquisition by a non-Canadian of a Canadian business and the asset value of the Canadian business being acquired equals or exceeds the following thresholds: - 50 - (a) for non-WTO Investors, the threshold is \$5,000,000 for a direct acquisition and over \$50,000,000 for an indirect acquisition. The \$5,000,000 threshold will apply however for an indirect acquisition of the asset value of the Canadian business being acquired exceeds 50% of the asset value of the global transaction; (b) except as specified in paragraph (c) below, a threshold is calculated for reviewable direct acquisitions by or from WTO Investors. The threshold for 2005 is \$250,000,000. Pursuant to Canada's international commitments, indirect acquisitions by or from WTO Investors are not reviewable; and (c) the limits set out in paragraph (a) apply to all investors for acquisitions of a Canadian business that: (i) engages in the production of uranium and owns an interest in a producing uranium property in Canada; (ii) provides any financial services; (iii) provides any transportation service; or (iv) is a cultural business. WTO Investor as defined in the Act means: (a) an individual, other than a Canadian, who is a national of a WTO Member or who has the right of permanent residence in relation to that WTO Member; (b) a government of a WTO Member, whether federal, state or local, or an agency thereof; (c) an entity that is not a Canadian-controlled entity, and that is a WTO investor-controlled entity, as determined in accordance with the Act; (d) a corporation or limited partnership: (i) that is not a Canadian-controlled entity, as determined pursuant to the Act; (ii) that is not a WTO investor within the meaning of the Act; (iii) of which less than a majority of its voting interests are owned by WTO investors; (iv) that is not controlled in fact through the ownership of its voting interests; and (v) of which two thirds of the members of its board of directors, or of which two thirds of its general partners, as the case may be, are any combination of Canadians and WTO investors; (e) a trust: (i) that is not a Canadian-controlled entity, as determined pursuant to the Act; (ii) that is not a WTO investor within the meaning of the Act; (iii) that is not controlled in fact through the ownership of its voting interests, and (iv) of which two thirds of its trustees are any combination of Canadians and WTO investors, or (f) any other form of business organization specified by the regulations that is controlled by a WTO investor. WTO Member as defined in the Act means a member of the World Trade Organization. Generally speaking, an acquisition is direct if it involves the acquisition of control of the Canadian business or of its Canadian parent or grandparent and an acquisition is indirect if it involves the acquisition of control of a non-Canadian parent or grandparent of an entity carrying on the Canadian business. Control may be acquired through the acquisition of actual or de jure voting control of a Canadian corporation or through the acquisition of substantially all of the assets of the Canadian business. No change of voting control will be deemed to have occurred if less than one-third of the voting control of a Canadian corporation is acquired by an investor. The Act specifically exempts certain transactions from either notification or review. Included among the category of transactions is the acquisition of voting shares or other voting interests by any person in the ordinary course of that person's business as a trader or dealer in securities. - 51 - TAXATION MATERIAL

CANADIAN FEDERAL INCOME TAX CONSEQUENCES Management of the Company considers that the following discussion describes the material Canadian federal income tax consequences applicable to a holder of Common Stock of the Company who is a resident of the

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

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

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

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

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

U.S. HOLDERS As used herein, a "U.S. Holder" is defined as (i) citizens or residents of the U.S., or any state thereof, (ii) a corporation or other entity created or organized under the

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

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

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

- 54 - **INFORMATION REPORTING AND BACKUP WITHHOLDING** U.S. information reporting requirements may apply with respect to the payment of dividends to U.S. Holders of the Company's shares. Under Treasury regulations currently in effect, non-corporate holders may be subject to backup withholding at a 31% rate with respect to dividends when such holder (1) fails to furnish or certify a correct taxpayer identification number to the payor in the required manner, (2) is notified by the IRS that it has failed to report payments of interest or dividends properly or (3) fails, under certain circumstances, to certify that it has been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. **DOCUMENTS ON DISPLAY** Documents concerning the Company and referred to in this report may be inspected at the Company's principal office, located at #709 - 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6. **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.** -----

As of the date of this report, the Company does not have any material market risk sensitive financial instruments. **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.** ----- Not

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

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

----- Not applicable. ITEM 15T.

CONTROLS AND PROCEDURES.

----- DISCLOSURE CONTROLS

AND PROCEDURES An evaluation was performed under the supervision and with the participation of the Company's management, including Mr. Grosso, the Company's Chief Executive Officer, and Mr. Lang, the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15(b) and 15d-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act") as of December 31, 2007. As a result of a material weakness identified and described in the accompanying Management's Report on Internal Control over Financial Reporting, Messrs. Grosso and Lang, have concluded that the design and operation of the Company's disclosure controls and procedures were not effective at the time the material weakness was identified. The material weakness occurred because the Company did not initially reflect the impact of the Realization of Navidad interest under U.S. GAAP as set forth in Note 11 to the Company's audited financial statements. The material weakness was limited solely to the Note 11 U.S. GAAP reconciliation and did not impact in any way the Company's financial statements prepared in accordance with Canadian GAAP. This material weakness has since been corrected and does not exist as of the date of this filing. - 55 -

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING The Company's management, including Mr. Grosso, the Company's Chief Executive Officer, and Mr. Lang, the Company's Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over the Company's internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The Company's management, (with the participation of Mr. Grosso, the Company's Chief Executive Officer, and Mr. Lang, the Company's Chief Financial Officer), conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. This evaluation was based on the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management identified a material weakness relating to the preparation and review of the US GAAP reconciliation note and concluded that because there was a material weakness in the Company's internal controls, its internal control over financial reporting was not effective at the time the material weakness was identified. The material weakness occurred because the Company did not initially reflect the impact of the Realization of Navidad interest under U.S. GAAP as set forth in Note 11 to the Company's audited financial statements. The material weakness was limited solely to the Note 11 U.S. GAAP reconciliation and did not impact in any way the Company's financial statements prepared in accordance with Canadian GAAP. This material weakness has since been corrected and does not exist as of the date of this filing. This Annual Report does not include an attestation report of the Company's independent auditors regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent auditors pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report. CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING During the fiscal year ended

December 31, 2007, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT. -----

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

----- The Board of Directors of the Company has adopted a Code of Business Conduct and Ethics that outlines the Company's values and its commitment to ethical business practices in every business transaction. This code applies to all directors, officers, and employees of the Company and its subsidiaries and affiliates. A copy of the Company's Code of Business Conduct and Ethics is available on the Company's website at www.imaexploration.com/s/CorporateGovernance.asp. - 56 - HONEST AND ETHICAL CONDUCT The Company expects a high level of personal integrity for each employee, officer and director when interacting with investors, business partners, shareholders, suppliers, consultants and other employees. CONFLICT OF INTEREST When possible, conflicts of interest between personal and professional relationships should be avoided, however, unavoidable conflict of interest will be handled in accordance with the Company's ethical standards. A director, officer or employee may not represent the Company in any transaction with a person or an entity in which the director, officer or employee has a direct or indirect interest or from which the director, officer or employee may derive personal benefit. ACCURATE AND TIMELY DISCLOSURE Full, fair, accurate, timely and understandable disclosure in reports or documents submitted to the Securities and Exchange Commission and other securities commissions across Canada as well as all public communications. Employees and officers who prepare financial and other reports will exercise diligence in ensuring that there are no false or misleading statements. COMPLIANCE WITH APPLICABLE GOVERNMENTAL LAWS, RULES AND REGULATIONS The Company is committed to compliance with all laws, rules and regulations, including laws and regulations applicable to the Company's securities, as well as any rules promulgated by any exchange on which the Company's shares are listed. PROMPT INTERNAL REPORTING OF VIOLATIONS Employees and officers are responsible for the prompt internal reporting of any violations of the Code to the Company's Compliance Officer. PROTECTION AND PROPER USE OF COMPANY ASSETS AND OPPORTUNITIES All employees have an obligation to protect the Company's assets and to ensure that all opportunities available to the Company are brought to the attention of the relevant officer or employee. CONFIDENTIALITY OF COMPANY INFORMATION It is the Company's policy that business affairs of the Company are confidential and should not be discussed outside the Company except for information that has already been made available to the public. INSIDER TRADING Management, employees, members of the Board of Directors and others who are in a "special relationship" with the Company from time to time become aware of corporate developments or plans which may affect the value of the Company's shares (inside information) before these developments or plans are made public. Company directors, officers and employees are prohibited from using inside information themselves or disclosing this inside information to others who may use the information to trade Company stock. FAIR DEALING Each employee should endeavour to respect the rights of, and deal fairly with, our shareholders, investors, business partners, suppliers, competitors and employees. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair business practice. - 57 - REPORTING UNETHICAL AND ILLEGAL CONDUCT/ETHICS QUESTIONS The Company is committed to taking prompt action against violations of the Code of Business Conduct and Ethics and it is the responsibility of all directors, officers and employees to comply with the Code and to report violations or

suspected violations to the Company's Compliance Officer. Employees may also discuss their concerns with their supervisor who will then report suspected violations to the Compliance Officer. The Compliance Officer is appointed by the Board of Directors and is responsible for investigating and resolving all reported complaints and allegations and shall advise the President and CEO, the CFO and/or the Audit Committee. The Compliance Officer can be reached via telephone at 1-866-921-6714 or via the internet site located at <http://www.whistleblowersecurity.com>. VIOLATIONS AND WAIVERS The Compliance Officer will report suspected fraud or securities law violations for review by the Audit Committee. The Audit Committee will report all violations reviewed by the Audit Committee to the Board of Directors. The Compliance Officer will report regularly to the Board of Directors on the results and resolution of complaints and allegations concerning violations of the Code. No waivers of any provision of this Code of Business Conduct and Ethics may be made except by the Board of Directors. Any waiver or amendment shall be reported as required by law or regulation. Only the Audit Committee may amend the Company's Code of Business Conduct and Ethics. ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

----- AUDIT FEES For the fiscal year ended December 31, 2007, the Company's auditor billed approximately \$39,000, and for the fiscal year ended December 31, 2006, the Company's auditor billed approximately \$44,500 for the audit of the Company's annual financial statements or services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements for those fiscal years. AUDIT RELATED FEES For the fiscal years ended December 31, 2007 and 2006, the Company's auditor billed \$Nil and billed \$58,303, respectively, for assurance and related services that were reasonably related to the performance of the audit or review of the Company's financial statements outside of those fees disclosed above under "Audit Fees" TAX FEES For the fiscal years ended December 31, 2007 and 2006, the Company's auditor billed \$Nil and billed \$14,232, respectively, for tax compliance, tax advice and tax planning services.

PRE-APPROVAL POLICIES AND PROCEDURES Generally, in the past, prior to engaging the Company's auditors to perform a particular service, the Company's audit committee has, when possible, obtained an estimate for the services to be performed. The audit committee in accordance with procedures for the Company approved all of the services described above. Additionally, the auditors have been engaged to perform services by non-independent directors of the Company pursuant to pre-approval policies and procedures established by the audit committee (which are detailed as to the particular service) and the audit committee has been informed of any such engagement and service. - 58 - Beginning July 1, 2004, the Company's audit committee obtained estimates for services to be performed, prior to engaging the Company's auditor to perform any audit or non-audit related services, including those set forth above. The audit committee also allowed the engagement of the auditor, by a non-independent member of the Board of Directors, to render services pursuant to pre-approval policies and procedures established by the audit committee (which are detailed as to the particular service), provided the audit committee is informed of any such engagement and service. The audit committee may delegate to one of its members, who is also an independent director of the Company, the ability to approve such services on behalf of the audit committee. Any approval by such director shall be ratified by the audit committee at its next scheduled meeting. ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES.

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

----- Not applicable. PART III ITEM 17. FINANCIAL STATEMENTS.

----- See pages F-1 though F-27. ITEM 18. FINANCIAL STATEMENTS.

----- Not applicable.

----- ITEM 19. EXHIBITS.

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

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Corporation (6) 4.46 Letter Agreement with Amera Resources Corporation re: reimbursement of office expenses (6) 4.47 Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura dated December 23, 2002 (6) 4.48 Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. dated July 10, 2002 (6) 4.49 Amendment to Option Agreement with Juan Demetrio Lirio Jr. and Juan Demetrio Lirio representing Lir-Fer Construcciones S.R.L. dated December 27, 2002 (6) 4.50 Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation dated July 15, 2002 (6) 4.51 Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. dated June 14, 2002 (6) 4.52 Amendment to Consulting Agreement Between KGE Management Ltd. And IMA Exploration Inc. dated October 3, 2002 (6) 4.53 Amendment to Agreement between the Company and Sean Hurd dated June 10, 2002 (6) 4.54 Amendment to Consulting Services Agreement Between Oxbow International Marketing Corp. and IMA Resource Corporation dated April 17, 2003 (6) 4.55 Arrangement Agreement between IMA Exploration Inc., IMA Holdings Corp. and Golden Arrow Resources Corporation dated May 14, 2004 (7) 4.56 Amendment to consulting Agreement with Nikolaos Cacos dated January 5, 2004 (8) 4.57 Amendment to Agreement with Sean Hurd dated January 5, 2004 (8) 4.58 Financial Advisory Services Agreement with Endeavour Financial Ltd. (8) 4.59 Agreement between the Company and Amera Resources Corporation dated March 6, 2003 relating to the Lago Pico, Loma Alta and Nueva Ruta properties (8) 4.60 Amendment to Letter of Intent with Amera Resources Corporation dated September 30, 2003 (8) 4.61 Amendment to Letter of Intent with Amera Resources Corporation dated April 8, 2004 (8) 4.62 Letter Agreement with Beauregard Holdings Corp. dated February 5, 2004 regarding office lease (8) 4.63 Option Agreement dated September 22, 2003, between the Company and Cloudbreak Resources Ltd. (8) 4.64 Option Agreement dated August 12, 2003 between the Company and Consolidated Pacific Bay Minerals Ltd. (8) 4.65 Option agreement dated June 11, 2003, between the Company and Ballad Gold & Silver Ltd. (formerly Ballad Ventures Ltd.) (8) - 61 - EXHIBIT NUMBER DESCRIPTION 4.66 Amendment to Option Agreement with Sociedad Minera de Responsabilidad Limitado Nova JJ de Piura and Sociedad Minera de Responsabilidad Limitada (SMR Ltda) Don Alberto JJ de Piura dated August 15, 2003 (8) 4.67 Letter Agreement with Arthur Lang dated April 23, 2004 (8) 4.68 Arrangement Agreement by and among the Company, Golden Arrow Resources Corporation and IMA Holdings Corp. dated May 14, 2004 (9) 4.69 Indemnity Agreement provided to Golden Arrow Resources Corporation dated July 7, 2004 (9) 4.70 Administration Services Agreement with the Grosso Group Management Ltd. dated January 1, 2005 (9) 4.71 Amendment to Consulting Agreement between KGE Management Ltd. and IMA Exploration Inc. dated April 1, 2005 (9) 4.72 Audit Committee Charter (9) 4.73 Amendment to Consulting Agreement between KGE Management Ltd. and IMA Exploration Inc. dated January 26, 2006 (10) 4.74 Advisory Services Agreement between RSA Holdings Ltd. and IMA Exploration Inc. dated February 14, 2006 (10) 4.75 Interim Project Development Agreement between IMA Exploration Inc. and Aquiline Resources Inc. dated October 18, 2006.(11) 4.76 Amended and restated Management Agreement between IMA and Oxbow dated May 1, 2006 8.1 List of Subsidiaries (8) 12.1 Certification of Joseph Grosso Pursuant to Rule 13a-14(a) 12.2 Certification of Arthur Lang Pursuant to Rule 13a-14(a) 13.1 Certification of Joseph Grosso Pursuant to 18 U.S.C. Section 1350 13.2 Certification of Arthur Lang Pursuant to 18 U.S.C. Section 1350 (1) Previously filed as an exhibit to the Company's Registration Statement on Form 20-F, filed with the Commission on January 6, 2000. File number 00-30464. (2) Previously filed as an exhibit to the Company's Registration Statement on Form 20-F/A Amendment No. 1 filed July 14, 2000. File Number 00-30464. (3) Previously filed as an exhibit to the Company's Registration Statement on Form 20-F/A Amendment No. 2 filed September 15, 2000. File Number 00-30464. (4) Previously filed as an exhibit to the Company's Annual Report on Form

20-F filed May 8, 2001. File Number 00-30464. (5) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 8, 2002. File Number 00-30464. (6) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 16, 2003. File Number 00-30464. (7) Previously filed as with the Company's Report on Form 6-K filed June 18, 2004. File Number 00-30464. (8) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed June 23, 2004. File Number 00-30464. (9) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed June 7, 2005. File Number 00-30464. (10) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed May 8, 2006. File Number 01-32558. (11) Previously filed as with the Company's Report on Form 6-K filed October 19, 2006. File Number 01-32558. (12) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed April 2, 2007. File Number 01-32558. - 62 -

SIGNATURES The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf. IMA EXPLORATION INC. Dated: March 25, 2008 /s/ Arthur Lang
----- Arthur Lang, Chief Financial Officer, and Director - 63 -

IMA EXPLORATION INC. (An Exploration Stage Company) CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) F-1 MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING The accompanying consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada and reconciled to accounting principles generally accepted in the United States as set out in Note 11 and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained. The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval. The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada and the Public Company Accounting Oversight Board (United States), and their report follows. /s/Joseph Grosso /s/ Art Lang Joseph Grosso Art Lang President Chief Financial Officer March 28, 2008

F-2 PRICEWATERHOUSECOOPERS PRICEWATERHOUSECOOPERS LLP CHARTERED ACCOUNTANTS PricewaterhouseCoopers Place 250 Howe Street, Suite 700 Vancouver, British Columbia Canada V6C 3S7 Telephone +1 604 806 7000 Facsimile +1 604 806 7806

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IMA EXPLORATION INC. We have audited the consolidated balance sheets of IMA EXPLORATION INC. (the "Company") as at December 31, 2007 and 2006 and the consolidated statements of loss, comprehensive loss and deficit, cash flows and changes in shareholders' equity for each of the years in the three-year period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007 in accordance with Canadian generally

accepted accounting principles. (signed) PricewaterhouseCoopers LLP CHARTERED ACCOUNTANTS Vancouver, B.C. March 19, 2008 PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity. F-3 IMA EXPLORATION INC. (An Exploration Stage Company) CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2007 AND 2006 (Expressed in Canadian Dollars) 2007 2006 \$ \$ ASSETS CURRENT ASSETS Cash 183,628 391,420 Short-term investments (Note 4) 6,813,462 8,500,000 Other receivables, prepaids and deposits (Note 8) 627,400 405,205 Navidad interest (Notes 2 and 13) 18,500,000 - ----- 26,124,490 9,296,625 NAVIDAD INTEREST (Note 2) - 17,949,521 ----- 26,124,490 27,246,146 ===== LIABILITIES CURRENT LIABILITIES Accounts payable and accrued liabilities (Note 8) 105,724 236,612 ----- SHAREHOLDERS' EQUITY SHARE CAPITAL (Note 6) 58,753,501 58,664,727 WARRANTS (Note 6) 1,281,946 1,281,946 CONTRIBUTED SURPLUS (Note 7) 6,157,412 6,152,265 DEFICIT (40,174,093) (39,089,404) ----- 26,018,766 27,009,534 ----- 26,124,490 27,246,146 ===== NATURE OF OPERATIONS (Note 1) NAVIDAD INTEREST (Notes 2 and 13) COMMITMENTS (Note 8) APPROVED BY THE BOARD /s/ David Horton , Director ----- /s/ Robert Stuart Angus , Director ----- The accompanying notes are an integral part of these consolidated financial statements. F-4 IMA EXPLORATION INC. (An Exploration Stage Company) CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 2007 2006 2005 \$ \$ \$ EXPENSES Administrative and management services 209,201 461,553 294,828 Corporate development and investor relations 167,817 328,779 496,538 General exploration 99,589 186,572 55,914 Office and sundry 238,220 181,913 148,015 Professional fees 1,022,321 1,124,144 2,212,190 Rent, parking and storage 49,023 96,263 72,791 Salaries and employee benefits 244,337 652,530 585,560 Stock-based compensation (Note 6) 34,421 393,120 1,800,000 Telephone and utilities 12,053 17,432 26,648 Transfer agent and regulatory fees 80,122 103,457 199,715 Travel and accommodation 35,230 93,392 256,035 Navidad holding costs (Note 2) 109,666 312,349 - ----- 2,302,000 3,951,504 6,148,234 ----- LOSS BEFORE OTHER ITEMS (2,302,000) (3,951,504) (6,148,234) ----- OTHER INCOME (EXPENSE) Foreign exchange gain (loss) (8,324) (2,865) 232,954 Interest and other income 675,156 373,009 150,406 Navidad recovery (Note 2) 550,479 - - ----- 1,217,311 370,144 383,360 LOSS AND COMPREHENSIVE LOSS FOR THE YEAR (1,084,689) (3,581,360) (5,764,874) DEFICIT - BEGINNING OF YEAR (39,089,404) (35,508,044) (29,597,304) DISTRIBUTION OF EQUITY ON SPIN-OFF OF ASSETS TO GOLDEN ARROW RESOURCES CORPORATION - - (145,866) ----- DEFICIT - END OF YEAR (40,174,093) (39,089,404) (35,508,044) ===== BASIC AND DILUTED LOSS PER COMMON SHARE \$(0.02) \$(0.07) \$(0.12) ===== WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING 52,099,787 51,263,575 46,197,029 ===== The accompanying notes are an integral part of these consolidated financial statements. F-5 IMA EXPLORATION INC. (An Exploration Stage Company) CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 2007 2006 2005 \$ \$ \$ CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES Loss for the year (1,084,689) (3,581,360) (5,764,874) Items not affecting cash Stock-based compensation 34,421 393,120 1,800,000 Navidad recovery (Note 2) (550,479) - - ----- (1,600,747) (3,188,240) (3,964,874) Change in non-cash working capital balances(Note 12) (353,083) (596,912) 115,256 ----- (1,953,830)

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(3,785,152) (3,849,618) ----- INVESTING ACTIVITIES
 Expenditures on mineral properties and deferred costs - (4,491,524) (7,025,492) Increase
 (decrease) in short-term investments 1,686,538 (920,000) (3,280,000) Proceeds from sale of
 equipment - - 46,589 ----- 1,686,538 (5,411,524) (10,258,903)
 ----- FINANCING ACTIVITIES Issuance of common shares 59,500
 10,308,450 14,215,165 Share issuance costs - (871,749) (736,737) -----
 ----- 59,500 9,436,701 13,478,428 ----- INCREASE
 (DECREASE) IN CASH (207,792) 240,025 (630,093) CASH TRANSFERRED TO GOLDEN
 ARROW RESOURCES CORPORATION - - (145,866) ----- NET
 INCREASE (DECREASE) IN CASH (207,792) 240,025 (775,959) CASH - BEGINNING OF
 YEAR 391,420 151,395 927,354 ----- CASH - END OF YEAR
 183,628 391,420 151,395 =====
 SUPPLEMENTARY CASH FLOW INFORMATION (Note 12) The accompanying notes are an
 integral part of these consolidated financial statements. F-6 IMA EXPLORATION INC. (An
 Exploration Stage Company) CONSOLIDATED STATEMENTS OF CHANGES IN
 SHAREHOLDERS' EQUITY (Expressed in Canadian Dollars) 2007 2006 2005 \$ \$ \$ SHARE
 CAPITAL Balance at beginning of year 58,664,727 50,414,672 36,982,307 Private placements -
 10,027,500 10,000,020 Warrant valuation - (1,298,981) - Exercise of options 59,500 280,950
 577,000 Contributed surplus reallocated on the exercise of options 29,274 95,300 131,270
 Exercise of warrants - - 3,784,011 Proceeds collected and paid on behalf of Golden Arrow shares
 - - (145,866) Share issue costs - (854,714) (914,070) ----- Balance at
 end of year 58,753,501 58,664,727 50,414,672 ----- WARRANTS
 Balance at beginning of year 1,281,946 - - Warrant valuation from private placement warrants
 granted - 1,298,981 - Warrant valuation from agent's warrants granted - 110,164 - Warrant issue
 costs - (127,199) - ----- Balance at end of year 1,281,946 1,281,946 -
 ----- CONTRIBUTED SURPLUS Balance at beginning of year
 6,152,265 5,854,445 3,428,382 Contributed surplus as a result of stock options granted 34,421
 393,120 2,380,000 Warrant valuation from agent's warrants granted - - 177,333 Contributed
 surplus reallocated on the exercise of stock options (29,274) (95,300) (131,270) -----
 ----- Balance at end of year 6,157,412 6,152,265 5,854,445 -----
 ----- DEFICIT Balance at beginning of year (39,089,404) (35,508,044) (29,597,304) Loss
 for the year (1,084,689) (3,581,360) (5,764,874) Distribution of equity on spin-off of assets to
 Golden Arrow Resources Corporation - - (145,866) ----- Balance at
 end of year (40,174,093) (39,089,404) (35,508,044) ----- TOTAL
 SHAREHOLDERS' EQUITY 26,018,766 27,009,534 20,761,073 =====

===== The accompanying notes are an integral part of these
 consolidated financial statements. F-7 IMA EXPLORATION INC. (An Exploration Stage
 Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS
 ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 1. NATURE
 OF OPERATIONS IMA Exploration Inc. (the "Company") is a natural resource company
 engaged in the business of acquisition, exploration and development of mineral properties. The
 Company presently has no proven or probable reserves and on the basis of information to date, it
 has not yet determined whether these properties contain economically recoverable ore reserves.
 Consequently the Company considers itself to be an exploration stage company. The amounts
 that were shown as mineral properties and deferred costs represent costs incurred to date, less
 amounts amortized and/or written off, and do not necessarily represent present or future values.
 As at December 31, 2007 the Company had no mineral property interests. The Company
 considers that it has adequate resources to maintain its core operations for the next fiscal year. 2.
 NAVIDAD INTEREST On March 5, 2004, Aquiline Resources Inc. ("Aquiline"), through its
 subsidiary, Minera Aquiline Argentina SA, filed a claim in the Supreme Court of British
 Columbia against the Company seeking a constructive trust over the Navidad properties and

damages. On July 14, 2006 the court released its judgment on the claim. The Company was not successful in its defense and the court found in Aquiline's favour. The Order reads in part: "(a) that Inversiones Mineras Argentinas SA ("IMA SA") transfer the Navidad Claims and any assets related thereto to Minera Aquiline or its nominee within 60 days of this order; (b) that IMA take any and all steps required to cause IMA SA to comply with the terms of this order; (c) that the transfer of the Navidad Claims and any assets related thereto is subject to the payment to IMA SA of all reasonable amounts expended by IMA SA for the acquisition and development of the Navidad Claims to date; and (d) any accounting necessary to determine the reasonableness of the expenditures referred to in (c) above shall be by reference to the Registrar of this court." On October 18, 2006, the Company and Aquiline reached a definitive agreement for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The parties have agreed that the transactions outlined in the agreement were in satisfaction of the Order referenced above. The principal terms and conditions of the agreement are as follows: (a) control of the Navidad Project will be transferred to Aquiline in trust for the ultimately successful party in the appeal; (b) the Company and Aquiline have agreed to the costs spent to date developing the Navidad Project in the amount of \$18,500,000. Upon transfer of control of the Navidad Project, Aquiline paid \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions; (c) in the event that the Company is unsuccessful on appeal, the Company will be paid such \$18,500,000 amount.

F-8 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 2. NAVIDAD INTEREST (continued) The effective date of the transfer of the Navidad project was November 16, 2006. The Company's appeal of this judgment was heard by the British Columbia Court of Appeal between April 10 and April 12, 2007. The Court of Appeal dismissed the Company's appeal and released their reasons for judgment on June 7, 2007. The Company filed an application for leave to appeal to the Supreme Court of Canada in October 2007. On December 20, 2007 the Supreme Court of Canada denied the Company's appeal. This brought the lawsuit to a close. The Navidad property has been transferred to Aquiline. As at December 31, 2007, the Company has recorded a Navidad interest balance of \$18,500,000, the components of which are as follows: \$ Mineral properties and deferred costs (i) 17,763,521 Marketable securities (ii) 186,000 ----- 17,949,521 Navidad recovery (iii) 550,479 ----- Navidad interest 18,500,000 =====

(i) The mineral property and deferred costs represent the carrying value of the acquisition and exploration costs the Company has incurred in the development of the Navidad project. (ii) Marketable securities represents the carrying value of the common shares of publicly traded companies the Company received as partial consideration for entering into option and sale agreements for certain of its non-core mineral property holdings relating to the Navidad Project. Accordingly, these marketable securities were subject to transfer to Aquiline in relation to the July 2006 court order. (iii) The Company has recorded an additional recovery of \$550,479 to bring the total Navidad interest amount recoverable to \$18,500,000. The Company received the \$7.5 million held in trust on January 8, 2008 plus interest that had accrued in the amount of \$341,380. The balance of \$11 million was received on February 11, 2008. The Company expensed Navidad holding costs of \$109,666 in the year ended December 31, 2007. These are costs the Company incurred in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline.

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

F-9 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES

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

value is generally determined using a discounted cash flow analysis. **TRANSLATION OF FOREIGN CURRENCIES** The Company's foreign operations are integrated and are translated using the temporal method. Under this method, the Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates in effect during the period except for depreciation and amortization which are translated at historical rates. The resulting gains or losses are reflected in operating results in the period of translation. **CONCENTRATION OF CREDIT RISK** Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, short-term investments and other receivables. The Company limits its exposure to credit loss by placing its cash and short-term investments with major financial institutions. **INCOME TAXES** The Company uses the asset and liability method of accounting for future income taxes. Under this method of tax allocation, future income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Potential future income tax assets are not recognized to the extent that they are not considered more likely than not to be realized. **LOSS PER SHARE** Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. In years in which a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted losses per share are the same. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Note 6. F-11 IMA EXPLORATION INC. (An Exploration Stage Company) **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars)** 3. **SIGNIFICANT ACCOUNTING POLICIES (continued)** **STOCK-BASED COMPENSATION** The Company has an employee stock option plan. The Company recognizes an expense or addition to exploration properties and deferred exploration expenditures arising from stock options granted using the fair value method. The fair value of option grants is established at the date of grant using a Black Scholes option pricing model and the expense or addition to mineral properties is recognized over the option vesting period. **RECENT ACCOUNTING PRONOUNCEMENTS** Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). (a) Section 3855, Financial Instruments - Recognition and Measurement and Section 3861, Financial Instruments - Disclosure and Presentation, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized. The Company is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost. The Company has designated its financial instruments as follows: (i) Cash and short-term investments are classified as "Available-for-sale". Due to their short-term nature, their carrying value is equal to their fair value. (ii) Amounts receivable and deposits are classified as "Loans and Receivables". These financial assets are recorded at values that approximate their amortized cost using the effective interest method. (iii) Accounts payable and

accrued liabilities are classified as "Other Financial Liabilities". These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method. As a result of adopting Section 3855, on January 1, 2007 interest accrued from short-term investments in the amount of \$65,075 was reclassified from amounts receivable, prepaids and deposits to short-term investments. (b) Section 1530, Comprehensive Income, introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments. The Company has not recognized any adjustments through other comprehensive income for the year ended December 31, 2007. F-12 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 3. SIGNIFICANT ACCOUNTING POLICIES (continued) (c) Section 3865, Hedges specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. This standard did not have an impact on the Company for the year ended December 31, 2007. Effective January 1, 2008, new accounting standards were issued by the Canadian Institute of Chartered Accountants ("CICA") which may impact the Company in the future as follows: GENERAL STANDARDS ON FINANCIAL STATEMENT PRESENTATION CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose a company's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning January 1, 2008. The Company does not expect the adoption of these changes to have an impact on its financial statements. ACCOUNTING CHANGES Effective January 1, 2007, the Company adopted the revised CICA Handbook Section 1506 "Accounting Changes", which requires that: (a) a voluntary change in accounting principals can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change and (c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard. CAPITAL DISCLOSURES CICA Handbook Section 1535, Capital Disclosures, establishes standards for disclosing information about the company's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the company's key management personnel: (i) qualitative information about its objectives, policies and processes for managing capital. (ii) summary quantitative data about what it manages as capital. (iii) whether during the period it complied with any externally imposed capital requirements to which it is subject. (iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance. This standard is effective for interim and annual financial statements beginning on January 1, 2008. The Company has not yet determined the impact of the adoption of this change on the disclosure in our financial statements. F-13 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 3. SIGNIFICANT ACCOUNTING POLICIES (continued) INVENTORIES CICA Handbook Section 3031, Inventories prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any writedown to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. This standard is effective for interim and annual financial statements beginning on January 1, 2008. The

Company has not yet determined the impact of the adoption of this change on the disclosure in our financial statements. GOODWILL AND INTANGIBLE ASSETS CICA Handbook Section 3064, Goodwill and Intangible Assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the preoperating period. As a result of the withdrawal of EIC 27, companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009. The Company has not yet determined the impact of the adoption of this change on the disclosure in our financial statements. FINANCIAL INSTRUMENTS DISCLOSURES In March 2007, the CICA issued section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The standard deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These sections are effective January 1, 2008 but are not expected to have an impact on the Company's disclosure and presentation.

4. SHORT-TERM INVESTMENTS As at December 31, 2007 and 2006, the Company held short-term investments comprised of the following:

DECEMBER 31, 2007	DECEMBER 31, 2006
PRINCIPAL AND ACCRUED MATURITY INTEREST \$ 12 month term deposit - 4.45% annual interest rate (\$6,700,000 principal) August 13, 2008	6,813,462
6,813,462	6,813,462
===== F-14 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 4. SHORT-TERM INVESTMENTS (continued) DECEMBER 31, 2006	
MATURITY PRINCIPAL \$ 12 month term deposit - 3.7% annual interest rate March 20, 2007 500,000	12 month term deposit - 4.2% annual interest rate November 5, 2007 8,000,000
8,500,000	8,500,000
===== All term deposits are fully redeemable in full or portion at the Company's option without penalty. Interest is paid on amounts redeemed subsequent to 30 days from the date of investment. The principal and interest are unconditionally guaranteed by the Bank of Montreal.	

5. MARKETABLE SECURITIES

2007	2006	2005	QUOTED	RECORDED	RECORDED	RECORDED	MARKET VALUE	VALUE	VALUE	VALUE	VALUE	VALUE	VALUE	VALUE	VALUE
Tinka Resources Limited - 300,000 common shares	-	-	96,000	126,000	Consolidated Pacific Bay Minerals Ltd. - 900,000 common shares	-	90,000	144,000	-	-	-	-	-	-	-
-	-	186,000	270,000	=====											

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

F-15 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars)

6. SHARE CAPITAL

Authorized - unlimited common shares without par value	100,000,000	preferred shares without par value	NUMBER	\$ Issued - common shares
Balance, December 31, 2004	43,816,207	36,982,307		
Private placement	3,333,340	10,000,020	Exercise of options	10,000
			31,000	Exercise of agents' options
			168,000	546,000
			Contributed surplus reallocated on exercise of options	- 131,270

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Exercise of warrants 1,485,517 3,784,011 Proceeds collected and paid on behalf of Golden Arrow shares - (145,866) Less share issue costs - (914,070) ----- Balance, December 31, 2005 48,813,064 50,414,672 Private placement 2,865,000 10,027,500 Warrants valuation - (1,298,981) Exercise of options 335,000 280,950 Contributed surplus reallocated on exercise of options - 95,300 Less share issue costs - (854,714) ----- Balance, December 31, 2006 52,013,064 58,664,727 Exercise of options 119,000 59,500 Contributed surplus reallocated on exercise of options - 29,274 ----- Balance, December 31, 2007 52,132,064 58,753,501 =====

(a) During fiscal 2007, 119,000 stock options were exercised at \$0.50 per share for proceeds of \$59,500. (b) During fiscal 2006, the Company completed a syndicated brokered private placement financing of 2,865,000 special warrants at \$3.50 per warrant for gross proceeds of \$10,027,500. Each special warrant entitled the holder to acquire one unit consisting of one common share and one half common share purchase warrant. All special warrants were converted into common shares on May 25, 2006. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$3.80 per share until March 21, 2010. In addition to a cash commission of 6% the underwriters were granted 171,900 agent's warrants, representing 6% of the number of special warrants issued. Each agent's warrant is exercisable for one share at a price of \$3.80, for a period of twenty four months, expiring on March 21, 2008. The fair value of warrants and agent's warrants were as follows: i) value assigned to 1,432,500 warrants was \$1,186,053, net of share issue costs of \$112,928 ii) value assigned to the 171,900 agent's warrant was \$95,893, net of share issue costs of \$14,271 The Black-Scholes Pricing Model was used to value the warrants and agent's warrants. The warrants were valued at \$0.91 based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 55% and expected life of 24 months. The agent's warrants were valued at \$0.64 based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 61% and expected life of 12 months. At December 31, 2007, no warrants or agent's warrants had been exercised. F-16 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 6. SHARE CAPITAL (continued) (c) During fiscal 2005, the Company completed a brokered private placement for 3,333,340 units at \$3.00 per unit, for proceeds of \$9,263,283 net of \$600,001 agent's commission and \$136,736 of related issue costs. Each unit consisted of one common share and one half common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share at a price of \$3.45 per share until September 14, 2009. In addition to the cash commission the underwriters were granted as commission 233,334 underwriter's warrants, representing 7% of the number of units issued. Each underwriter's warrant is exercisable for one share at a price of \$3.25, for a period of twenty four months, expiring on September 12, 2007. The underwriter's warrants were valued using the Black-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 2005 -----

OPTIONS WEIGHTED OPTIONS WEIGHTED OPTIONS WEIGHTED OUTSTANDING AVERAGE OUTSTANDING

AVERAGE OUTSTANDING AVERAGE AND EXERCISE AND EXERCISE AND EXERCISE AND EXERCISE EXERCISABLE PRICE EXERCISABLE PRICE EXERCISABLE PRICE \$ \$ \$

Balance, Beginning of year	4,624,000	2.69	4,848,500	2.53	3,543,500	2.09	Granted	100,000	0.47		
	283,000	3.21	1,360,000	3.74	Exercised (119,000)	0.50	(315,000)	0.61	(20,000)	2.48	
	Cancelled/Forfeited (160,000)	3.66	(187,500)	2.96	(35,000)	4.16	Expired (115,000)	0.50	(5,000)	0.40	
	-----		-----		Balance, end of year	4,330,000	2.72	4,624,000	2.69	4,848,500	2.53

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

NUMBER	EXERCISE PRICE	EXPIRY DATE	\$
300,000	0.84	March 7, 2008	\$ 25,000
1,170,000	1.87	May 30, 2008	\$ 25,000
380,000	2.92	November 16, 2010	\$ 25,000
785,000	4.16	March 24, 2009	\$ 25,000
100,000	0.47	June 22, 2011	\$ 25,000
4,330,000		October 23, 2012	\$ 25,000

----- 4,330,000
 ===== F-17 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 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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 ===== F-18 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: \$ 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, Amara Resources Corporation, Astral Mining Corporation, Gold Point Energy Corp. and Blue Sky Uranium Corp., each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During fiscal 2007, the Company incurred fees of \$349,143 (2006: \$724,902; 2005: \$730,802) to the Grosso Group: \$330,305 (2006: \$764,115; 2006: \$764,012) was paid in twelve monthly payments and \$18,838 is included in accounts payable (2006: \$39,213 included in amounts receivable; 2005: \$33,210 included in amounts receivable) as a result of a review of the allocation of the Grosso Group costs to the member companies for the year. In addition, included in other receivables, prepaids and deposits is other receivables of a \$205,000 (2006: \$205,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital which is callable on demand. (b) During fiscal 2007, the Company paid \$353,283 (2006: \$533,917; 2005: \$241,088) to directors and officers or companies controlled by directors and officers of the Company, for accounting, management and consulting services provided. F-19 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 8. RELATED PARTY TRANSACTIONS (continued) (c) The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase the monthly fee, effective May 1, 2006, to \$20,833 from \$8,500 and to pay a bonus of \$150,000. The total compensation paid to the President in 2007 was \$250,000 (2006 - \$350,667). This amount is included in the total amount paid to directors and officers discussed in Note 8(b) above. In the event the contract is terminated by the Company or as a result of a change of control, a payment is payable to the President consisting of (i) any monthly compensation due to the date of termination, (ii) options as determined by the board of directors (iii) three years of monthly compensation (which may be adjusted annually) and (iv) bonus of \$461,500. If the termination had occurred on December 31, 2007, the amount payable under the contract would be \$1,211,500. In the event the contract is terminated by the Company as a result of the President's death or permanent disability while providing services to the Company, a bonus in the amount of \$461,500 is payable. Effective May 1, 2007, the Company negotiated agreements with the five other shareholder companies of the Grosso Group for the President of the Company to provide services for a monthly fee. The agreements may be terminated at any time at the other companies' discretion upon 30 days written notice. The Company reserves its right to restrict services provided by the President to the other shareholder companies based on its own requirements for the President's services, at which time the fee would be adjusted accordingly. For the year ended December 31, 2007, the Company received a total \$66,667 from the other shareholder companies which has been recorded as a reduction in Administrative and management services expense. The fees will be reviewed and adjusted on a periodic basis. All of the related party transactions and balances in these consolidated financial statements arose in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. 9. INCOME TAXES The recovery of income taxes shown in the consolidated statements of loss, comprehensive loss and deficit differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following: 2007 2006 2005 Statutory tax

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

===== F-20 IMA EXPLORATION INC. (An Exploration Stage
 Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS
 ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 9. INCOME
 TAXES (continued) The significant components of the Company's future tax assets are as
 follows: 2007 2006 2005 \$ \$ \$ Future income tax assets 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 corresponding adjustment to
 the related asset carrying amount. During the year ended December 31, 2006, as a result of the
 uncertainty regarding the status of the mineral properties balance (included in Navidad interest),
 the Company eliminated the future income tax liability of \$1,760,110 that existed as of
 December 31, 2005 and made a corresponding adjustment to mineral properties. During the year
 ended December 31, 2005, the Company recorded an \$875,017 increase to the future income tax
 liability and a corresponding adjustment to mineral properties. 2007 2006 2005 \$ \$ \$ Future
 income tax liabilities - - 1,760,110 ===== The
 Company has Canadian capital loss carryforwards of \$161,172 and non-capital loss
 carryforwards of \$15,951,984 that may be available for tax purposes. The Company's capital
 losses do not expire and may be carried forward indefinitely. The non-capital losses expire as
 follows: EXPIRY DATE \$ 2008 841,160 2009 1,317,730 2010 1,545,964 2014 2,752,324 2015
 4,708,790 2026 3,282,352 2027 1,503,664 ----- 15,951,984 ===== 10.

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

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY
 ACCEPTED ACCOUNTING PRINCIPLES The consolidated financial statements of the
 Company have been prepared in accordance with Canadian GAAP, which differ in certain
 material respects from US GAAP. The effects of significant measurement differences between
 Canadian GAAP and US GAAP for certain items on the consolidated balance sheets, statements
 of operations and deficit and statements of cash flows are as follows: 2007 2006 2005 \$ \$ \$
 CONSOLIDATED STATEMENTS OF OPERATIONS Loss for the year under Canadian
 GAAP (1,084,689) (3,581,360) (5,764,874) Mineral properties and deferred costs for the year (i)
 - (4,491,524) (8,480,509) Reversal of Future income tax liability (i) - - 875,017 Realization of

Navidad interest (iv) 17,682,521 - - - - - Income (loss) for the year under US GAAP 16,597,832 (8,072,884) (13,370,366) Unrealized losses on available-for-sale securities (ii) - (3,000) - - - - - Comprehensive loss (iii) 16,597,832 (8,075,884) (13,370,366) ===== Basic and diluted income (loss) per share under US GAAP 0.32 (0.16) (0.29) =====
 ===== Weighted average number of common shares outstanding 52,099,787 51,263,575 46,197,029 ===== 2007 2006 2005 \$ \$ \$ SHAREHOLDERS' EQUITY Balance per Canadian GAAP 26,018,766 27,009,534 20,761,073 Mineral properties and deferred costs expensed (i) (In 2006, classified as a component of Navidad interest - Note 2) - (17,763,521) (15,032,107) Reversal of Future income tax liability (i) - - 1,760,110 Accumulated other comprehensive income (ii) - 81,000 84,000 - - - - - Balance per US GAAP 26,018,766 9,327,013 7,573,076

===== F-22 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued) 2007 2006 2005 \$ \$ \$ NAVIDAD INTEREST / MINERAL PROPERTIES Balance per Canadian GAAP 18,500,000 17,949,521 15,032,107 Transfer of marketable securities (ii) - 81,000 - Mineral properties and deferred costs expensed under US GAAP (i) - (17,763,521) (15,032,107) - - - - - Balance per US GAAP 18,500,000 267,000 - - - - -
 ===== 2007 2006 2005 \$ \$ \$ FUTURE INCOME TAX LIABILITY Balance per Canadian GAAP - - 1,760,110 Reversal of Future income tax liability (i) - - (1,760,110) - - - - - Balance per US GAAP - - - - -

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

===== i) Mineral Properties and Deferred Costs Mineral properties and deferred costs are accounted for in accordance with Canadian GAAP as disclosed in Note 3. For US GAAP purposes, the Company expenses exploration costs relating to unproven mineral properties as incurred, and reverses any associated future income tax liabilities. When proven and probable reserves are determined for a property, subsequent exploration and development costs of the property are capitalized. F-23 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued) ii) Investments For the 2005 fiscal year, the Company's marketable securities were classified as available-for-sale investments under US GAAP and carried at the lower of cost and market value for Canadian GAAP purposes. Such investments are not held principally for the purpose of selling in the near term and, for US GAAP purposes, must have holding gains and losses reported as a separate component of shareholders' equity until realized or until an other than temporary impairment in value occurs. For the 2006 fiscal year, the Company's marketable securities were classified as available for sale investments under US GAAP until July 14, 2006, the date of the Navidad judgment. Subsequently, the marketable securities were transferred to the

Navidad interest balance (see Note 2 above). iii) Comprehensive Income US GAAP requires disclosure of comprehensive income (loss) which is intended to reflect all other changes in equity except those resulting from contributions by and payments to owners. iv) Realization of Navidad interest For US GAAP purposes the Company had previously expensed the exploration and other costs that comprised the amount shown as Navidad interest. Following the conclusion of the appeal process, the Company has recognized income of \$17,682,521. (See Note 2).

Accounting for Uncertainty in Income Taxes In July 2006, the Financial Accounting Standards Board (FASB) issued FIN 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement 109. This Interpretation applies to all tax positions related to income taxes subject to SFAS 109, Accounting for Income Taxes. FIN 48 uses a two-step approach for evaluating tax positions. The first step, recognition, occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. The second step, measurement, is only addressed if the recognition threshold is met; under this step, the tax benefit is measured as the largest amount of the benefit, determined on a cumulative probability basis, that is more likely than not to be realized upon settlement. FIN 48's use of the term "more likely than not" represents a greater than 50 percent likelihood of occurrence. The cumulative effect of applying the provisions of this Interpretation shall be reported as an adjustment to the opening balance of retained earnings for fiscal year in which the enterprise adopts the Interpretation. FIN 48 is effective for fiscal years beginning after December 15, 2006. Earlier application is permitted if the reporting enterprise has not publicly issued financial statements, including interim financial statements, for that fiscal year. Accordingly, the Company adopted the provisions of this Interpretation in its fiscal 2007 year. This interpretation did not have an impact on the Company for the year ended December 31, 2007.

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

F-24 IMA EXPLORATION INC. (An Exploration Stage Company) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005 (Expressed in Canadian Dollars) 11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued) RECENTLY ISSUED US GAAP ACCOUNTING STANDARDS: i) In September 2006, FASB issued SFAS No. 157, "Fair Value Measurement", effective for fiscal periods beginning after November 15, 2007. SFAS defines fair value, establishes a framework for measuring accepted accounting principles, and expands disclosures about fair value measurements. In December 2007, the FASB issued SFAS 157-b, which provided for a one year deferral of the implementation of SFAS 157 for non-financial assets and liabilities. However, SFAS is still required to be adopted effective January 1, 2008 for financial assets and liabilities that are carried at fair value. The Company is currently evaluating the impact of the adoption of this standard on its Consolidated Financial sv) Impact of recently issued accounting standards. ii) In February 2007, FASB issued SFAS No. 159, "Fair value option for financial assets and liabilities" which permits entities to choose to measure various financial instruments and certain other items at fair value. We do not expect the adoption of this Interpretation to have a significant effect on the Company's results of operations or financial position. iii) In December 2007, the FASB issued SFAS 160 a standard on accounting for noncontrolling interests and transactions with non-controlling interest holders in consolidated financial statements. The standard is converged with standards issued by the AcSB and IASB on this subject. This statement specifies that non-controlling interests are to be treated as a separate component of equity, not as a liability or other item outside of equity. Because non-controlling interests are an element of equity, increases and decreases in the parent's ownership interest that leave control intact are accounted for as capital transactions rather than as a step acquisition or dilution gains

or losses. The carrying amount of the non-controlling interests is adjusted to reflect the change in ownership interests, and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly inequity attributable to the controlling interest. This standard requires net income and comprehensive income to be displayed for both the controlling and the non-controlling interests. Additional required disclosures and reconciliations include a separate schedule that shows the effects of any transactions with the non-controlling interests on the equity attributable to the controlling interest. The statement is effective for periods beginning on or after December 15, 2008. SFAS 160 will be applied prospectively to all non-controlling interests, including any that arose before the effective date. The Company has not determined the effect of the adoption of this Interpretation to the Company's results of operations or financial position.

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

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

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

===== 13. SUBSEQUENT EVENTS The Company received the funds representing the Navidad interest as follows: o \$7.5 million, which was previously held in trust, on January 8, 2008 plus interest that had accrued in the amount of \$341,380 o The balance of \$11 million was received on February 11, 2008. F-27