

Edgar Filing: IMA EXPLORATION INC - Form 20-F

IMA EXPLORATION INC  
Form 20-F  
June 23, 2004

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

FORM 20-F

- Registration Statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934  
or
- Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003  
or
- Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-30464

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

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

BRITISH COLUMBIA  
(Jurisdiction of incorporation or organization)

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

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

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

COMMON SHARES, NO PAR VALUE  
(Title of Class)

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

NOT APPLICABLE  
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2003.

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

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

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requirements for the past 90 days.

Yes        X            No  
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Indicate by check mark which financial statement item the registrant has elected to follow.

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

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GENERAL INFORMATION:

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

GLOSSARY OF TERMS

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

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

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

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

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

G/T:                                    grams per tonne

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

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

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KM:	Kilometre
M:	Meter
MAFIC:	Dark colored, generally iron or magnesium rich, rock or mineral.
MANIFESTATIONS:	In Argentina, manifestations or "manifestaciones" of discovery are official notices filed with the mining authority indicating that the person filing (who must be the owner of the cateo in an area covered by a cateo) has made a discovery. The filing and acceptance by the mining authority of such a notice, constitutes the first step in converting a discovery to a mine (see below). A manifestation of discovery may cover one or more claims in the case of either a vein or disseminated deposit. The size of the manifestations and the annual payments required of the owner is the same as those for a mine.
MINE:	In Argentina, a mine or "mina" is a real property interest. It is a right of exploration granted on a permanent basis after the completion of an official survey for as long as the right is diligently utilized and semi-annual payments of US\$17.50 (Pesos \$40) per claim are made. A mine may consist of one or several claims or "pertinencias". In the case of vein deposits, each claim is a maximum of 200 by 300 meters or six hectares; for disseminated deposits, each claim is up to one square kilometer or 100 hectares.
PORPHYRY:	An igneous rock containing mineral crystals that are visibly larger than other crystals of the same or different composition.
PPM:	parts per million
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SATELLITE IMAGERY:	Maps or images produced from data collected by satellite displaying wavelength and intensity variations of visible and infrared radiation reflected from the Earth's surface.
SCREE:	A slope of loose rock debris at the base of a steep incline or cliff.
SEDIMENTARY ROCKS:	Descriptive term for a rock formed of sediment, namely solid material both mineral and organic, deposited from suspension in a liquid.
STREAM SEDIMENT SAMPLE:	A sample of fine sediment derived from the mechanical action of the stream.
SKARN	A style of alteration characterized by iron and magnesium bearing aluminosilicate materials such as garnet and diopside.

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SULFIDE:	A compound of sulfur combined with one or more metallic or semi-metallic elements.
VEINS:	An occurrence of minerals, having been intruded into another rock, forming tabular shaped bodies.
AG:	Silver
AS:	Arsenic
AU:	Gold
BA:	Barium
CO:	Cobalt
CU:	Copper
MO:	Molybdenum
PB:	Lead
SB:	Antimony
ZN:	Zinc
MINERALS:	
BIOTITE:	An iron and magnesium bearing mica mineral.
CARBONATE:	A mineral containing the radical CO <sub>3</sub> .
CHALCOPYRITE:	A sulfide mineral containing copper and iron.
FELDSPAR:	An aluminosilicate with variable amounts of potassium, sodium and calcium.
HORNBLENDE:	A complex hydrated aluminosilicate of magnesium, iron and sodium.
MAGNETITE:	A magnetic iron oxide mineral.
PYROXENE:	An aluminosilicate of magnesium and iron.
PYRRHOTITE:	A magnetic sulfide of iron.
ROCK TYPES:	
ANDESITE:	A volcanic rock with the principal minerals being plagioclase.
CONGLOMERATE:	A clastic sedimentary rock containing rounded fragments of gravel or pebble size.
DACITE:	A volcanic or shallow intrusive rock with the principal minerals being plagioclase, quartz and one or more mafic constituents.

DIORITE: An intrusive rock composed essentially of sodic plagioclase, hornblende, biotite, or pyroxene.

LIMESTONE: A sedimentary rock consisting chiefly of calcium carbonate.

SANDSTONE: A clastic sedimentary rock composed largely of sand-sized grains, principally quartz.

SHALE: A clastic sedimentary rock derived from very fine-grained sediment (mud).

SILTSTONE: A clastic sedimentary rock similar to shale except comprised of slightly coarser material (silt).

TUFF: A rock formed of compacted volcanic fragments, generally smaller than 4mm in diameter.

PART I

ITEM 1. DIRECTORS, SENIOR MANAGEMENT AND ADVISORS.

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Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

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Not applicable.

ITEM 3. KEY INFORMATION.

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SELECTED FINANCIAL DATA

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

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years ended December 31, 2003, 2002 and 2001 was derived from the consolidated financial statements of the Company which have been audited by PricewaterhouseCoopers LLP, independent Chartered Accountants, as indicated in their report which is included elsewhere in this annual report. The selected financial data set forth for the years ended December 31, 2000 and 1999 are derived from the Company's audited consolidated financial statements, not included herein.

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

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

To date, the Company has not generated sufficient cashflow from operations to fund ongoing operational requirements and cash commitments. The Company has financed its operations principally through the sale of its equity securities. The Company considers that it has adequate resources to meet property commitments on its existing property holdings; however, at present, the Company does not have sufficient funds to conduct exploration programs on all of its existing properties and will need to obtain additional financing or joint venture partners in order to initiate any such programs. See "Item 5. Operating and Financial Review and Prospects".

### CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

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

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YEARS ENDED DECEMBER 31,

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

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ADJUSTED TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

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

	2003	2002	2001	2000	1999
CONSOLIDATED STATEMENT OF OPERATIONS					

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Earnings (Loss) for the year under Canadian GAAP	\$ (3,418)	\$ (1,440)	\$ (882)	\$ (2,024)	\$ (1,74
Mineral property and deferred exploration costs for the year	(1,813)	(1,267)	(1,321)	(1,989)	(78
Mineral property and deferred exploration costs acquired from acquisition of IMPSA	-	-	-	-	(68
Mineral property and deferred exploration costs written off during the year which would have been expensed in the year incurred	777	-	21	790	9
Stock-based compensation	(144)	(102)	-	-	
Earnings (Loss) for the year under US GAAP before comprehensive income adjustments	\$ (4,598)	\$ (2,809)	\$ (2,181)	\$ (3,224)	\$ (3,11
Unrealized gains on available-for-sale securities	434	55	-	-	(8
Comprehensive Income (Loss)	\$ (4,164)	\$ (2,754)	\$ (2,181)	\$ (3,224)	\$ (3,19
				7	
=====					
Earnings (Loss) per share under US GAAP	\$ (0.14)	\$ (0.12)	\$ (0.14)	\$ (0.26)	\$ (0.
Diluted Earnings (Loss) per share under US GAAP	\$ (0.14)	\$ (0.12)	\$ (0.14)	\$ (0.26)	\$ (0.
	2003	2002	2001	2000	1999
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SHAREHOLDERS' EQUITY					
Balance per Canadian GAAP	\$11,671	\$7,324	\$5,372	\$4,790	\$3,4



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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

OPERATING ACTIVITIES

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

INVESTING ACTIVITIES

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

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

Cash provided per Canadian and US GAAP	\$6,278	\$3,264	\$1,463	\$3,380	\$2,5
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See Note 10 of the Company's consolidated financial statements.

EXCHANGE RATE HISTORY

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

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The following table sets forth high and low exchange rates for one Canadian dollar expressed in terms of one U.S. dollar for the six-month period ended May 31, 2004.

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

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

PERIOD	AVERAGE
January 1, 1999 - December 31, 1999	0.6731
January 1, 2000 - December 31, 2000	0.6746
January 1, 2001 - December 31, 2001	0.6456
January 1, 2002 - December 31, 2002	0.6368
January 1, 2003 - December 31, 2003	0.7206

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

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### RISK FACTORS

Due to the nature of the Company's business and the present stage of exploration on its mineral resource properties, the following risk factors apply to the Company's operations, and will apply to the operations of Golden Arrow Resources Corporation ("Golden Arrow") in the event the arrangement is approved by the Company's shareholders (see "Item 4. Information on the Company - History and Development of the Company"):

**LIQUIDITY AND CASH FLOW:** As at the date of this annual report, the Company has not generated any revenues from operations to fund ongoing operational requirements and cash commitments. The Company has financed its operations principally through the sale of its equity securities. As at May 31, 2004 the Company had working capital of approximately \$7,600,000. Management believes the Company has adequate resources to maintain its ongoing operations and will require additional financing for planned exploration and property acquisitions for the remainder of fiscal 2004. See "Item 5. Operating and Financial Review and Prospects - Liquidity and Capital Resources".

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

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

The Company will continue to rely on successfully completing additional equity financing and/or conducting joint venture arrangements to further exploration on its properties. There can be no assurance that the Company will be successful in obtaining the required financing or negotiating joint venture agreements. The Company's management may elect to acquire new projects, at which time additional equity financing may be required to fund overhead and

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maintain its interests in current projects, or may decide to relinquish certain of its properties. These decisions will be based on the results of ongoing exploration programs and the response of equity markets to the projects and business plan. The failure to obtain such financing or complete joint venture arrangements could result in the loss or substantial dilution of the Company's interests (as existing or as proposed to be acquired) in its properties as disclosed herein. The Company does not have any definitive commitment or agreement concerning any investment, strategic alliance or related effort, on any of the Company's material properties. It is the Company's intention to seek joint venture partners to provide funding for further work on any or all of those other properties. Joint ventures may involve significant risks and the Company may lose any investment it makes in a joint venture. Any investments, strategic alliances or related efforts are accompanied by risks such as:

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

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- control over the return of the Company's capital or assets;
6. the inability of management to capitalize on the growth opportunities presented by joint ventures; and
  7. the insolvency of any joint venture partner.

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

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

**PROJECT DELAY:** The Company's minerals business is subject to the risk of unanticipated delays in permitting its projects. Such delays may be caused by fluctuations in commodity prices, mining risks, difficulty in arranging needed financing, unanticipated permitting requirements or legal obstruction in the permitting process by project opponents. In addition to adding to project capital costs (and possibly operating costs), such delays, if protracted, could result in a write-off of all or a portion of the carrying value of the delayed project.

**TITLE TO PROPERTIES:** The validity of mining claims, which constitute a significant portion of the Company's undeveloped property holdings, is often uncertain and may be contested. Although the Company has attempted to acquire satisfactory title to its undeveloped properties, the Company, in accordance with mining industry practice, does not intend to obtain title opinions until a decision is made to develop a property, with the attendant risk that some titles, particularly titles to undeveloped properties, may be subject to contest by other parties. Title to properties may be subject to litigation claims by others. On March 5, 2004 Minera Aquiline Argentina SA, a subsidiary of Aquiline Resources Inc. ("Aquiline"), commenced an action against the Company seeking damages and a constructive trust over certain of the Company's properties in the Navidad area. The Company believes the Aquiline legal action is without merit and will vigorously defend itself. A Statement of Defence has been filed. The trial has been set for October 11, 2005 in Vancouver, British Columbia. As of the date of this annual report the outcome is not determinable. There can be no assurance that Golden Arrow will not be joined as a defendant in this action at some point in the future. See "Item 8. Financial Information - Legal Proceedings."

**PRICE FLUCTUATIONS AND SHARE PRICE VOLATILITY:** In recent years the securities markets in Canada have experienced a high level of price and volume volatility and the market price of securities of many companies, particularly junior mineral exploration companies, like the Company, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, the per share price of the Company's common shares on the TSX Venture Exchange (the "TSX-V") fluctuated from a

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

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occur.

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

**INSURABLE RISKS AND LIMITATIONS OF INSURANCE:** The Company maintains certain insurance, however, such insurance is subject to numerous exclusions and limitations. The Company maintains a Total Office Policy in Canadian dollars on its principal offices. Generally, the Total Office Policy provides a 90% coverage on office contents, up to \$160,000, with a \$500 deductible. In addition, the policy provides general liability coverage of up to \$5,000,000 for personal injury, per occurrence and \$2,000,000 for legal liability for any one premises, with a \$500 deductible. The Company also has insurance coverage of up to \$5,000,000 for non-owned automobile liability.

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

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

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

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

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

MANAGEMENT: The Company is dependent on the services of Joseph Grosso, the President and a director of the Company, Gerald G. Carlson, the Chairman of the Company's Board of Directors, and Arthur Lang, the Company's Chief Financial Officer. The loss of any of these people could have an adverse affect on the Company. Joseph Grosso provides his services to the Company through Oxbow International Marketing Corp. ("Oxbow"). Gerald G.

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

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

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

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

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will recover from such recessions.

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

Argentina has recently experienced some economic and political instability. Management believes the new democratic elected government is making progress in the domestic economy and it is improving the image of the country internationally. Additionally, management believes the economic crisis of December 2001 has been overcome, and although the country defaulted on its loans, it has worked out with the International Monetary Fund a bail-out loan agreement. The Company maintains the majority of its funds in Canada and only forwards sufficient funds to meet current obligations and overhead in Argentina. The Company does not believe that any current currency restrictions which may be imposed in Argentina will have any immediate impact on the Company's exploration activities.

IMPACT OF GOVERNMENT REGULATIONS ON THE COMPANY'S BUSINESS: The projects in which the Company has an interest are located in Argentina and Peru.

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### ARGENTINA

#### MINING INDUSTRY

Mineral companies are subject to both the Argentinean Mineral Code and the Environmental Protection Mining Code. The Company believes it is in material compliance with both the Argentinean Mineral Code and the Environmental Protection Mining Code.

#### MINING LAW IN ARGENTINA

In IM-11/19 Argentina; Economic Trends-Nov. 1999, the author stated:

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

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

The right to explore a property (a "cateo") and the right to exploit (a "mina") are granted by administrative or judicial authorities via concessions. Foreign individuals and corporations may apply for and hold cateos and minas, at the

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same level as local investors without differences of any nature. Cateos and minas are freely transferable upon registration with the Provincial Mining Registry where title to the cateo or mina was first registered. Upon the grant of a legal concession of a cateo or a mine, parties have the right to explore the land or to own the mine and the resources extracted therefrom.

### REGULATORY ENVIRONMENT

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

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

### POLITICAL ENVIRONMENT AND ECONOMY

In recent years Argentina has experienced a number of changes to its government. The current president, Nestor Kirchner, came to power in May 2003. The country continues to struggle with its external debt. Negotiations continue with the IMF and several of its other major creditors. The economic performance of the country has been troubled and uncertain since the late 1990's. Management believes there are currently some positive indications that the economic situation is improving.

### PERU

#### MINING INDUSTRY

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

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

#### MINERAL CONCESSIONS IN PERU

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



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

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

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

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

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

### TERRORISM

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

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

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

The provincial government of Chubut Province, Argentina has enacted certain anti-mining laws banning the use of cyanide and open-pit mining in metallic extraction in the Province of Chubut. The provincial legislation is more restrictive than current federal Argentinean mining laws. The Company has hired a mining engineering consultant to oversee all environmental and socio-economic studies and programs to ensure international best practices for the mining industry are applied in the development of the Company's properties. Certain authorities believe that the provincial legislation may be unconstitutional. However, there can be no assurance that the provincial legislation will be repealed.

**CURRENCY FLUCTUATIONS:** The Company's operations in Argentina, Peru and Canada make it subject to foreign currency fluctuations and such fluctuation may adversely affect the Company's financial position and results. The Company's property, option and mining expenses are generally denominated in U.S. dollars. As such, the Company's principal foreign exchange exposure is related to the conversion of the Canadian dollar into U.S. dollars. The Canadian dollar varies under market conditions. Until the beginning of 2004, the Canadian dollar has experienced an appreciation against the U.S. dollar, which requires the Company to spend less Canadian dollars on its projects. Continued fluctuation of the Canadian dollar against the U.S. dollar will continue to affect the Company's operations and financial position. The Company's foreign subsidiaries comprise a direct and integral extension of the Company's operations. These subsidiaries are also entirely reliant upon the Company to provide financing in order for them to continue their activities. Consequently, the functional currency of these subsidiaries is considered by management to be the Canadian dollar and accordingly exchange gains and losses are included in net income. Management does not believe the Company is subject to material exchange rate exposure from any fluctuation of the Argentine or Peruvian currencies. The Company does not engage in hedging activities. See "Item 5. Operating and Financial Review and Prospects".

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

**PENNY STOCK REGULATION:** The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in "penny stocks". Generally, penny stocks are equity securities with a price of less than US\$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system). Since the Company's shares are traded for less than US\$5.00 per share, the shares are subject to the SEC's penny stock rules.

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

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

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**ENFORCEMENT OF LEGAL PROCESS:** It may be difficult to bring and enforce suits against the Company and Golden Arrow. The Company and Golden Arrow are corporations incorporated in British Columbia. None of the Company's nor Golden Arrow's directors are residents of the United States and all, or a substantial portion, of their assets are located outside of the United States. As a result, it may be difficult for U.S. holders of the Company's and Golden Arrow's common shares to effect service of process on these persons within the United States or to enforce judgements obtained in the U.S. based on the civil liability provisions of the U.S. federal securities laws against the Company, Golden Arrow or their officers and directors. In addition, a shareholder should not assume that the courts of Canada (i) would enforce judgments of U.S. courts obtained in actions against the Company, Golden Arrow or their officers or directors predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States, or (ii) would enforce, in original actions, liabilities against the Company, Golden Arrow or their officers or directors predicated upon the U.S. federal securities laws or other laws of the United States.

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

1. where the U.S. court where the judgment was rendered had no jurisdiction according to applicable Canadian law;
2. the judgment was subject to ordinary remedy (appeal, judicial review and any other judicial proceeding which renders the judgment not final, conclusive or enforceable under the laws of the applicable state) or

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- not final, conclusive or enforceable under the laws of the applicable state;
3. the judgment was obtained by fraud or in any manner contrary to natural justice or rendered in contravention of fundamental principles of procedure;
  4. a dispute between the same parties, based on the same subject matter has given rise to a judgment rendered in a Canadian court or has been decided in a third country and the judgment meets the necessary conditions for recognition in a Canadian court;
  5. the outcome of the judgment of the U.S. court was inconsistent with Canadian public policy;
  6. the judgment enforces obligations arising from foreign penal laws or laws that deal with taxation or the taking of property by a foreign government; or
  7. there has not been compliance with applicable Canadian law dealing with the limitation of actions.

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

### ITEM 4. INFORMATION ON THE COMPANY.

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#### HISTORY AND DEVELOPMENT OF THE COMPANY

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

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Altered Memorandum on February 9, 1995, to reflect its name change to International Amera Industries Corp. On February 20, 1996, the Company filed an Altered Memorandum, changing its name to IMA Resource Corporation, and became engaged in the acquisition and exploration of mineral properties.

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

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under-explored.

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

The Company initially received 500,000 common shares, or 30.76%, of the then issued and outstanding common shares of IMPSA, for its \$250,000 capital contribution. As a result of issuing 375,000 shares to IMPSA's management and key employees, and the completion of two private placements (resulting in the issuance of a total of 1,528,000 common shares of IMPSA), the Company's initial investment in IMPSA was diluted to 20.76%. However, in order to assure the Company an ongoing interest in the assets of IMPSA, the Company retained a 20% participating interest in IMPSA (BVI) and retained the right to maintain a 20% ownership interest in IMPSA. During fiscal 1998, the Company increased its investment in IMPSA by purchasing 990,963 shares, which increased the Company's percentage ownership of IMPSA from 20.76% to 43.81%. In January 1999, the Company acquired an additional 6,500,000 common shares of IMPSA, increasing its equity interest from 43.81% to 80.69%. During 2001, the Company completed the reorganization of its corporate structure to continue the funding of the Company's Peruvian exploration activities. On August 20, 2001, the Company entered into an agreement with IMPSA, its 80.69% owned subsidiary, to acquire IMPSA's 80% interest in IMPSA (BVI) and IMPSA's advances to IMPSA (BVI), of approximately US\$1.536 million, in exchange for \$850,000 plus a 2% fee on any net revenue or proceeds from the disposition of certain properties held by IMPSA (BVI). See "Item 4. Information on the Company - Organizational Structure." The fee is limited to a maximum of \$1,400,000. This transaction was approved by IMPSA's shareholders on September 4, 2001. IMPSA used the cash proceeds to retire its debt to the Company. Rio Tabaconas (formerly known as Tamborapa), IMPSA's principal property, is for the most part an early stage exploration property and involves a high degree of risk.

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

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

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

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In May 1998, the Company entered into an arrangement (the "Plan of Arrangement") with Viceroy Resource Corporation ("Viceroy") whereby the Company agreed to exchange its 50% interest in Minas Barbados for 2,200,000

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

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

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

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

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

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

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

On March 29, 2004, the new British Columbia Business Corporations Act (the

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"BCBCA") came into force in British Columbia and replaced the former Company Act, which is the statute that previously governed the Company. See "Item 10. Additional Information - Memorandum and Articles of Association."

On May 3, 2004, the Company announced its intention to proceed with a reorganization of the Company which will have the result of dividing its present mineral resource assets between two separate public companies. Upon implementation of the corporate reorganization, the Company will continue to hold the Navidad silver-lead-copper project and certain other mineral properties in central Chubut Province, Argentina, while the newly created public company will hold the other resource assets of the Company.

Under the reorganization, the Company's most advanced project, the Navidad silver-lead-copper project and certain other Navidad area properties in central Chubut Province, Argentina (the "Navidad Properties") will continue to be owned by the Company, while the Company's non-Navidad mineral properties along with \$750,000 of operating cash and the joint venture agreements (including the marketable securities) relating to the transferred properties (collectively the "Transferred Assets") will be transferred to Golden Arrow, a new public company formed to effect

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the reorganization. These two separate public companies will be owned by the existing shareholders of the Company and each will have a separate focus. Golden Arrow will be committed to grass roots exploration while the Company will retain the Navidad project and focus on:

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

However, there are no assurances that the Company will be able to successfully complete any of the foregoing.

The remaining projects outside of Navidad will be held by Golden Arrow which will initially have the same board of directors as the Company, and it is intended that Golden Arrow will initially be managed by the same management team as the Company. Golden Arrow will then be able to focus on grass root exploration for economic mineral discoveries. Management believes the markets will then be able to fairly value these exploration assets.

The common shares of Golden Arrow will be distributed to shareholders of the Company in proportion to their present shareholdings in the Company and on the basis of one Golden Arrow share for every 10 shares of the Company held. The reorganization is intended to enhance shareholder value by enabling each company to focus on the development of its own properties, and by allowing shareholders to hold an interest in Golden Arrow which reflects the value of the Company's portfolio of exploration projects.

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

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

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

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

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



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

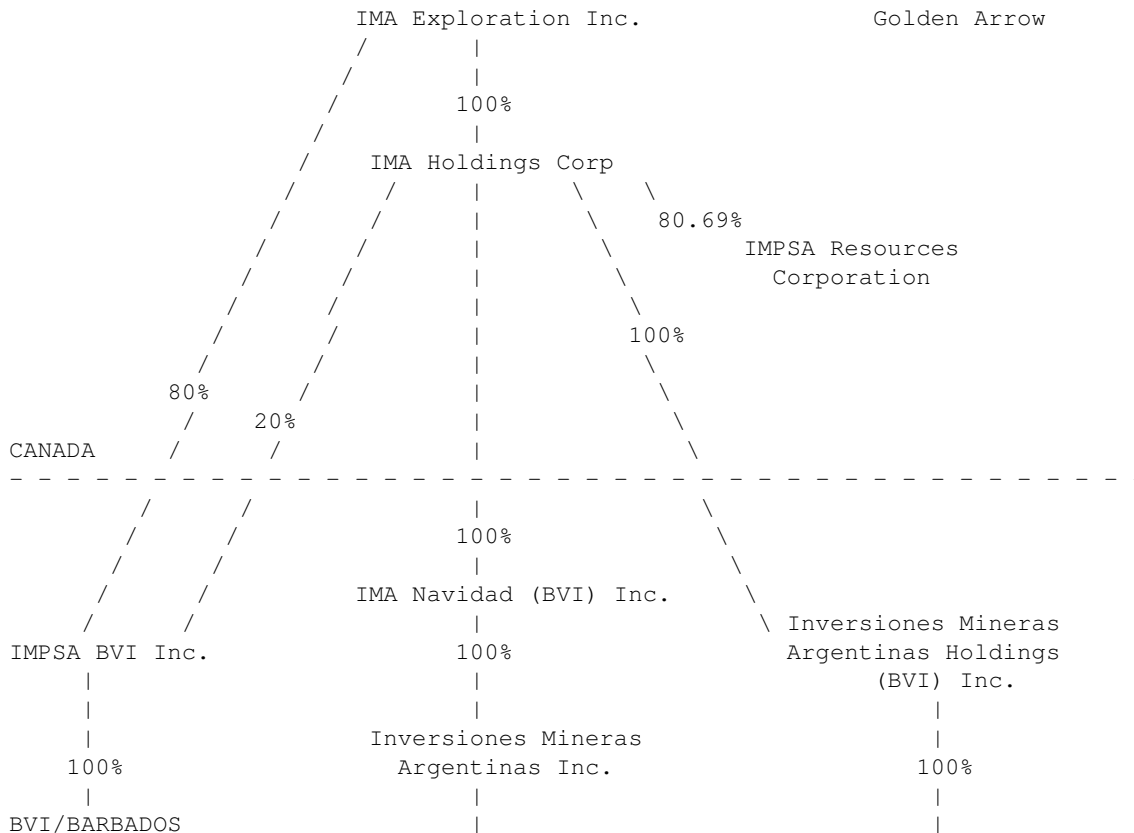
- (j) Golden Arrow will purchase for cancellation the Golden Arrow preferred shares held by the Company in consideration for the issuance by Golden Arrow to the Company of a promissory note from Golden Arrow having a principal amount and fair market value equal to the aggregate fair market value of the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

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

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IMMEDIATELY PRIOR TO THE ARRANGEMENT

TABLE A





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telephone number is (604) 687-1828.

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

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

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

### PLANNED EXPLORATION EXPENDITURES AND PROPERTY PAYMENTS

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

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

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

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

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

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As of June 22, 2004, the Company does not have sufficient working capital to fund all of its planned exploration work and property commitments and meet all of its ongoing overhead obligations. The Company will continue to rely on successfully completing additional equity financing and/or conducting joint venture arrangements to conduct further exploration on its properties. There can be no assurance that the Company will be successful in obtaining the required financing or negotiating joint venture agreements. The failure to obtain such financing or joint venture agreements could result in the loss of, or substantial dilution of the Company's interest in its properties.

### BUSINESS OVERVIEW

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

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

### GENERAL DEVELOPMENT OF THE COMPANY'S BUSINESS

The Company has been active in Peru and Argentina since 1996 acquiring and exploring mineral properties.

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

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

In March 2001, the Company granted Rio Tinto Mining and Exploration Limited ("Rio Tinto") an option to acquire a majority interest in the Mogote property in the Valle de Cura region of San Juan Province, Argentina. This agreement was terminated by Rio Tinto in December 2001. In March 2003 (as amended September 30, 2003), the Company granted Amera Resources Corporation ("Amera") an option to acquire a 51% interest, amended on April 8, 2004 to 75%, in the Mogote property. Recent exploration results from Amera's work have been encouraging. See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Properties - Argentinean Properties - San

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

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

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

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

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

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

In early 2003, the Company focused its efforts on its Navidad Area Properties in Chubut Province located in southern Argentina. The preliminary results of its initial exploration efforts were very encouraging. A Phase I drilling program commenced in November 2003 and continued into March 2004. A second phase is scheduled to commence in May 2004. At the date of this report the Company has not received any results from this program. Management believes that the Navidad Project is worthy of its primary interest and accordingly has focused the majority of its available resources on this project and expects to continue to do so.

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

### GOVERNMENT REGULATIONS

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

### ORGANIZATIONAL STRUCTURE

The Company has one direct wholly-owned subsidiary, IMA Holdings Corp. ("IHC"), a British Columbia company and one 80% owned subsidiary, IMPSA BVI Inc. ("IMPSA (BVI)"), a British Virgin Islands company.

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

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

IMA Navidad has one direct wholly-owned subsidiary, Inversiones Mineras Argentinas Inc., a Barbados company ("IMA Barbados"). IMA Barbados has one direct wholly-owned subsidiary, Inversiones Mineras Argentinas S.A. ("IMA Argentinas"), an Argentine company.

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

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

The Company's current corporate structure is depicted in Table A (above). See "Item 4. Information on the Company - History and Development of the Company."

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

### PROPERTIES, PLANTS AND EQUIPMENT

The Company's principal business is the acquisition and exploration of mineral properties in known mining areas adjacent to, or in close proximity to, known major discoveries, with a focus in Argentina and Peru. As of the date of this annual report, all of the Company's properties are without known reserves and the Company's operations are exploratory in nature.

### PRINCIPAL PROPERTIES

#### NAVIDAD PROJECT

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

#### CHUBUT (PATAGONIA) AREA PROPERTIES

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

#### VALLE DE CURA AREA PROPERTIES

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

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

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### NORTHWEST SAN JUAN AREA PROPERTIES

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

### GUALCAMAYO AREA PROPERTIES

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

### RIO TABACONAS PROPERTY (PERU)

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

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

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



[Argentina Property Map]

#### ARGENTINEAN PROPERTIES

#### NAVIDAD PROJECT

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

#### PROPERTY DESCRIPTION AND LOCATION

The Navidad Project comprises 10,000 hectares consisting of one individual claim (cateo) in the Gastre Department of the Province of Chubut. It is centered at approximately 42.415 decimal degrees south latitude and 68.82 decimal degrees west longitude in the Campo Inchauspe datum. The above point has been located in the field by professional surveyors and has the coordinates 2,514,856.53 east and 5,304,454.84 north in Gauss Kruger Campo Inchauspe zone 2 and was assigned the local grid coordinates 50,000E, 10,000N with an elevation of 1,218.18 m (Height Above Ellipsoid WGS1984). The local grid is rotated 30 degrees to the east of Gauss Kruger north.

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### MINERAL TITLES INCLUDED IN THE NAVIDAD PROJECT:

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

### ACCESSIBILITY AND INFRASTRUCTURE

The property is located in the north-central part of the Province of Chubut within the prominent Gastre structural lineament in a somewhat uplifted area. Minimum elevation within the Gan cateo is 1,060 m while the maximum elevation is 1,460 m. Relief is gentle with minor local exceptions.

Vegetation is sparse and comprises grasses and low brush. Trees are absent. The climate is characterized as continental semi-arid with moderate temperatures in summer often accompanied by high winds. Winters are cold with temperatures often dipping below zero Celsius, but are generally not characterized by extended sub-zero periods. Most of the precipitation falls in winter as both rain and snow and, as such, conditions may not favor field work in the winter, but depending on the year, work may be possible even during winter.

Access to the property is possible year around by two-wheel drive pick-up truck except in very wet periods. Gastre is the nearest town some 40km to the west and the town of Gan Gan is about the same distance to the east; both are along Route 4 a gravel highway. The nearest airport with scheduled (rare) service is in Esquel four hours drive to the southwest by gravel road. To the north about two hours drive, in the province of Rio Negro, is the town of Ingenierio Jacobacci which is larger than Gastre and has much better services including banking. From Ingenierio Jacobacci it is another three and a half hours to the west to Bariloche, a city with multiple daily flights and a centre for tourism year around. From Gastre to the Atlantic Coast it is approximately seven hours drive virtually all on gravel roads. Along the coast infrastructure is much better with paved, roads, ports and airports and larger population centers.

During normal road conditions the trip from Gastre to the Navidad Project is about 30 minutes.

A high voltage power line running from the Futaleufu site to an aluminum smelter at Puerto Madryn passes roughly 50km south of the Navidad Project. The government has announced a contract tendered to construct this power line to the national power grid at Choel Choel in Rio Negro to the north in order to facilitate expansion of the aluminum

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smelter and other projects. Construction of the connection will bring the national power grid with easy reach of Navidad.

### HISTORY

The Navidad Project has no known exploration history and there is no indication that any of the showings were previously discovered or sampled. A prospecting discovery of this type seems unthinkable in the exploration industry in this day and age, especially within a few hundred meters of a provincial highway, except for the lack of mining and prospecting tradition in Patagonia. Proof of this lack of mining tradition is that the posts of the fence line that passes through the central part of the outcropping high grade mineralization had been propped up with blocks of rock containing obvious green copper oxides.

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The only nearby sign of previous mining activity lies about 3km north west of Navidad Hill where some barite veins were opened up by trenches presumably with the idea of selling barite as an industrial mineral to the petroleum industry. Sampling during the surface work showed these veins have very low values of silver, copper and lead. Verbal reports suggest the trenching was done about 20 years ago.

Effectively the exploration history of Navidad Project began on December 10, 2002 with the discovery of outcropping mineralization by one of the Company's geologists. Subsequent surface work comprised extensive geological mapping, rock sampling, soil sampling and geophysics including magnetic, induced polarization and gravity surveys.

### REGIONAL AND LOCAL GEOLOGY

According to the preliminary map 4369-II at 1:250,000 scale of SEGEMAR, the national geological service of Argentina, the Navidad Project mineralization is mapped as part of the Upper Jurassic Canadon Asfalto Formation.

Province wide geological maps of Chubut by the same organization indicate that the Canadon Asfalto is restricted to the central part of Chubut. The type section of the formation is located along the Rio Chubut southwest of the project area between Paso Sapo and Paso de Indios.

Much of the remainder of the Navidad Project is underlain by the Lonco Trapial Formation of Lower Jurassic age and finally older, poorly age-defined basement granitic rocks of Paleozoic age.

The Canadon Asfalto Formation comprises fine sandstones, limestones and volcanics of continental and lacustrine environment. It appears significant regional variations in composition and depositional environment are present within the formation as currently defined. Both fossils and a K/Ar radiometric age of 173 +/-4 Ma indicate a middle to upper Jurassic age.

The Lonco Trapial Formation, including Tacquetren Formation and other equivalents, is more widely distributed in Chubut excluding the Andean portion. The formation is volcanic dominant and appears to be the first phase of infill of local grabens in the developing San Jorge Basin. Again, significant regional variability in composition and depositional facies is indicated, with compositions ranging from felsic to mafic.

Apparently one of the controlling features of the San Jorge Basin is the long-lived, major structure known as the Gastre Fault. This fault is a wide, northwest-trending zone of fracturing that appears to have controlled deposition of units and then dismembered them from the Jurassic through the present.

Faulting related to the Gastre Fault is present in the Navidad Project area, but the most striking structural elements in the area are a series of northwest trending folds.

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### DIAMOND DRILLING PROGRAM

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

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breakdowns and excepting only the holiday break noted above.

All but one of the holes recovered HQ diameter (61mm) core. The exception was NV03-04 which was cored to 244.20m with HQ and then recovered NQ core to the end of the hole at 284.98m. The drill supplied was containerized and mounted on a tracked undercarriage capable of moving itself. Water for drilling was brought to the drilling sites by a water truck of 9,000 liters that was subcontracted by Connors. The water was trucked from several local sources under agreement with local surface land owners.

Down hole surveys of the holes were done on all but one hole using a Tropari instrument. This instrument is a magnetic compass and inclinometer with a timing mechanism that blocks the instrument once it has stabilized in the hole. It is then retrieved and read by the geologist. In general the holes had little deviation because of the relatively large diameter of the drill string and the relatively short lengths of the holes.

SURVEYED COORDINATES AND ORIENTATIONS OF NAVIDAD DRILLHOLES

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

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

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

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NV04-43	51,080.4	9,853.2	2,515,678.7	5,303,787.4	1,180.3	210.0	-75
NV04-44	51,079.3	9,750.3	2,515,626.3	5,303,698.9	1,188.1	210.0	-75
NV04-45	51,230.9	9,861.1	2,515,813.0	5,303,719.1	1,164.0	210.0	-80
NV04-46	51,232.3	9,760.2	2,515,763.8	5,303,630.9	1,168.6	210.0	-80
NV04-47	51,236.7	9,681.0	2,515,728.1	5,303,560.2	1,176.6	30.0	-75
NV04-48	51,302.3	9,980.9	2,515,934.8	5,303,787.1	1,147.2	30.0	-45
NV04-49	51,301.0	9,915.2	2,515,900.8	5,303,730.8	1,150.5	30.0	-80
NV04-50	51,159.9	9,954.9	2,515,798.5	5,303,835.8	1,165.7	30.0	-80
NV04-51	51,159.1	9,971.9	2,515,806.2	5,303,850.9	1,165.5	30.0	-45
NV04-52	50,896.0	9,948.4	2,515,566.7	5,303,962.1	1,173.4	30.0	-45
NV04-53	50,796.8	9,954.7	2,515,483.9	5,304,017.1	1,169.2	30.0	-50
							Tot

All core designated for sampling was cut with an electric-powered table saw with a diamond tipped blade. The core was sawn in half and one half was sampled and the remainder was stored in the core box. In a few areas the core was broken or rubblely and could not be sawn. In such cases the recovered material was sampled by spoon and if necessary was split with a knife or chisel. Rarely, due to hard core or problems with the saw, core was split with a mechanical splitter.

Alex Stewart (Assayers) Argentina S.A. ("Alex Stewart") of Mendoza, Argentina was the primary lab for all drill core samples. All samples are weighed on receipt in the sample bag prior to drying and this weight is reported with the analytical data. Sample preparation comprised drying at 90(degree) C for up to 40 hours, followed by crushing of the entire sample to #10 mesh. Next the sample was split down to 1.5 kg with a riffle splitter for pulverization to 85% passing #200 mesh. Between each sample the crusher and the pulverizer were cleaned with barren quartz.

All drill core samples were submitted for 30 gram fire-assay for silver with gravimetric finish and also a fire assay for Au (with AAS finish). The lab is required to report all sample weights used in fire assays.

In addition, all samples were analyzed by Alex Stewart's ICP-ORE technique which uses a strong multi-acid attack on a sample size of 0.2 grams. The method has been optimized to handle a wide range or concentrations of base and other metals, but with some sacrifice in the higher than normal detection limits for typical ICP analyses. Elements included in the package are Ag, As, Bi, Ca, Cd, Co, Cu, Fe, Hg, Mg, Mn, Mo, Ni, P, Pb, S, Sb, Tl and Zn. Extensive

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testing was undertaken by the Company on the ICP-ORE technique that confirmed its suitability for the Navidad mineralization. That testing included a precision test on 30 samples as well as a blind duplicate pulp test on 32 samples both with satisfactory results. Furthermore, ICP-ORE was used in

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characterization of the in-house standards developed (see below) and was found to correlate well with methods used by other labs. In fact all of the ICP-ORE results for Cu and Pb lay within the two standard deviation limit and hence were used in the definition of the accepted values for the standards.

### QUALITY CONTROL

A comprehensive quality control and quality assurance program for analyses of drill core was put in place well prior to the start of the drilling campaign. This program comprises controls including blind certified standards, blanks and core duplicates and a secondary laboratory. The primary laboratory for all drilling samples was Alex Stewart and the secondary lab was ALS-Chemex La Serena and/or Vancouver. In each set of 42 samples sent to the primary lab blind high-grade, low-grade, blank and duplicate core sample were included in randomized positions.

In addition to the above, a systematic program of reanalysis of pulps by a second independent lab has been used throughout the program. Randomly pre-selected samples are sent from the primary laboratory and they include blanks and standards. Two samples form each set of 42 samples, or 4.8% percent of the pulps are therefore being checked. At the time of this writing results were available for 144 duplicates.

The purpose of this work is to confirm the reproducibility of the analytical method at a second lab.

Results of the control by the secondary lab and through the inclusion of blanks, standards, and duplicates confirm the high quality of the data generated in the drilling program.

### CHAIN OF CUSTODY

Core is delivered to the core shack by the drill contractor or picked-up by the Company's employees and stored in the core shack in Gastre. The core shack is kept under lock and key when the Company's employees are not present.

Core cutting is supervised by the geologist logging core who ensures that the sequence of blanks, duplicates and standards is followed. Cut core is placed into clean new transparent plastic sample bags into which two pre-printed custom sample tickets are placed. The lab uses one of these for the pulp bag and one for the reject bag. A third sample ticket is stapled into the core tray along with the meterage represented by the sample. The fourth and final sample ticket remains in the sample tag book with the hole numbers and meterages filled in. Once samples have been cut and bagged the bags are double sealed with two zip-strips. The first ordinary zip strip will close the bag around the neck of the bag under as much tension as it will support. A second, custom printed zip-strip seal with the Company's name and the matching sample number to the sample ticket inside will be affixed to the bag above the zip-strip under tension. The numbered seal will pierce the bag above the neck of the bag where it is sealed by the first zip strip so as to make it impossible to slip the ordinary zip-strip over the neck of the back. The lab is required to notify the Company if the samples do not arrive with the Company seals intact. All seals are being stored by the assay lab to present as proof of use.

Sealed sample bags are placed in rice sacks in sequence for shipment to the lab. A record of all samples shipped is kept by the geologist sending the sample shipment. Samples are transported by a company contracted to transport samples directly from the core shack in Gastre to the assay laboratory in Mendoza (some 1,500km). They are not allowed to carry other cargo or make other stops.

### GENERAL GEOLOGICAL UNDERSTANDING

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Drilling of the Navidad Hill, Galena Hill and intervening areas has greatly increased the geological understanding of the main geological units and their relationships. Most of the new information was gained by drilling at Galena Hill as that is where the drilling was concentrated, but advances were made at Navidad and Esperanza as well.

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Stratigraphy at Galena Hill is comprised of four primary sedimentary and volcanic units, from lowest to uppermost these are: a "lower" cycle comprised of epiclastic, volcanoclastic and volcanic rocks which are unmineralized and unaltered that dips toward grid south. This is overlain by a volcanic cycle comprising latitic volcanic rocks, generally with quartz eyes, that is altered and mineralized with silver and lead. The latite sequence comprises massive flows, amygdaloidal flows, flow breccias and volcanoclastic breccias. The latites are in turn overlain by pelitic mudstones and limestones of which the lowermost portion may be highly mineralized with silver and lead. The latites form a steadily thickening wedge towards grid south. It is unclear whether the geometry of the uppermost sediments indicates tectonic folding or perhaps just local slumping.

The contact between the lower volcanic cycle and the latite cycle is of great interest due to the dramatic change between unaltered and unmineralized rocks below and high mineralized rocks above. The upper part of the lower cycle is generally reddish as if affected by a lateritic weathering. On some sections such as 51,160E the contact is quite planar whereas on others it is quite irregular, possible due to faulting or paleotopography. In some cases a dark grey, soft material with an unusual texture and structure of partings and slip surfaces is present below the latites on the contact. This could be interpreted as fault gouge or a paleosol.

The latite sequence dramatically thickens towards grid south (southwest relative to true north). It is absent to the north and thickens to over 220m within some 500m. While the capping sedimentary sequence varies in thickness from zero to about 40m in thick on top of Galena Hill in hole NV04-35 it attains a thickness of about 140m on section 51,200E but 200m further grid south than NV04-16 shown in figure 23. In hole NV04-35 the latite sequence is at least 150m thick, but the base was not intersected.

### GALENA HILL DRILLING RESULTS

Results of the initial drilling at Galena Hill have been very positive. The amount and continuity and grade of the mineralization in the subsurface exceeded even the expectations that existed based on the surface work.

The geometry of the mineralization, a gently-dipping, exposed to shallowly-buried zone of significant thickness suggests potential for bulk mining. Hence in determining how to select the mineralized intercepts for tabulation and data manipulation it was decided to use a minimum of about 50 g/t silver irrespective of the copper, lead and zinc grades. The minimum grade was not strictly applied to the selection of the intercepts as samples with sub-fifty gram per tonne silver values were permitted for several samples in some instances. In some cases where there were long intercepts of mineralization somewhat below 50 g/t silver, but where there were significant lead values these intercepts were also listed below. At this time definitive "cut-off" grade can not be established since metallurgical and engineering parameters have not been determined. The following intercepts reflect the potential of Galena Hill in a bulk mining scenario. Some higher grade intercept are also shown. These higher grades tend to occur at or near the upper contact of the latite sequence with



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the overlying mudstones, or even in the lower part of the mudstones.

In total, 35 drill holes have been drilled into the Galena Hill deposit. These holes outline a silver-lead deposit ranging in vertical thickness from about 10 to 115 metres with horizontal dimensions of approximately 400 by 500 metres at generally greater than 50 g/t silver. The top of the mineralized body is exposed at surface in some areas and in other areas is covered by as much as 40 metres of barren sedimentary cap rock. The shape and aspect of the mineralized body suggests that it could be bulk mineable. Grade distributions show a zone of high-grade silver values with lesser copper and relatively low lead values along the northeastern boundary of the deposit; this area is interpreted to be the source or feeder zone for mineralizing fluids which created the deposit. Moving to the southwest from this feeder zone, lead:silver ratios increase and are interpreted as more distal portions of the deposit.

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MINERALIZED INTERCEPTS FROM DRILLHOLES AT THE GALENA HILL DEPOSIT

DDH	inclination	from - metres	to - metres	composite length - metres	vertical thickness - metres	g/t Silver LWA	% Copper LWA
NV03-03	-45	3.00	178.50	175.50	124.61	26.2	0.00
including		3.00	128.30	125.30	88.96	33.0	0.00
including		72.50	107.50	35.00	24.85	49.9	0.01
including		86.20	95.45	9.25	6.57	76.8	0.01
NV03-04	-45	2.80	266.70	263.90	187.37	74.1	0.00
including		2.80	203.00	200.20	142.14	92.3	0.00
including		39.60	176.45	136.85	97.16	117.3	0.00
including		39.60	121.25	81.65	57.97	141.5	0.00
including		39.60	94.70	55.10	39.12	164.3	0.00
including		65.00	94.70	29.70	21.09	189.5	0.00
including		65.00	83.50	18.50	13.14	241.2	0.00
NV03-05	-60	43.30	126.25	82.95	72.17	229.2	0.01
including		46.70	113.25	66.55	57.90	271.8	0.01
including		46.70	55.90	9.20	8.00	578.9	0.04
including		89.00	107.25	18.25	15.88	503.0	0.01
NV04-12	-65	18.80	27.80	9.00	8.19	41.6	0.00

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including		27.80	35.45	7.65	6.96	70.8	0.00
combined		18.80	35.45	16.65	15.15	55.0	0.00
within		18.80	60.60	41.80	38.04	35.5	0.00
NV04-13	-45	20.00	64.70	44.70	31.74	223.4	0.16
NV04-14	-70	27.70	142.80	115.10	109.35	453.6	0.08
including		27.70	75.10	47.40	45.03	775.6	0.17
including		32.70	50.70	18.00	17.10	1421.2	0.42
NV04-15	-60	46.55	115.65	69.10	60.12	113.5	0.02
including		47.05	55.55	8.50	7.40	461.7	0.08
NV04-16	-55	63.45	72.45	9.00	7.56	34.2	0.00
NV04-17	-85	21.20	40.20	19.00	18.81	96.7	0.01
including		30.20	40.20	10.00	9.90	161.6	0.02
NV04-18	-55	232.0	244.00	12.00	9.96	70.1	0.06
NV04-19	-80	24.00	90.50	66.50	65.17	100.3	0.00
including		25.10	37.10	12.00	11.76	165.2	0.02
including		49.35	57.75	8.40	8.23	177.4	0.02
including		74.00	81.55	7.55	7.40	174.0	0.00
NV04-20	-70	35.50	40.60	5.10	4.79	54.8	0.02
NV04-21	-45	42.45	126.00	83.55	56.81	321.7	0.23

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DDH	inclination	from metres	to metres	composite length metres	vertical thickness metres	g/t Silver LWA	% Copper LWA
including		49.95	70.50	20.55	13.97	703.0	0.47
NV04-22	-75	38.65	101.65	63.00	61.11	418.4	0.15
including		42.50	55.60	13.10	12.71	923.3	0.26
NV04-23	-85	48.40	71.20	22.80	22.57	26.3	0.00
NV04-24	-50	3.00	5.65	2.65	1.88	917.9	0.28

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NV04-26	-75	none			0.00		
NV04-28	-60	45.70	134.75	89.05	77.47	120.4	0.01
including		45.70	67.75	22.05	19.18	23.0	-0.01
including		67.75	134.75	67.00	58.29	152.5	0.01
including		68.10	71.55	3.45	3.00	760.9	0.05
NV04-29	-80	28.50	38.65	10.15	9.95	71.8	0.00
NV04-30	-80	44.80	52.70	7.90	7.74	47.8	0.00
NV04-31	-80	3.05	23.85	20.80	20.38	51.7	0.00
and		47.35	78.45	31.10	30.48	71.0	0.00
including		73.85	75.95	2.10	2.06	618.6	-0.01
NV04-36	-80	8.00	57.90	49.90	48.90	179.1	0.08
including		35.30	49.30	14.00	13.72	209.5	0.10
NV04-37	-80	12.80	89.10	76.30	74.77	139.4	0.04
including		13.80	17.70	3.90	3.82	597.4	0.02
NV04-38	-80	20.70	61.20	40.50	39.69	104.5	0.04
including		34.10	52.55	18.45	18.08	166.8	0.07
NV04-41	-45	58.10	129.00	70.90	50.34	78.5	0.08
NV04-42	-80	48.35	161.55	113.20	110.94	150.8	0.03
including		67.90	121.90	54.00	52.92	239.1	0.04
including		148.90	161.55	12.65	12.40	121.6	0.04
NV04-43	-75	44.20	127.25	83.05	81.39	153.2	0.01
including		44.20	89.00	44.80	43.90	216.9	0.01
NV04-44	-75	13.35	103.90	90.55	88.74	177.8	0.01
including		13.35	28.90	15.55	15.24	445.3	0.02
NV04-45	-80	43.00	69.85	26.85	26.31	355.4	0.00
including		43.00	51.05	8.05	7.89	958.4	0.01
NV04-46	-80	30.40	167.00	136.60	133.87	30.9	0.00
including		30.40	65.00	34.60	33.91	61.8	0.00
NV04-47	-75	12.90	131.00	118.10	113.38	36.6	0.00
including		84.50	116.00	31.50	30.24	59.5	0.00
NV04-48	-45	16.50	32.85	16.35	11.61	30.6	0.00

DDH	inclination	from - metres	to - metres	composite length - metres	vertical thickness - metres	g/t Silver LWA	% Copper LWA
including		26.70	31.80	5.10	3.62	49.7	0.01
NV04-49	-80	63.45	82.80	19.35	18.96	31.6	0.00
NV04-50	-80	20.80	101.00	80.20	78.60	254.7	0.14
including		20.80	65.00	44.20	43.32	391.0	0.23
NV04-51	-45	64.50	81.85	17.35	12.32	185.9	0.05
NV04-52	-45	16.50	62.55	46.05	32.70	270.6	0.10
NV04-53	-50	15.70	30.80	15.10	10.72	52.0	0.04

## Notes:

1. All length weighted average (LWA) results are "uncut"
2. Vertical thicknesses are calculated considering the dip of the drill holes and assuming flat lying body.

## NAVIDAD HILL DRILLING RESULTS

Much less drilling has been done at Navidad Hill than at Galena Hill. The results of the eight holes drilled to date are listed below: all have intersections of silver mineralization. Seven of these holes were drilled on three sections separated at 40m intervals while the eighth is located some 300m to the northwest. Holes at Navidad Hill were drilled at close-spacing and as "scissors" crossing each other from opposite sides of the mineralized zone to determine the dip and continuity of the narrow high grade structures that hosted the mineralization at surface.

While these holes did confirm that the dip of the structures is near vertical two somewhat unexpected aspects were encountered: firstly, significant amounts of clay alteration (argillic) are present; secondly, in between the known structures there are many areas with minor veins and stockwork veinlets. High silver grades were intersected in some of the structures in the drill holes (see table below); however, in general the grades in the drill holes are significantly less than the average grades of the structures on surface which were often in the range of 5,000 to 20,000 grams per tonne silver. This combination of the features suggests that Navidad Hill should be considered a bulk target rather than as individual high grade vein targets. Like Galena Hill, intercepts have been calculated at a 50 g/t silver minimum grade again somewhat loosely applied at this early stage. All of the seven holes in the main area drilled have significant intercepts ranging from 48.0 to 143.5 m in core length with 97.8 to 246.9 g/t silver with the best individual intercept being NV03-07 83.65m of 246.9 g/t silver with minor copper and lead values. Assuming vertical dips the true width of the mineralized intercept ranges from about 34 to 101m in width. In most cases holes were started within the mineralized zone and the full true width was not crossed by single holes and is only seen when considering the

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scissor pair. Despite the high base metal grades of the individual structures in the detailed surface sampling and in the core samples the grades of copper and lead over the width of the bulk zone are generally less than 0.3%. This marks a significant difference from the central part of the Galena Hill deposit.

Mineralization in the main group of Navidad Hill drill holes is hosted by massive latite to latite breccias that generally appear to be massive flows or flow domes. No internal stratigraphy has been recognized to date. None of the holes penetrated the base of the latite sequence nor cut any obvious sedimentary or volcanoclastic units with it. Mineralized structures appear to be of two main types; firstly, sharp-walled structures filled with brecciated and re-brecciated clasts of gangue and mineral and secondly, veinlets and stockwork of gangue and mineral. Gangue minerals include: calcite which ranges from massive crystalline to finely banded; quartz as chalcedonic to crystalline silica; and crystalline barite. "Ore" minerals visible by eye include minor amounts of sulphides included pyrite, a grey sulphide (tetrahedrite or chalcocite), minor galena, rare native copper, green copper oxides (probably mainly malachite) and black copper oxides (probably mainly neotocite or copper wad). No native silver was observed by eye or hand lens. No clear division between oxide mineralization and sulphide mineralization can be made with depth.

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Minor amounts of sulphides are present at surface and are also present a depth. Copper oxides are present at surface and to the bottom of the zone tested to date (about 80m below surface).

MINERALIZED INTERCEPTS FROM THE NAVIDAD HILL DRILLING

DDH	location	inclination	from - metres	to - metres	composite length - metres	true width - metres	g/t Silver LWA	% Co LW
NV03-01	Navidad Hill	-45	3.05	61.45	58.40	41.29	111.1	0.
including			10.10	31.35	21.25	15.03	233.3	0.
including			10.10	17.50	7.40	5.23	535.6	0.
including			15.70	16.50	0.80	0.57	2677.6	3.
NV03-02	Navidad Hill	-45	2.50	50.50	48.00	33.94	97.8	0.
including			6.45	6.70	0.25	0.18	858.0	8.
including			17.60	25.00	7.40	5.23	227.1	0.
including			40.40	41.45	1.05	0.74	1320.3	0.
NV03-06	Navidad Hill	-45	3.00	63.20	60.20	42.57	161.6	0.
including			23.30	28.80	5.50	3.89	424.7	0.
NV03-07	Navidad Hill	-45	3.00	86.65	83.65	59.15	246.9	0.
including			3.00	40.75	37.75	26.69	474.9	0.

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including			3.00	6.90	3.90	2.76	1997.9	0.
including			30.85	33.25	2.40	1.70	2129.6	3.
NV03-08	Navidad Hill	-45	2.50	146.00	143.50	101.47	146.0	0.
including			2.50	71.10	68.60	48.51	274.5	0.
including			26.10	40.15	14.05	9.93	1084.2	1.
including			26.10	28.40	2.30	1.63	2660.7	1.
including			35.45	37.20	1.75	1.24	3042.6	4.
NV03-09	Navidad Hill	-45	2.50	84.30	81.80	57.84	125.4	0.
including			21.00	21.70	0.70	0.49	5067.5	0.

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DDH	location	inclination	from - metres	to - metres	composite length - metres	true width - metres	g/t Silver LWA	% Co LW
including			65.25	66.20	0.95	0.67	1440.7	1.
NV03-10	Navidad Hill	-45	3.50	78.50	75.00	53.03	111.1	0.
including			3.50	9.40	5.90	4.17	669.7	1.
NV03-11	Navidad Hill West	-45	1.52	12.10	10.58	n/a	98.3	0.

Notes

1. All length weighted average (LWA) results are "uncut"
2. True widths are calculated assuming -45 degree drill holes and vertical structures.

OTHER AREAS DRILLING RESULTS

Eight drill holes were collared in areas outside of Galena or Navidad Hills. These holes were drilled to test stratigraphy or suspected mineralization in additional zones.

MINERALIZED INTERCEPTS FROM DRILLING OTHER TARGETS

DDH	location	inclination	from - metres	to - metres	composite length - metres	true width - metres	g/t Silver LWA
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NV04-32	Connector Zone	-45	46.50	96.05	49.55	35.04	77.9
NV04-33	Connector Zone	-80	none				
NV04-34	Connector Zone	-45	10.50	29.20	18.70	13.22	75.1
NV04-39	Connector Zone	-80	none				
NV04-40	Connector Zone	-45	43.20	91.20	48.00	33.94	108.5
including			67.20	88.20	21.00	14.85	160.4
NV04-25	Esperanza Trend	-45	162.70	170.65	7.95	5.62	303.4
NV04-35	recce	-80	none				
NV04-27	recce	-45	7.00	7.73	0.73	unknown	61.5
and			66.90	68.10	1.20	unknown	377.2

Notes

1. All length weighted average (LWA) results are "uncut".
2. True widths are calculated assuming -45 degree drill holes and vertical structures.

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PLANNED FUTURE WORK

Planned and ongoing work at the Navidad Project includes a resource estimate at Galena Hill, metallurgical work on representative samples from Galena Hill, additional drilling on outlying zones, additional surface work on outlying zones, and additional geophysical work.

An additional 8,000 to 10,000 metres of drilling is planned for the Navidad Project. This work will concentrate on zones peripheral to the Galena Hill deposit such as: Barite Hill, Navidad Hill, the Esperanza Trend, and Calcite Hill. It is expected that work will be ongoing throughout May, June and July.

Additional surface work will include: soil sampling, geological mapping, rock chip sampling and pole-dipole I.P. geophysics. This work will continue as far into the southern winter as is practical.

A preliminary budget of approximately \$2,100,000 has been estimated for the work recommended in the next stage of exploration on the Navidad Project. The budget is based on experience from exploration already carried out on the Navidad Project.

NAVIDAD AREA PROPERTIES (OTHER THAN THE NAVIDAD PROJECT)

The following properties are 100% owned by the Company unless stated otherwise.

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### TAQUETREN PROPERTY

The Taquetren claim (File Number: 14015/03; 10,000 hectares) is located directly east of the Rio Chubut, approximately 70 kilometres to the southwest of Navidad. The area is mapped as being underlain by Jurassic Canadon Asphalto and Lonco Trapial Formation volcanic and sedimentary rocks similar to those that host the Navidad discovery. Very preliminary prospecting and stream sediment sampling has shown anomalous values of antimony; no source has yet been located for this anomaly. Regional mapping and terrain analysis shows an important northwest trending structure to bisect the Taquetren property; this orientation is similar to structures that control mineralization at the Navidad Project.

### REGALO PROPERTY

The Regalo property is located 25 kilometres north-northwest of Cerro Condor and 90 kilometres south-southwest of the Navidad project. The Regalo claim (File Number: 14016/03; 10,000 hectares) covers ground mapped as prospective Jurassic Canadon Asphalto and Lonco Trapial Formation rocks and includes several regionally-important northwest trending structures. Preliminary stream-sediment sampling has returned highly anomalous gold values. Gold values from nine stream sediment samples, along 6 kilometres of one drainage (and adjoining tributaries), range in value from 0.134 to 0.831 ppm. The Company has entered into an option agreement dated August 12, 2003 with Consolidated Pacific Bay Minerals Ltd. ("Consolidated Pacific Bay") whereby Consolidated Pacific Bay can acquire up to a 70% interest in the Regalo mineral claim through the issuance of 900,000 shares of Consolidated Pacific Bay to the Company, and work expenditures totalling US\$625,000 over three years. Consolidated Pacific Bay must issue all 900,000 shares (which have been issued, with a deemed value of \$180,000) and expend US\$50,000 on the property by August 12, 2004, in order to earn a 51% interest in the claims. A further 19% interest in the claims can be earned by Pacific Bay if it completes a feasibility study and finances the property to production. A second cateo (Regalo II) has been staked to the north of the primary Regalo claim, adding another 10,000 hectares to the property subject to the Company's agreement with Consolidated Pacific Bay.

### NOEL PROPERTY

The Noel claim (File Number: 14036/03; 10,000 hectares) is adjacent to the Regalo and Trucha claims and also contains a significant, multi-sample, gold-in-stream sediment anomaly. Government maps show the claim to be underlain primarily by Canadon Asphalto Formation sedimentary and volcanic rocks, with overlying Cretaceous sandstone along the eastern side of the claim. Five stream sediment samples taken from two drainages over approximately 5 kilometres range in value from 0.114 to 1.570 ppm gold. The apparent source area for these

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extremely anomalous values is has not been prospected to date and is considered a high-priority target for follow-up work.

### TRUCHA PROPERTY

The Trucha claim (File Number: 14014/03; 10,000 hectares) is contiguous with the Regalo and Noel claims and also includes a stream sediment sample highly anomalous in gold (single sample, 0.556 ppm Au). Regional mapping shows the claim to be underlain by prospective Jurassic Canadon Asphalto and Lonco Trapial Formation rocks, cut by several regional-scale structures. In conjunction with evaluation of the Noel claims, the Trucha claim requires detailed prospecting to identify the source of gold producing the high stream-sediment values.



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### MARA PROPERTY

The Mara claim (File Number: 14018/03; 9,945 hectares) is located approximately 95 kilometres to the south-southwest of Navidad. Regional mapping shows the property to be underlain by Jurassic Canadon Asphalto and Lonco Trapial Formation rocks, which unconformably overly granitic basement rocks. Several mapped and interpreted northwest-trending structures are present on the property and are considered to be prospective for both Navidad-style mineralization and traditional low-sulphidation gold veins. No fieldwork has been carried out to date on the property.

### CONDOR AND ALAMO PROPERTIES

The Condor claim (File Number: 14017/03; 10,000 hectares) and Alamo claim (file number: 14032/03; 10,000 hectares) are located directly south of the Regalo/Noel/Trucha claims and were staked based on prospective stratigraphy, structure and the presence of known barite occurrences. The known barite together with Navidad-age stratigraphy and similar structure makes these claims highly prospective for Navidad-style mineralization. No fieldwork has been completed on these claims to date; management believes a first-pass evaluation is warranted.

### NINA AND CARLOTA PROPERTIES

The Nina claim (file number: 14018/03; 9,945 hectares) and Carlota claim (file number: 14018/03; 9,945 hectares) are located 40 kilometres southeast of Paso De Indios and were staked based on the presence of prospective Canadon Asphalto stratigraphy and regional northwest trending structures. No fieldwork has been completed to date on these claims; management believes a first-pass evaluation is warranted.

### PAMPA 3 PROPERTY

The Pampa 3 claim (File Number: 14004/03; 2,500 hectares) is located adjacent to the Navidad Project, along trend and immediately to the southeast. Although predominantly covered with recent alluvium, it is interpreted to be underlain by the Canadon Asphalto Formation limestone and volcanoclastic rocks which host mineralization at Navidad. Work to date has been minimal with only two stream-sediment samples collected, both of which drain areas peripheral to the claim.

### COLONIA PROPERTY

The Colonia claim (File Number: 14005/03; 10,000 hectares) covers a large area of highly prospective ground directly along strike from the Navidad discovery. Most of the 10,000 hectare claim is underlain by prospective Canadon Asphalto Formation rocks. Preliminary stream-sediment sampling has defined highly anomalous values of antimony, an important "pathfinder" element at the Navidad discovery. Minor prospecting (four rock samples collected) has not yet unveiled the source of these stream-sediment values, management believes significant additional work is warranted.

### JULIE PROPERTY

The Julie claim (File Number: 14035/03; 5,675 hectares) is approximately 30 kilometres southease of the Navidad project and lies at the regional contact between granitic rocks that underlie the prospective Jurassic stratigraphy, and

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Jurassic volcanic rocks. Several important LandSat-interpreted structures are present on this claim; regional structure has been shown to be of critical importance at the Navidad discovery. Preliminary stream-sediment sampling shows anomalous values of copper and antimony, although management believes it is strongly warranted, no significant follow-up work has been done.

### SIERRA 1 PROPERTY

The Sierra 1 claim (File Number: 14006/03; 10,000 hectares) covers a large area of prospective Canadon Asphalto Formation rocks and the underlying volcanic rocks and a portion of the granitic basement. It is located immediately to the east of the Julie Property. Significant areas of LandSat-interpreted alteration are present in the northeastern portion of the claim, the imagery shows patterns very similar to those seen in the area of the Navidad discovery. Preliminary stream-sediment sampling has shown anomalous copper values, these results have yet to be followed up on.

### SIERRA 2 PROPERTY

The Sierra 2 claim (File Number: 14007/03; 10,000 hectares) covers an area of complex geology in the hinge zone of a regional-scale anticline and is located immediately south of the Sierra 1 property in the Navidad area. Mapped rock units include the Canadon Asphalto Formation and overlying Cretaceous sandstone. Essentially no work has been done in the central portions of this claim as the local land owners could not be contacted to gain permission for entry onto their land.

Mina Yanquetreu is a small abandoned barite mine in the central portions of the claim. This occurrence is highly encouraging as both strataform (exhalative) and vein-controlled barite is intimately associated with the Navidad system. Management believes this area is considered highly prospective and warrants a significant early-stage exploration program.

### SIERRA 3 PROPERTY

The Sierra 3 claim (File Number: 14008/03; 10,000 hectares) covers the southwestern portions of mapped Canadon Asphalto Formation rocks in the Navidad area. Also present on the claim are Jurassic volcanic rocks and underlying granitic basement. Major LandSat-interpreted structures are present as are possible zones of alteration. Preliminary stream-sediment sampling has returned strongly anomalous copper values. No follow-up prospecting or rock sampling has been undertaken to date. Management believes the Sierra 3 claim is considered highly prospective and warrants considerable follow-up work.

### OTHER CHUBUT PROVINCE PROPERTIES

If the reorganization is consummated the following properties will be transferred to Golden Arrow.

### LAGUNA DE LOS TOROS PROPERTY

#### LOCATION AND ACCESS

This property is located just to the east of the continental divide forming the border between Chile and Argentina. In this area the continental divide is quite subdued in elevation and is not marked by high mountainous peaks. Elevations on the property reach about 750m and relief within the property is only slightly more than fifty meters. Vegetation is sparse and comprises grasses and low brush. Trees are absent. The climate is characterized as continental semi-arid with moderate temperatures in summer often accompanied by high winds. Winters

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are cold with temperatures often dipping below zero celsius, but are generally not characterized by extended sub-zero periods. Most of the precipitation falls in winter as both rain and snow and as such, conditions may not favor fieldwork in the winter.

Access to the property is possible year around by two-wheel drive pick-up truck as provincial route 40 bisects the property. Gobernador Costa is the nearest significant sized town. It has no air service: the nearest airport with scheduled service is Esquel four hours drive to the north by mostly paved road. From Gobernador Costa access to Las

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Bayas is by provincial route #40 south approximately 50 road kilometres. During good road conditions the trip from town to the property is less that one hour.

Gobernador Costa has basic services including fuel, food and lodging as well as a bank with an automatic teller machine.

### MINERAL TITLES INCLUDED IN THE LOS TOROS PROPERTY

The Los Toros property comprises 11,612 hectares consisting of three individual claims, two of which are categorized as "cateos" and one as a "manifestacion" located in the Tehuelches Department of the Province of Chubut. The property is 100% owned by the Company. It is centered at approximately 44.36 decimal degrees south latitude and 70.65 degrees west longitude in the Campo Inchauspe datum.

FILE NUMBER	YEAR	DATE OBTAINED	TYPE	NAME
13645	2001	January 24, 2001	Cateo	Unnamed
13928	2002	September 12, 2002	Cateo	Toros II
14038	2003	March 18, 2003	Manifestacion	Lucia Total

### REGIONAL AND LOCAL GEOLOGY

The Los Toros Property lies in western Chubut at the margin of the Andean cordillera volcano-plutonic complex with the continental volcanic-sedimentary sequences. The oldest rocks are upper Paleozoic volcanics of continental affinity and are overlain by Jurassic volcanic rocks of the Lago La Plata Formation which are in turn overlain by mainly sandstone units of the Lower Cretaceous Apeleg Formation. Known and postulated mineralization is hosted by the Jurassic volcanic rocks.

### EXPLORATION HISTORY

A total of 233 rock samples and 435 soil samples have been collected within the limits of the current property boundaries for the Company. There are no known historical mining or exploration environmental liabilities associated with the property.

### DETAILED EXPLORATION - MORGUL NORTH

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The Morgul North area was mapped and sampled in detail at 1:1000 scale in order to assess its potential to host economic gold and/or silver mineralization and to permit planning for a significant drill program. The Morgul North structure is a classic, high-level, low-sulphidation epithermal vein. It trends north-south and dips approximately 45(0) to the east. It has been mapped over a strike length of approximately 800 metres and, including the silicified and altered envelope around the actual vein, has widths of less than 2 metres to over 20 metres. Silicification is predominantly a replacement of volcanic rock rather than a true open space filling vein, however, mapped and petrographically defined textures are consistent with a high-level position in the epithermal system, potentially above the important gold-rich boiling zone.

Fifty-one rock samples were collected from the Morgul North vein, these were predominantly measured chip samples across the structure, however rare grab samples were also taken. In general gold values are anomalous but low (0.005 to 2.17 g/t), while arsenic, antimony, and mercury values are highly elevated. This distribution of low gold and high arsenic, antimony, and mercury is typical of the upper levels of mineralized low-sulphidation epithermal systems. One sample (M2373) contained abundant coarse grained galena and returned 1.36% lead which is very odd given the interpreted high-level setting of the Morgul North vein. Generally, higher values of lead are expected lower in an epithermal system, as yet, no clear explanation for this value is apparent.

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### DETAILED EXPLORATION - MORGUL SOUTH

The Morgul South Vein was mapped and sampled in similar detail (1:1,000 scale) to the Morgul North Vein. Sixty-two rock samples were taken, of these, 40 were measured chip samples across silicified or altered structures.

The Morgul South Vein is actually a series of structures which coalesce into one north-trending structure in its northern extents. To the south, structures appear to "horse-tail" out into more east and southeast trending splays off the main north-trending vein. In general, better gold grades (up to 1.1 g/t) were returned from these smaller "splays" in the southeastern portions of the mapped system. Although measured vein orientations are more erratic at Morgul South than at Morgul North, the overall trend is close to north-south and dips are generally in the range of 45(0) to 75(0) to the east.

Overall strike length of the Morgul South vein (including areas of no outcrop where the presence of the vein is inferred) is approximately 1,250 metres. Measured widths vary from less than 1 metre to greater than 25 metres. Similar to the Morgul North vein, results from the Morgul South vein generally show low gold values (