IMA EXPLORATION INC
Form 20-F
May 08, 2006

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

FORM 20-F

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

or

[X] Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

or

[ ] Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

[ ] Shell Company Report Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

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, CANADA 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, 2005.

48,813,064 COMMON SHARES AS OF DECEMBER 31, 2005

Indicate by check mark if the registrant is a well-known seasoned issuer, as

defined in Rule 405 of the Securities Act.
Yes No X
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If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
Yes No X
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Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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

Yes X No
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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ____ Accelerated filer X ____ Non-accelerated filer ____

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:

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ___ No X ___

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 $0.30 (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.
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 exploitation 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$13 (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

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.
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 CO3.
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.

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. KEY INFORMATION.

SELECTED FINANCIAL DATA

The selected financial data and the information in the following table of IMA Exploration Inc. (the "Company") for the years ended December 31, 2005, 2004 and 2003 was derived from the consolidated financial statements of the Company which have been audited by PricewaterhouseCoopers LLP, independent Chartered Accountants, as indicated in their report which is included elsewhere in this annual report. The selected financial data set forth and the information in the following table for the years ended December 31, 2002 and 2001 are derived from the Company's audited consolidated financial statements after reflecting the carve out of Golden Arrow Resources Corporation not included herein.

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

Reference is made to Note 10 of the 2005 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

may not have sufficient funds to conduct exploration programs on all of its existing properties and may 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)

	2005	2004	2003	2002	2001
Revenue	-	-	-	-	-
General Corporate Expenditures	(6,092)	(4,084)	(2,276)	(330)	(173)
General Exploration Expenditures	(56)	(229)	(227)	(180)	(110)
Foreign Exchange Gain (Loss)	233	(195)	(13)	(2)	3
Interest and Miscellaneous Income	150	102	67	27	97
Provision for Marketable Securities	-	(100)	-	-	-
Loss Allocated to Spin off Assets	-	(131)	(969)	(955)	(699)
Net Loss for the year	(5,765)	(4,655)	(3,418)	(1,440)	(882)
Loss per Share from Continuing Operations	(0.12)	(0.11)	(0.08)	(0.02)	(0.01)
Loss per Share Basic and Diluted	(0.12)	(0.11)	(0.11)	(0.06)	(0.06)
Weighted Average Number of Shares Outstanding	46,197	40,939	32,252	23,188	15,104
Working Capital	7,489	5,053	4,747	1,431	733
Capital Assets	-	94	36	46	57
Mineral Properties	15,032	6,551	1,469	148	132

Spin-Off Assets	-	-	6,749	6,903	5,369
Long-Term Debt	-	-	-	-	-
Total Assets	23,498	12,222	13,419	8,637	6,407
Net Assets - Shareholder's Equity	20,761	10,813	11,671	7,324	5,372

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)

	2005	2004	2003	2002	2001
CONSOLIDATED STATEMENT OF OPERATIONS					
Loss for the year under Canadian GAAP	(5,765)	(4,655)	$(3,418)	$(1,440)	$(882)
Mineral property and deferred exploration costs for the year, net of reversal of future income tax and write down of marketable securities	(7,605)	(4,479)	(1,813)	(1,267)	(1,321)
Mineral property and deferred exploration costs written off during the year which would have been expensed in the year incurred	-	-	777	-	21
Stock-based compensation	-	-	(144)	(102)	-
Loss for the year under US GAAP	$13,370)	$(9,134)	$(4,598)	$(2,809)	$(2,181)
Unrealized (loss) gains on available-for-sale					

securities	-	(387)	434	55	-
Comprehensive Loss for the year	$(13,370)	$(9,521)	$(4,164)	$(2,754)	$(2,181)
Loss per share under US GAAP	$(0.29)	$(0.22)	$(0.14)	$(0.12)	$(0.14)
Diluted Loss per share under US GAAP	$(0.29)	$(0.22)	$(0.14)	$(0.12)	$(0.14)

	2005	2004	2003	2002	2001
SHAREHOLDERS' EQUITY					
Balance per Canadian GAAP	$20,761	$10,813	$11,671	$7,324	$5,372
Mineral property and deferred exploration costs expensed net of reversal of future income tax	(13,272)	(5,666)	(6,884)	(5,848)	(4,581)
Accumulated other comprehensive income	84	84	489	54	-
Balance per US GAAP	$7,573	$5,231	$5,277	$1,530	$790
CONSOLIDATED STATEMENTS OF CASH FLOWS					
OPERATING ACTIVITIES Cash used per Canadian GAAP	$(3,850)	$(2,962)	$(1,419)	$(1,306)	$(898)
Mineral properties and deferred costs	(7,025)	(4,578)	(1,851)	(1,267)	(1,321)
Cash used per US GAAP	$(10,875)	$(7,540)	$(3,270)	$(2,573)	$(2,219)
INVESTING ACTIVITIES Cash used per Canadian GAAP	$(6,979)	$(4,510)	$(1,873)	$(1,278)	$(1,312)
Mineral properties and deferred costs	7,025	4,578	1,851	1,267	1,321
Cash provided (used)					

per US GAAP	$46	$68	$(22)	$(11)	$9
FINANCING ACTIVITIES					
Cash provided per Canadian and US GAAP	$13,478	$9,297	$6,278	$3,264	$1,463

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

EXCHANGE RATE HISTORY

The noon rate of exchange on May 3, 2006, reported by the United States Federal Reserve Bank of New York for the conversion of Canadian dollars into United States dollars was US$0.9032 (US$1.00 = CDN$1.1072).

The following table sets forth high and low exchange rates for one Canadian dollar expressed in terms of one U.S. dollar for the six-month period ended April 30, 2006.

Month	High	Low
November 2005	.8579	.8361
December 2005	.8690	.8521
January 2006	.8744	.8528
February 2006	.8788	.8638
March 2006	.8834	.8531
April 2006	.8926	.8534

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, 2001 - December 31, 2001	0.6456
January 1, 2002 - December 31, 2002	0.6368
January 1, 2003 - December 31, 2003	0.7206
January 1, 2004 - December 31, 2004	0.7682
January 1, 2005 - December 31, 2005	0.8254

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

RISK FACTORS

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

Development of the Company"):

TITLE TO PROPERTIES RISK: Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects. In addition, Navidad properties title has being challenged in the Aquiline Resources Inc. ("Aquiline") legal action as disclosed in "Item 8. Financial Information - Legal Proceedings." In March 2004 Aquiline commenced an action against the Company seeking a constructive trust over the Navidad properties and damages. At this date the outcome is not determinable. The Company believes the Aquiline legal action is without merit. However, in the event of an adverse judgment the Company may suffer loss and such loss could be material; the Company might not be able to proceed with its plans for the development of Navidad and could lose the ownership rights it currently has over the project.

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 4, 2006 the Company had working capital of approximately $13,000,000. Management believes the Company has adequate resources to maintain its ongoing operations and may require additional financing for planned exploration and property acquisitions for the remainder of fiscal 2006. 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 may not, however, have sufficient funds to conduct planned exploration and development programs on all these properties and may 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 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. The Company may seek joint venture partners to provide funding for further work on any or all of those other properties. Joint ventures may involve significant risks and the Company may lose any investment it makes in a joint venture. Any investments, strategic alliances or related efforts are accompanied by risks such as:

1. the difficulty of identifying appropriate joint venture partners or

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

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

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

METAL PRICE RISK: The Company's portfolio of properties has exposure to predominantly silver and lead. The prices of these metals, especially silver, greatly affect the value of the Company and the potential value of its properties and investments.

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

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

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

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

PROJECT DELAY RISK: 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.

PRICE FLUCTUATIONS AND SHARE PRICE VOLATILITY: In recent years the securities markets in Canada have experienced a high level of price and volume volatility and the market price of securities of many companies, particularly junior mineral exploration companies, like the Company, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, the per share price of the Company's common shares on the TSX Venture Exchange (the "TSX-V") fluctuated from a high of $4.45 to a low of $2.56 during the 12-month period ending December 31, 2005. There can be no assurance that continual fluctuations in price will not occur.

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

INSURABLE RISKS AND LIMITATIONS OF INSURANCE: The Company maintains certain insurance, however, such insurance is subject to numerous exclusions and limitations. The Company maintains a Total Office Policy in Canadian dollars on its principal offices. Generally, the Total Office Policy provides All Risk Replacement Cost Coverage on office contents, up to $300,000, with a $500 deductible. In addition, the policy provides Commercial General Liability coverage of up to $5,000,000 for Third Party Bodily Injury

or Property Damage, per occurrence and $2,000,000 for Tenants Legal Liability for any one leased premises, with a $500 deductible. The Company also has insurance coverage of up to $5,000,000 for non-owned automobile liability.

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:

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

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

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

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

All of the Company's other officers are now employed by Grosso Group Management Ltd. ("Grosso Group"). See "Item 6. Directors, Senior Management and Employees - Directors and Senior Management - Conflicts of Interest". The Company does not maintain "key-man" insurance in respect of any of its principals.

DEPENDENCE UPON OTHERS: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability of the Company to 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. Mineral exploration and mining activities in Argentina 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 as a developing country 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.

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 had defaulted on its loans, it has repaid its debt to the International Monetary Fund in December 2005. 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.

ARGENTINA

MINING INDUSTRY

Mineral companies are subject to various federal and provincial laws and regulations including specific mining and environmental rules. The Company believes it is in material compliance with all applicable legislation.

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

REGULATORY ENVIRONMENT

Management believes the present government is committed to opening up the economy and there has been 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 Argentinean Customs office. Except for a 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, although there are export taxes currently in place including mineral products.

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 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.

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.

The provincial government of Chubut Province, Argentina, has enacted certain anti-mining laws banning the use of cyanide in metallic mineral extraction in the Province of Chubut and open-pit mining is subject to, yet to be defined, zoning process. 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 and Canada make it subject to foreign currency fluctuations and such fluctuation may adversely affect the Company's financial position and results. Certain of the Company's expenses are denominated in U.S. dollars. As such, the Company's principal foreign exchange exposure is related to the conversion of the Canadian dollar into U.S. dollars. The Canadian dollar varies under market conditions. Continued fluctuation of the Canadian dollar against the U.S. dollar will continue to affect the Company's 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 currency. The Company does not engage in hedging activities. See "Item 5. Operating and Financial Review and Prospects".

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

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

ENFORCEMENT OF LEGAL PROCESS: It may be difficult to bring and enforce suits against the Company. The Company is incorporated in British Columbia, Canada. Only one of the Company's directors is a resident of the United States and all, or a substantial portion, of their assets are located outside of the United States. As a result, it may be difficult for U.S. holders of the Company's

common shares to effect service of process on these persons within the United States or to enforce judgments obtained in the U.S. based on the civil liability provisions of the U.S. federal securities laws against the Company or their officers and directors. In addition, a shareholder should not assume that the courts of Canada (i) would enforce judgments of U.S. courts obtained in actions against the Company 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 or their officers or directors predicated upon the U.S. federal securities laws or other laws of the United States.

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

1. where the U.S. court where the judgment was rendered had no jurisdiction according to applicable Canadian law;
2. the judgment was subject to ordinary remedy (appeal, judicial review and any other judicial proceeding which renders the judgment not final, conclusive or enforceable under the laws of the applicable state) or not final, conclusive or enforceable under the laws of the applicable state;
3. the judgment was obtained by fraud or in any manner contrary to natural justice or rendered in contravention of fundamental principles of procedure;

4. a dispute between the same parties, based on the same subject matter has given rise to a judgment rendered in a Canadian court or has been decided in a third country and the judgment meets the necessary conditions for recognition in a Canadian court;
5. the outcome of the judgment of the U.S. court was inconsistent with Canadian public policy;
6. the judgment enforces obligations arising from foreign penal laws or laws that deal with taxation or the taking of property by a foreign government; or
7. there has not been compliance with applicable Canadian law dealing with the limitation of actions.

ITEM 4. INFORMATION ON THE COMPANY.

HISTORY AND DEVELOPMENT OF THE COMPANY

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

Company again became inactive and began seeking a new business opportunity. The Company filed another Altered Memorandum on February 9, 1995, to reflect its name change to International Amera Industries Corp. On February 20, 1996, the Company filed an Altered Memorandum, changing its name to IMA Resource Corporation, and became engaged in the acquisition and exploration of mineral properties.

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

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

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

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

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

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

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

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

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

In August 1999, the Company completed a private placement with Barrick Gold Corporation ("Barrick"). 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 "BCBCA") came into force in British Columbia and replaced the former Company Act, which is the statute that previously governed the Company. See "Item 10. Additional Information - Memorandum and Articles of Association."

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

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

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

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

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

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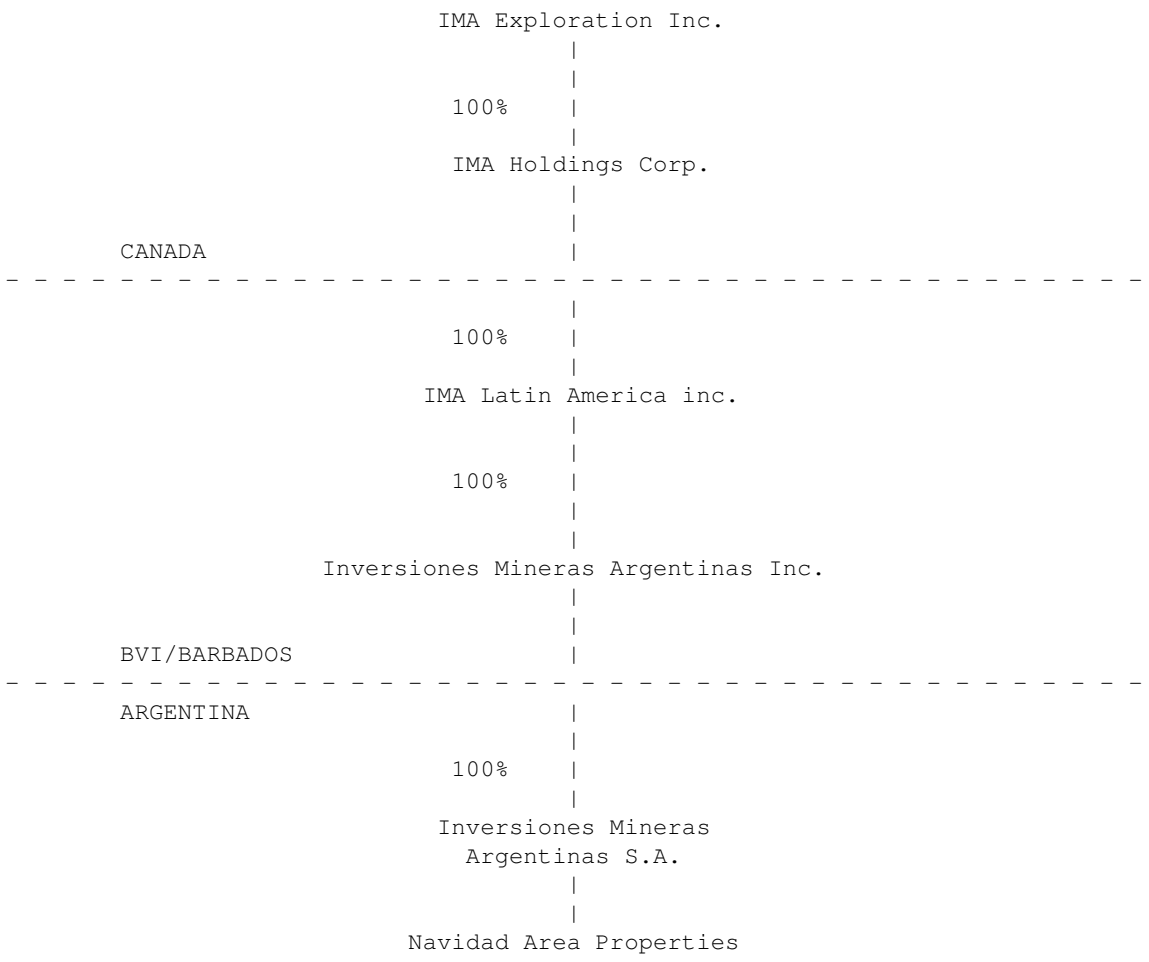
Current Corporate Structure



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PRINCIPAL OFFICE

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

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

$8,480,509 and capital assets of $Nil, $5,082,572 and $93,650, $1,320,408 and $21,875 for the fiscal years ended December 31, 2005, 2004 and 2003, respectively.

The Company has not made any write down to the value of its Navidad mineral properties and deferred costs.

PLANNED EXPLORATION EXPENDITURES AND PROPERTY PAYMENTS

For the period from January 1 to May 4, 2006, the Company has made additions to mineral properties and deferred costs of approximately $2,500,000. For the balance of 2006, the Company expects to spend a further $5,500,000 on the Navidad Project. See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Properties - Argentinean Properties and "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

The Company considers that it has adequate resources to maintain its ongoing operations but currently may not have sufficient working capital to fund all of its planned exploration and development work. 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, exploration and development of mineral properties in Argentina. At present, the Company has no producing properties and consequently has no current operating income or cash flow. As of the date of this annual report, the Company is an exploration stage company and has not generated any revenues from mining operations. There is no assurance that a commercially viable mineral deposit exists on any of the Company's properties. Further exploration and evaluation will be required before a final determination as to the economic and legal feasibility of any of the properties is determined.

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 continues to be active in 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 but has subsequently reduced its holdings.

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.

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 an option to acquire a 51% interest, amended on April 8, 2004 to 75%, in the Mogote property. See "Item 4. Information on the Company - Properties, Plants and Equipment - Principal Properties - Argentinean Properties - San Juan Province Properties - Northwest San Juan - Mogote Property" and "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

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 drill program commenced in November 2003 and was completed in late March 2004. A Phase II drill program commenced in late May 2004 and was completed in September 2004. Subsequent to completion of the Phase II program, a program of surface exploration including prospecting, geological mapping, ground geophysics and soil sampling was carried out. A Phase III drill program commenced in November 2004 and, other than a break for Christmas, drilling continued to March 7, 2005. Subsequently the Company announced that the Phase III program budget was increased to include an additional 10,000 metres of drilling. Phase III was completed in September 2005. Phase IV began in January 2006 and is ongoing. The Phase I drill program at Navidad comprised 8,859.6 metres in 53 holes, 37 of which were drilled on Galena Hill. Phase II drilling comprised 9,596.5 metres of diamond core drilling in 67 holes. Drilling in the Phase II program focused on the Esperanza Trend, the Barite Hill target, and on the Navidad Hill and Connector Zone targets. Phase III drilling comprised 23,731.6 metres in 131 holes for a project total of 42,188 metres in 251 holes. Phase IV drilling is ongoing and over 10,000 metres has been drilled in over 50 holes as of this writing.

On May 3, 2004, the Company announced its intention to proceed with a reorganization 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") continued to be owned by the Company, while the Company's non-Navidad mineral properties along with $750,000 of operating cash and the joint venture agreements (including the marketable securities) relating to the transferred properties (collectively the "Transferred Assets") were transferred to Golden Arrow, a new public company formed to effect the reorganization.

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

The common shares of Golden Arrow were distributed to shareholders of the Company in proportion to their shareholdings in the Company on July 7, 2004 and on the basis of one Golden Arrow share for every 10 shares of the Company held.

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").

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

IMA Latin America has one direct wholly-owned subsidiary, 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.

The Company's current corporate structure is depicted 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. 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. See "Item 4. Navidad Property - Estimated Resources."

PRINCIPAL PROPERTIES

ARGENTINEAN PROPERTIES

During the fiscal years ending December 31, 2005, 2004 and 2003 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, 2003	$1,469,026	$226,956	
December 31, 2004	$6,551,598	$228,961	
December 31, 2005	$15,032,107	$55,914	

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 were abundantly visible with lead and copper mineralization outcrops and subcrops over a strike length of thousands of meters. There was no evidence of prior prospecting or rock sampling activity 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.

[Argentina Property Map]

PROPERTY DESCRIPTION AND LOCATION

The Navidad Project comprises 10,000 hectares consisting of four individual claims of 2,500 hectares each (manifestaciones) in the Gastre Department of the Province of Chubut. These four claims are underlain by the company's original claim (the Gan Cateo now reduced to 4,000 hectares) and cover the original claim area. The project 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.

CLAIMS INCLUDED IN THE NAVIDAD PROJECT:

FILE NUMBER	YEAR	DATE	TYPE	NAME
13984	2002	December 6, 2002	Cateo	Gan
14340	2004	September 16, 2004	Manifestacion	Navidad Este
14341	2004	September 16, 2004	Manifestacion	Navidad Oeste
14902	2006	March 20, 2006	Manifestacion	Navidad Este 1
14903	2006	March 20, 2006	Manifestacion	Navidad Oeste 1

Note: the project totals 10,000 hectares, claims 14340, 14341, 14902 and 14903 together cover the same area as the original claim 13984.

The life span of the original cateo will expire on March 30, 2007 and the manifestacions which have replaced the cateo have no expiration to their registration. The minimum legislated investment in the cateo (Argentinean $380,000) and the manifestacions (Argentinean $24,000,000) has been met.

The Company has negotiated access rights in order to perform its exploration activities with two of the four surface owners and representing about 70% of the 10,000 hectares and the areas of exploration interest. These access rights require annual payments of approximately US$31,000. Argentinean legislation provides for the granting of mining easements by the State as the Mineral Rights are owned by the State and not individual property owners. The Company has not negotiated the purchase of the surface land with the owners at this time.

There are no known environmental liabilities on the Navidad Project. The Company has applied for and received all applicable permits for its exploration activities, including environmental, exploration, drilling, water use and provincial flora and fauna. A permit for the re-location of an archeological burial site was obtained and the site was moved in 2005.

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. Maximum elevation within the Gan cateo is 1,460 m while the minimum elevation is 1,060 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 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 Ingenerio Jacobacci which is larger than Gastre and has much better services including banking. From Ingenerio Jacobacci it is another three and a half hours to the west to Bariloche, a city with numerous flights and a year round tourist centre. From Gastre to the Atlantic Coast it is approximately six 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. In 2003 the government has announced a contract tendered to construct a connection from this power line to the national power grid at Choele Choel in Rio Negro to the north in order to facilitate expansion of the aluminum smelter and other projects. This construction is now complete and has brought the Argentine national power grid within easy reach of Navidad.

HISTORY

The Navidad Project has no known exploration history and there is no indication that any of the surface 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.

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 lacusterine 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 rock 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.

DIAMOND DRILLING PROGRAM

Connors Argentina S. A. ("Connors") of Mendoza, Argentina, commenced drilling on November 26, 2003. A 43-101 report entitled "Diamond Drilling of the Navidad Silver-Copper-Lead Project, November 2003 To March 2004, Chubut Province, Argentina, on behalf of IMA Exploration Inc." describes the Phase I drill program and was prepared by Qualified Person Paul Lhotka, Ph.D., P.Geo. in 2004. Phase III drilling was completed on September 14, 2005. Currently Phase IV drilling is ongoing. To the end of the Phase III drill program, 42,188m has been drilled in 251 holes. As of March 31st, 2006, an additional 9,150m of drilling in 48 holes had been completed in Phase IV. During the life of the project the average rate of drilling including moves and breakdowns has been 114.8 metres per day.

All but 355 metres of the drilling has recovered HQ diameter (61mm) core, with the remainder recovering NQ diameter core. The 25HH drill supplied by Connors is containerized and mounted on a tracked undercarriage capable of moving itself. Water for drilling is brought to the drilling sites by a water truck of about 9,000 liters that was subcontracted by Connors. The water is trucked from several local sources under agreement with local surface land owners.

Down hole surveys of the holes were done using a Tropari and/or a Sperry Sun instrument. In general the orientation of holes has 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:

Diamond Drill Hole	Local E	Local N	Easting GK faja 2 Campo Inch	Northing GK faja 2 Campo Inch	elevation (metres) HAE	Azimuth (wrt GK CI north)	dip down from vertical

NV03-01	50,000.6	10,005.0	2,514,819.5	5,304,458.8	1,219.5	210.0	-45.0
NV03-02	50,000.0	9,971.1	2,514,802.0	5,304,429.8	1,211.2	30.0	-45.0
NV03-03	51,160.5	9,660.1	2,515,651.6	5,303,580.3	1,178.4	210.0	-45.0
NV03-04	51,160.1	9,669.6	2,515,655.9	5,303,588.6	1,178.6	30.0	-45.0
NV03-05	51,160.1	9,802.1	2,515,722.2	5,303,703.3	1,176.6	30.0	-60.0
NV03-06	49,961.7	9,972.3	2,514,769.5	5,304,449.9	1,218.4	30.0	-45.0
NV03-07	49,919.7	9,965.9	2,514,729.9	5,304,465.4	1,222.2	30.0	-45.0
NV03-08	49,959.8	10,016.3	2,514,789.8	5,304,489.0	1,226.4	210.0	-45.0
NV03-09	49,919.9	10,027.4	2,514,760.8	5,304,518.6	1,231.4	210.0	-45.0
NV03-10	49,961.9	9,953.4	2,514,760.2	5,304,433.5	1,215.1	30.0	-45.0
NV03-11	49,625.2	10,040.0	2,514,511.9	5,304,676.8	1,209.2	120.0	-45.0
NV04-12	51,160.6	9,577.9	2,515,610.5	5,303,509.0	1,155.4	30.0	-65.0
NV04-13	50,876.5	10,015.0	2,515,583.1	5,304,029.5	1,179.4	30.0	-45.0
NV04-14	50,997.6	9,911.7	2,515,636.3	5,303,879.6	1,178.1	210.0	-70.0
NV04-15	51,159.8	9,910.5	2,515,776.1	5,303,797.4	1,167.0	30.0	-60.0
NV04-16	51,161.0	9,451.4	2,515,547.6	5,303,399.2	1,138.3	30.0	-55.0
NV04-17	50,998.8	9,614.4	2,515,488.6	5,303,621.4	1,156.7	30.0	-85.0

Diamond Drill Hole	Local E	Local N	Easting GK faja 2 Campo Inch	Northing GK faja 2 Campo Inch	elevation (metres) HAE	Azimuth (wrt GK CI north)	dip down from vertical
NV04-18	51,001.3	9,364.5	2,515,365.9	5,303,403.8	1,137.1	30.0	-55.0
NV04-19	51,001.9	9,826.2	2,515,597.2	5,303,803.4	1,181.7	210.0	-80.0
NV04-20	50,801.6	9,897.6	2,515,459.5	5,303,965.3	1,163.0	210.0	-70.0
NV04-21	50,997.6	9,948.5	2,515,654.7	5,303,911.4	1,174.2	30.0	-45.0
NV04-22	50,998.5	9,977.9	2,515,670.2	5,303,936.4	1,171.9	210.0	-75.0
NV04-23	51,000.7	9,713.6	2,515,540.0	5,303,706.4	1,177.3	210.0	-85.0
NV04-24	50,804.7	10,023.1	2,515,524.9	5,304,072.4	1,173.8	30.0	-50.0
NV04-25	51,204.1	9,014.3	2,515,366.4	5,302,999.1	1,140.0	210.0	-45.0
NV04-26	50,802.1	9,728.9	2,515,375.6	5,303,818.9	1,153.5	32.0	-75.0

NV04-27	50,100.7	9,719.0	2,514,763.2	5,304,161.1	1,164.0	30.0	-45.0
NV04-28	51,164.5	9,865.2	2,515,757.6	5,303,755.8	1,170.6	30.0	-60.0
NV04-29	51,299.1	9,847.6	2,515,865.4	5,303,673.3	1,157.6	210.0	-80.0
NV04-30	51,300.4	9,765.7	2,515,825.5	5,303,601.7	1,159.8	210.0	-80.0
NV04-31	51,160.7	9,666.8	2,515,655.1	5,303,585.9	1,178.5	30.0	-80.0
NV04-32	50,598.0	10,088.9	2,515,378.9	5,304,232.8	1,154.7	30.0	-45.0
NV04-33	50,598.4	10,016.4	2,515,343.0	5,304,169.8	1,154.8	210.0	-80.0
NV04-34	50,180.9	9,955.5	2,514,950.9	5,304,325.8	1,180.0	30.0	-45.0
NV04-35	51,199.5	9,251.1	2,515,480.9	5,303,206.5	1,134.2	30.0	-80.0
NV04-36	50,898.2	9,988.0	2,515,588.3	5,303,995.3	1,176.5	210.0	-80.0
NV04-37	50,899.9	9,914.7	2,515,553.2	5,303,931.0	1,173.8	210.0	-80.0
NV04-38	50,897.2	9,819.7	2,515,503.3	5,303,850.0	1,164.4	30.0	-80.0
NV04-39	50,400.2	9,982.9	2,515,154.5	5,304,239.9	1,157.1	210.0	-80.0
NV04-40	50,399.8	10,098.9	2,515,212.2	5,304,340.5	1,155.9	30.0	-45.0
NV04-41	51,080.8	9,943.4	2,515,724.2	5,303,865.4	1,174.9	30.0	-45.0
NV04-42	51,080.4	9,938.8	2,515,721.5	5,303,861.6	1,174.5	210.0	-80.0
NV04-43	51,080.4	9,853.2	2,515,678.7	5,303,787.4	1,180.3	210.0	-75.0
NV04-44	51,079.3	9,750.3	2,515,626.3	5,303,698.9	1,188.1	210.0	-75.0
NV04-45	51,230.9	9,861.1	2,515,813.0	5,303,719.1	1,164.0	210.0	-80.0
NV04-46	51,232.3	9,760.2	2,515,763.8	5,303,630.9	1,168.6	210.0	-80.0
NV04-47	51,236.7	9,681.0	2,515,728.1	5,303,560.2	1,176.6	30.0	-75.0
NV04-48	51,302.3	9,980.9	2,515,934.8	5,303,787.1	1,147.2	30.0	-45.0
NV04-49	51,301.0	9,915.2	2,515,900.8	5,303,730.8	1,150.5	30.0	-80.0
NV04-50	51,159.9	9,954.9	2,515,798.5	5,303,835.8	1,165.7	30.0	-80.0
NV04-51	51,159.1	9,971.9	2,515,806.2	5,303,850.9	1,165.5	30.0	-45.0
NV04-52	50,896.0	9,948.4	2,515,566.7	5,303,962.1	1,173.4	30.0	-45.0
NV04-53	50,796.8	9,954.7	2,515,483.9	5,304,017.1	1,169.2	30.0	-50.0
NV04-54	49,920	9,935	2,514,715	5,304,438	1,215	30.0	-50.0
NV04-55	50,000	9,906	2,514,770	5,304,374	1,197	30.0	-45.0
NV04-56	50,943	10,001	2,515,634	5,303,984	1,178	30.0	-45.0
NV04-57	51,118	9,812	2,515,691	5,303,733	1,181	210.0	-80.0

NV04-58	51,898	9,703	2,516,311	5,303,249	1,157	30.0	-80.0
NV04-59	51,900	9,612	2,516,268	5,303,169	1,142	33.0	-80.0
NV04-60	51,800	9,668	2,516,209	5,303,267	1,145	30.0	-80.0

Diamond Drill Hole	Local E	Local N	Easting GK faja 2 Campo Inch	Northing GK faja 2 Campo Inch	elevation (metres) HAE	Azimuth (wrt GK CI north)	dip down from vertical
NV04-61	51,203	8,927	2,515,322	5,302,924	1,149	210.0	-45.0
NV04-62	51,095	8,867	2,515,198	5,302,926	1,154	210.0	-45.0
NV04-63	50,392	8,749	2,514,530	5,303,175	1,175	150.0	-45.0
NV04-64	50,374	8,692	2,514,487	5,303,135	1,188	31.0	-45.0
NV04-65	49,919	9,851	2,514,672	5,304,366	1,192	30.0	-45.0
NV04-66	50,100	9,917	2,514,861	5,304,333	1,184	29.0	-45.0
NV04-67	50,247	9,936	2,514,998	5,304,276	1,171	30.0	-45.0
NV04-68	50,351	10,084	2,515,162	5,304,353	1,164	30.0	-45.0
NV04-69	49,862	9,967	2,514,681	5,304,495	1,227	30.0	-45.0
NV04-70	49,809	10,009	2,514,656	5,304,558	1,229	29.0	-45.0
NV04-71	49,860	9,904	2,514,647	5,304,442	1,208	30.0	-45.0
NV04-72	49,802	9,928	2,514,609	5,304,492	1,210	30.0	-45.0
NV04-73	49,802	9,814	2,514,552	5,304,393	1,184	29.0	-45.0
NV04-74	51,997	9,691	2,516,391	5,303,189	1,165	29.0	-80.0
NV04-75	52,198	9,674	2,516,557	5,303,073	1,163	29.0	-80.0
NV04-76	52,401	9,679	2,516,735	5,302,976	1,171	29.0	-80.0
NV04-77	50,400	9,053	2,514,689	5,303,435	1,151	211.0	-45.0
NV04-78	51,308	8,954	2,515,426	5,302,895	1,147	210.0	-45.0
NV04-79	51,100	8,929	2,515,233	5,302,977	1,146	210.0	-45.0
NV04-80	51,003	8,864	2,515,117	5,302,970	1,151	210.0	-45.0
NV04-81	50,405	8,802	2,514,568	5,303,215	1,166	150.0	-45.0
NV04-82	50,340	8,700	2,514,461	5,303,159	1,186	150.0	-45.0

NV04-83	49,760	10,004	2,514,611	5,304,578	1,221	29.0	-45.0
NV04-84	49,721	9,991	2,514,570	5,304,587	1,219	31.0	-45.0
NV04-85	49,660	10,001	2,514,522	5,304,626	1,213	30.0	-45.0
NV04-86	50,545	10,120	2,515,348	5,304,286	1,148	30.0	-45.0
NV04-87	50,651	10,052	2,515,407	5,304,175	1,160	30.0	-45.0
NV04-88	49,197	9,855	2,514,048	5,304,731	1,224	30.0	-80.0
NV04-89	49,760	9,813	2,514,515	5,304,413	1,184	30.0	-60.0
NV04-90	49,719	9,855	2,514,501	5,304,470	1,189	30.0	-45.0
NV04-91	52,345	9,652	2,516,673	5,302,980	1,165	80.0	-45.0
NV04-92	52,634	9,468	2,516,832	5,302,677	1,142	80.0	-65.0
NV04-93	51,604	9,576	2,515,994	5,303,285	1,134	30.0	-80.0
NV04-94	50,400	10,030	2,515,178	5,304,281	1,157	30.0	-45.0
NV04-95	50,250	9,894	2,514,980	5,304,238	1,167	30.0	-60.0
NV04-96	50,099	9,832	2,514,819	5,304,260	1,174	30.0	-45.0
NV04-97	49,920	9,801	2,514,647	5,304,322	1,181	30.0	-60.0
NV04-98	49,811	9,762	2,514,534	5,304,343	1,178	30.0	-60.0
NV04-99	49,661	9,838	2,514,442	5,304,484	1,188	30.0	-60.0
NV04-100	49,722	9,813	2,514,482	5,304,432	1,183	30.0	-60.0
NV04-101	49,660	9,756	2,514,400	5,304,413	1,182	30.0	-60.0
NV04-102	49,601	9,830	2,514,386	5,304,507	1,194	30.0	-60.0
NV04-103	49,658	9,940	2,514,490	5,304,574	1,204	30.0	-60.0

Diamond Drill Hole	Local E	Local N	Easting GK faja 2 Campo Inch	Northing GK faja 2 Campo Inch	elevation (metres) HAE	Azimuth (wrt GK CI north)	dip down from vertical
NV04-104	49,659	9,880	2,514,461	5,304,521	1,192	31.0	-60.0
NV04-105	50,300	10,112	2,515,132	5,304,402	1,176	30.0	-60.0
NV04-106	50,301	10,033	2,515,094	5,304,333	1,171	30.0	-60.0
NV04-107	50,475	10,123	2,515,289	5,304,323	1,148	30.0	-45.0
NV04-108	50,599	10,087	2,515,379	5,304,230	1,155	90.0	-45.0

NV04-109	49,921	10,044	2,514,770	5,304,532	1,231	210.0	-60.0
NV04-110	49,811	10,075	2,514,690	5,304,614	1,222	210.0	-45.0
NV04-111	49,809	10,009	2,514,655	5,304,558	1,229	210.0	-65.0
NV04-112	49,760	10,048	2,514,632	5,304,616	1,218	30.0	-45.0
NV04-113	49,721	10,038	2,514,593	5,304,627	1,213	30.0	-45.0
NV04-114	49,759	9,925	2,514,570	5,304,510	1,204	30.0	-60.0
NV04-115	49,719	9,924	2,514,536	5,304,530	1,204	29.0	-60.0
NV04-116	49,761	9,853	2,514,535	5,304,447	1,189	30.0	-60.0
NV04-117	49,700	9,885	2,514,500	5,304,505	1,196	120.0	-45.0
NV04-118	49,600	9,879	2,514,410	5,304,550	1,198	30.0	-60.0
NV04-119	49,600	9,934	2,514,437	5,304,598	1,201	30.0	-60.0
NV04-120	49,859	9,814	2,514,602	5,304,364	1,184	30.0	-60.0
NV04-121	49,401	9,786	2,514,191	5,304,569	1,203	210.0	-70.0
NV04-122	49,324	9,834	2,514,148	5,304,649	1,211	30.0	-70.0
NV04-123	49,324	9,827	2,514,145	5,304,643	1,210	210.0	-70.0
NV04-124	49,199	9,905	2,514,075	5,304,773	1,227	30.0	-80.0
NV04-125	49,197	9,803	2,514,023	5,304,686	1,220	30.0	-80.0
NV04-126	49,248	9,789	2,514,060	5,304,648	1,215	28.0	-50.0
NV04-127	50,471	10,083	2,515,266	5,304,291	1,150	30.0	-60.0
NV04-128	50,448	10,122	2,515,266	5,304,336	1,150	30.0	-60.0
NV04-129	50,500	10,119	2,515,309	5,304,307	1,146	30.0	-60.0
NV04-130	50,500	10,116	2,515,308	5,304,305	1,146	30.0	-62.0
NV04-131	50,578	10,109	2,515,372	5,304,260	1,152	90.0	-60.0
NV04-132	49,720	9,756	2,514,452	5,304,384	1,179	31.0	-60.0
NV04-133	49,797	9,732	2,514,506	5,304,325	1,175	30.0	-60.0
NV05-134	49,253	9,921	2,514,130	5,304,760	1,222	30.0	-70.0
NV05-135	49,250	9,986	2,514,160	5,304,818	1,224	30.0	-70.0
NV05-136	49,246	10,093	2,514,210	5,304,913	1,228	30.0	-70.0
NV05-137	49,200	9,957	2,514,102	5,304,817	1,229	30.0	-80.0
NV05-138	49,250	9,982	2,514,158	5,304,814	1,224	210.0	-56.0
NV05-139	49,699	9,876	2,514,493	5,304,498	1,194	31.0	-70.0

NV05-140	49,699	9,842	2,514,476	5,304,469	1,189	30.0	-60.0
NV05-141	49,738	9,877	2,514,529	5,304,479	1,193	31.0	-60.0
NV05-142	49,738	9,851	2,514,516	5,304,457	1,189	30.0	-60.0
NV05-143	49,320	10,018	2,514,237	5,304,810	1,217	210.0	-55.0
NV05-144	49,402	9,952	2,514,275	5,304,712	1,210	210.0	-65.0
NV05-145	49,402	9,902	2,514,249	5,304,669	1,208	211.0	-65.0
NV05-146	49,499	9,837	2,514,301	5,304,564	1,199	30.0	-60.0

Diamond Drill Hole	Local E	Local N	Easting GK faja 2 Campo Inch	Northing GK faja 2 Campo Inch	elevation (metres) HAE	Azimuth (wrt GK CI north)	dip down from vertical
NV05-147	49,497	9,808	2,514,285	5,304,540	1,194	30.0	-70.0
NV05-148	49,150	9,871	2,514,016	5,304,768	1,229	30.0	-80.0
NV05-149	49,148	9,920	2,514,038	5,304,812	1,234	30.0	-80.0
NV05-150	49,101	9,843	2,513,960	5,304,768	1,230	30.0	-80.0
NV05-151	49,101	9,893	2,513,984	5,304,812	1,234	30.0	-80.0
NV05-152	49,100	9,944	2,514,010	5,304,856	1,239	30.0	-80.0
NV05-153	50,596	10,229	2,515,447	5,304,355	1,143	271.0	-45.0
NV05-154	50,602	10,231	2,515,453	5,304,354	1,143	30.0	-45.0
NV05-155	50,660	10,172	2,515,474	5,304,273	1,149	90.0	-45.0
NV05-156	50,562	10,152	2,515,379	5,304,305	1,149	90.0	-60.0
NV05-157	49,856	9,772	2,514,578	5,304,330	1,178	30.0	-60.0
NV05-158	49,758	9,775	2,514,494	5,304,381	1,180	30.0	-60.0
NV05-159	49,922	9,762	2,514,631	5,304,288	1,175	29.0	-60.0
NV05-160	50,000	9,836	2,514,735	5,304,313	1,182	30.0	-60.0
NV05-161	49,762	9,887	2,514,554	5,304,476	1,195	30.0	-60.0
NV05-162	49,360	10,015	2,514,269	5,304,788	1,214	210.0	-55.0
NV05-163	49,453	9,832	2,514,259	5,304,583	1,197	30.0	-70.0
NV05-164	49,548	9,819	2,514,335	5,304,524	1,194	30.0	-70.0

NV05-165	49,548	9,873	2,514,361	5,304,571	1,202	30.0	-70.0
NV05-166	49,503	9,917	2,514,345	5,304,632	1,206	30.0	-65.0
NV05-167	49,100	9,945	2,514,010	5,304,857	1,239	210.0	-60.0
NV05-168	49,100	10,007	2,514,041	5,304,911	1,236	210.0	-60.0
NV05-169	49,048	9,887	2,513,936	5,304,833	1,234	30.0	-80.0
NV05-170	49,051	9,938	2,513,964	5,304,876	1,237	30.0	-80.0
NV05-171	49,053	9,978	2,513,985	5,304,909	1,238	210.0	-70.0
NV05-172	49,321	9,861	2,514,159	5,304,674	1,212	30.0	-60.0
NV05-173	49,285	9,972	2,514,184	5,304,788	1,221	210.0	-80.0
NV05-174	49,361	9,963	2,514,245	5,304,742	1,214	210.0	-55.0
NV05-175	51,081	9,753	2,515,629	5,303,701	1,188	32.0	-50.0
NV05-176	49,053	9,978	2,513,985	5,304,909	1,238	30.0	-75.0
NV05-177	49,100	9,996	2,514,034	5,304,901	1,236	30.0	-80.0
NV05-178	48,498	9,898	2,513,465	5,305,118	1,223	30.0	-55.0
NV05-179	48,502	9,802	2,513,420	5,305,032	1,208	30.0	-60.0
NV05-180	48,998	9,908	2,513,903	5,304,876	1,234	30.0	-80.0
NV05-181	48,996	9,963	2,513,929	5,304,924	1,237	29.0	-80.0
NV05-182	48,995	10,012	2,513,952	5,304,968	1,240	30.0	-80.0
NV05-183	49,149	9,970	2,514,064	5,304,854	1,234	30.0	-80.0
NV05-184	49,248	9,886	2,514,108	5,304,732	1,221	30.0	-88.0
NV05-185	49,450	9,948	2,514,314	5,304,685	1,210	31.0	-70.0
NV05-186	49,499	9,969	2,514,368	5,304,678	1,211	30.0	-65.0
NV05-187	49,250	9,788	2,514,060	5,304,646	1,214	30.0	-76.0
NV05-188	49,360	10,015	2,514,269	5,304,788	1,214	210.0	-81.0
NV05-189	48,400	10,055	2,513,458	5,305,302	1,181	31.0	-60.0

Diamond Drill Hole	Local E	Local N	Easting GK faja 2 Campo Inch	Northing GK faja 2 Campo Inch	elevation (metres) HAE	Azimuth (wrt GK CI north)	dip down from vertical
NV05-190	48,397	10,138	2,513,497	5,305,375	1,175	31.0	-61.0

NV05-191	47,798	10,151	2,512,986	5,305,687	1,167	30.0	-70.0
NV05-192	47,802	10,063	2,512,944	5,305,609	1,168	30.0	-70.0
NV05-194	48,604	9,055	2,513,135	5,304,334	1,222	210.0	-80.0
NV05-195	51,227	8,373	2,515,065	5,302,432	1,170	30.0	-80.0
NV05-196	52,190	7,427	2,515,427	5,301,131	1,240	210.0	-75.0
NV05-197	51,081	9,892	2,515,698	5,303,821	1,177	28.0	-52.0
NV05-198	48,863	9,994	2,513,829	5,305,018	1,238	30.0	-90.0
NV05-199	48,863	10,005	2,513,834	5,305,027	1,238	30.0	-45.0
NV05-200	48,600	9,890	2,513,549	5,305,059	1,221	30.0	-76.0
NV05-201	48,600	9,891	2,513,549	5,305,060	1,221	30.0	-45.0
NV05-202	48,605	9,788	2,513,502	5,304,969	1,215	30.0	-73.0
NV05-203	48,391	9,873	2,513,360	5,305,149	1,211	30.0	-72.0
NV05-204	48,391	9,874	2,513,360	5,305,150	1,211	30.0	-45.0
NV05-205	49,448	9,989	2,514,333	5,304,721	1,211	30.0	-63.0
NV05-206	49,451	10,022	2,514,352	5,304,748	1,207	30.0	-45.0
NV05-207	49,498	10,016	2,514,390	5,304,720	1,209	30.0	-45.0
NV05-208	49,555	9,932	2,514,397	5,304,619	1,205	30.0	-70.0
NV05-209	49,402	9,981	2,514,289	5,304,738	1,212	30.0	-71.0
NV05-210	49,551	9,998	2,514,427	5,304,678	1,210	30.0	-90.0
NV05-211	49,285	9,926	2,514,160	5,304,748	1,219	210.0	-80.0
NV05-212	49,286	9,885	2,514,141	5,304,712	1,217	210.0	-80.0
NV05-213	48,954	10,007	2,513,914	5,304,984	1,238	30.0	-80.0
NV05-214	47,999	10,102	2,513,135	5,305,543	1,173	30.0	-80.0
NV05-215	48,201	10,051	2,513,284	5,305,399	1,176	30.0	-80.0
NV05-216	48,199	9,721	2,513,118	5,305,114	1,198	30.0	-80.0
NV05-217	49,799	9,681	2,514,483	5,304,279	1,172	30.0	-60.0
NV05-218	49,855	9,723	2,514,552	5,304,287	1,173	30.0	-60.0
NV05-219	49,922	9,712	2,514,605	5,304,245	1,170	30.0	-60.0
NV05-220	49,996	9,737	2,514,682	5,304,229	1,170	30.0	-70.0
NV05-221	49,857	9,667	2,514,526	5,304,238	1,170	30.0	-60.0
NV05-222	48,301	9,854	2,513,272	5,305,178	1,199	30.0	-85.0

NV05-223	48,301	9,855	2,513,273	5,305,179	1,199	30.0	-45.0
NV05-224	48,601	9,735	2,513,472	5,304,925	1,220	30.0	-75.0
NV05-225	48,500	9,757	2,513,396	5,304,994	1,212	30.0	-65.0
NV05-226	48,400	9,807	2,513,334	5,305,088	1,202	30.0	-58.0
NV05-227	48,703	9,776	2,513,581	5,304,910	1,220	30.0	-90.0
NV05-228	50,299	10,144	2,515,148	5,304,430	1,179	30.0	-50.0
NV05-229	50,655	10,030	2,515,399	5,304,153	1,159	90.0	-45.0
NV05-230	50,400	10,159	2,515,243	5,304,392	1,156	30.0	-45.0
NV05-231	50,576	10,214	2,515,422	5,304,352	1,145	88.5	-80.0
NV05-232	50,577	10,214	2,515,423	5,304,352	1,145	88.5	-45.0
NV05-233	50,590	10,163	2,515,408	5,304,301	1,151	90.0	-48.0

Diamond Drill Hole	Local E	Local N	Easting GK faja 2 Campo Inch	Northing GK faja 2 Campo Inch	elevation (metres) HAE	Azimuth (wrt GK CI north)	dip down from vertical
NV05-234	50,627	10,126	2,515,423	5,304,251	1,155	90.0	-45.0
NV05-235	50,560	10,087	2,515,345	5,304,250	1,151	90.0	-65.0
NV05-236	50,611	10,059	2,515,375	5,304,201	1,157	90.0	-45.0
NV05-237	50,625	10,186	2,515,451	5,304,303	1,150	90.0	-45.0
NV05-238	49,760	9,727	2,514,472	5,304,339	1,175	30.0	-60.0
NV05-239	49,550	10,032	2,514,443	5,304,707	1,209	30.0	-45.0
NV05-240	49,551	10,014	2,514,435	5,304,692	1,210	30.0	-65.0
NV05-241	47,814	7,067	2,511,456	5,303,008	1,363	270.0	-45.0
NV05-242	47,824	7,094	2,511,479	5,303,026	1,358	269.0	-45.0
NV05-243	47,851	7,089	2,511,500	5,303,008	1,354	270.0	-60.0
NV05-244	47,856	7,060	2,511,490	5,302,981	1,355	270.0	-60.0
NV05-245	47,889	7,115	2,511,546	5,303,012	1,342	270.0	-60.0
NV05-246	49,403	9,975	2,514,287	5,304,732	1,211	30.0	-87.0
NV05-247	49,402	9,986	2,514,292	5,304,742	1,212	30.0	-54.0

NV05-248	49,601	9,989	2,514,465	5,304,645	1,209	30.0	-60.0
NV05-249	50,038	10,021	2,514,860	5,304,454	1,216	30.0	-50.0
NV05-250	50,044	9,953	2,514,831	5,304,392	1,198	30.0	-50.0
NV05-251	50,042	9,912	2,514,809	5,304,358	1,191	30.0	-65.0
NV06-252	47,745	7,806	2,511,767	5,303,682	1,264	210.0	-80.0
NV06-253	48,995	7,724	2,512,808	5,302,986	1,272	213.0	-70.0
NV06-254	46,804	8,247	2,511,172	5,304,535	1,210	212.0	-80.0
NV06-255	48,802	9,709	2,513,634	5,304,802	1,222	30.0	-90.0
NV06-256	48,897	9,702	2,513,712	5,304,748	1,221	30.0	-90.0
NV06-257	49,046	9,621	2,513,801	5,304,604	1,207	30.0	-90.0
NV06-258	48,898	9,652	2,513,688	5,304,704	1,217	30.0	-90.0
NV06-259	48,895	9,753	2,513,736	5,304,793	1,224	30.0	-90.0
NV06-260	48,800	9,760	2,513,657	5,304,847	1,226	30.0	-90.0
NV06-261	48,699	9,722	2,513,551	5,304,865	1,222	30.0	-90.0
NV06-262	48,548	9,813	2,513,466	5,305,019	1,211	30.0	-90.0
NV06-263	48,551	9,859	2,513,491	5,305,057	1,219	30.0	-90.0
NV06-264	48,450	9,885	2,513,417	5,305,130	1,218	211.0	-70.0
NV06-265	48,351	9,876	2,513,326	5,305,172	1,205	30.0	-80.0
NV06-266	52,199	8,154	2,515,798	5,301,757	1,157	210.0	-80.0
NV06-267	48,247	10,021	2,513,309	5,305,349	1,179	30.0	-90.0
NV06-268	48,248	9,995	2,513,297	5,305,326	1,181	210.0	-60.0
NV06-269	48,098	10,027	2,513,183	5,305,429	1,178	30.0	-90.0
NV06-270	49,501	10,101	2,514,435	5,304,792	1,190	30.0	-90.0
NV06-271	49,470	10,090	2,514,403	5,304,798	1,190	30.0	-90.0
NV06-272	51,017	9,790	2,515,592	5,303,765	1,180	30.0	-75.0
NV06-273	51,016	9,769	2,515,581	5,303,747	1,184	30.0	-75.0
NV06-274	51,016	9,744	2,515,568	5,303,725	1,186	30.0	-75.0
NV06-275	51,014	9,822	2,515,606	5,303,794	1,181	30.0	-75.0
NV06-276	51,016	9,847	2,515,620	5,303,814	1,184	30.0	-75.0

Diamond Drill Hole	Local E	Local N	Easting GK faja 2 Campo Inch	Northing GK faja 2 Campo Inch	elevation (metres) HAE	Azimuth (wrt GK CI north)	dip down from vertical
NV06-277	51,042	9,744	2,515,591	5,303,712	1,187	30.0	-75.0
NV06-278	51,039	9,770	2,515,601	5,303,736	1,163	30.0	-75.0
NV06-279	51,041	9,793	2,515,614	5,303,755	1,183	30.0	-75.0
NV06-280	51,041	9,818	2,515,627	5,303,777	1,183	30.0	-75.0
NV06-281	51,042	9,843	2,515,640	5,303,798	1,183	30.0	-75.0
NV06-282	51,065	9,742	2,515,610	5,303,699	1,187	30.0	-75.0
NV06-283	51,065	9,772	2,515,625	5,303,725	1,186	30.0	-75.0
NV06-284	51,065	9,796	2,515,637	5,303,745	1,184	30.0	-75.0
NV06-285	51,066	9,819	2,515,649	5,303,765	1,183	30.0	-75.0
NV06-286	51,067	9,845	2,515,663	5,303,787	1,182	30.0	-75.0
NV06-287	50,338	8,701	2,514,460	5,303,161	1,185	210.0	-45.0
NV06-288	50,000	8,791	2,514,212	5,303,408	1,166	210.0	-45.0
NV06-289	50,601	8,851	2,514,762	5,303,159	1,153	210.0	-45.0
NV06-290	51,002	8,926	2,515,147	5,303,024	1,146	210.0	-45.0
NV06-291	51,400	8,984	2,515,521	5,302,875	1,144	210.0	-45.0
NV06-292	51,800	9,000	2,515,875	5,302,689	1,131	210.0	-45.0
NV06-293	52,202	8,927	2,516,187	5,302,424	1,133	210.0	-45.0
NV06-294	52,597	8,844	2,516,488	5,302,155	1,125	210.0	-45.0
NV06-295	51,029	9,796	2,515,606	5,303,764	1,182	210.0	-75.0
NV06-296	51,055	9,869	2,515,665	5,303,814	1,181	210.0	-75.0
NV06-297	52,202	8,861	2,516,154	5,302,367	1,135	210.0	-45.0
NV06-298	52,601	8,765	2,516,452	5,302,085	1,126	210.0	-45.0
							Total Metres Drilled

Note coordinates for holes 252 to 298 are provisional pending final surveys by a professional surveyor.

Core designated for sampling is 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 rubbley 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 pulverizor 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 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 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 drilling. This program comprises controls including blind certified standards, blanks, core duplicates and a secondary laboratory. The primary laboratory for all drilling samples was Alex Stewart and the secondary lab was ALS-Chemex of La Serena and/or Vancouver. In each set of 42 samples sent to the primary lab a blind high-grade, low-grade, blank and duplicate core sample were included in randomized positions. As of this writing over 687 analyses had been made and reviewed of each standard, blanks and duplicate sample inserted by the Company in the sample stream. Including check samples, over 26,800 samples had been analyzed by the primary laboratory (up to the end of hole 286).

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 from 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 1,216 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 contractors 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

Drilling of the Navidad Hill, Galena Hill, Calcite Hill and intervening areas has greatly increased the geological understanding of the main geological units and their relationships. Most of this information was gained by drilling along the Navidad Trend (Barite Hill to Calcite Hill), but advances have also been made at Esperanza and at the Argenta Trend from surface mapping supported by limited drilling. The geology of the Navidad Project is described in a 2003 43-101 report entitled "Exploration of the Navidad Silver-Copper-Lead Property, December 2002 To May 2003, Chubut Province, Argentina, on behalf of IMA Exploration Inc." by Qualified Person Paul Lhotka, Ph.D., P.Geo..

Stratigraphy at the Navidad property is comprised of three primary sedimentary and volcanic units which vary in thickness and composition but can generally be traced across the property. The lowermost unit is comprised of epiclastic, volcaniclastic and volcanic rocks that are virtually always unmineralized and unaltered where they have been tested to date. This is overlain by a volcanic cycle comprising trachyandesitic (or latitic) volcanic rocks, generally with quartz eyes, that is altered and mineralized with silver, lead, and to a lesser degree copper. The trachyandesite sequence comprises massive flows, amygdaloidal flows, flow breccias and volcaniclastic breccias. This unit varies in stratigraphic thickness from a few metres to well over 200 metres. The trachyandesite is in turn overlain by pelitic mudstones and limestones of which the lowermost portion may be highly mineralized with silver, lead, and often

zinc. On the southwestern portions of the property (Loma de la Plata and the Argenta trend) the upper unit is dominated by coarse grained, poorly sorted sandstones and conglomerates that are composed predominantly of granitic rock interpreted to be derived from the Paleozoic granites which form the regional basement rocks in the area.

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, particularly in the Galena Hill and Barite Hill areas. 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 is interpreted as a paleosol.

GALENA HILL DRILLING RESULTS

Results of the 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 approximately 50 g/t silver equivalent including the values of silver and lead in the calculation. The silver equivalent calculation is based on a silver price of US$6.00 per troy ounce and US$0.35 per pound for lead according the formula AgEq = Ag g/t + (Pb% * 10000/250). No adjustments have been made for relative recoveries of the two metals as at this time there is still insufficient information to do so. At this time a definitive "cut-off" grade can not be established since metallurgical and engineering parameters have not been determined. For the purpose of the resource estimates discussed below and the intercepts listed below, a 50 g/t silver equivalent cut-off grade was used. 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 the overlying mudstones, or even in the lower part of the mudstones.

In total, 56 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 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, however three holes designed to test this hypothesis failed to find indications of a feeder zone. Moving to the southwest away from this interpreted feeder zone, lead:silver ratios increase and are interpreted as more distal portions of the deposit.

MINERALIZED INTERCEPTS FROM DRILLHOLES AT THE GALENA HILL DEPOSIT

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
NV03-03	-45	178.5	3.00	178.50	175.50	80	26
including			3.00	128.30	125.30	100	33
including			72.50	107.50	35.00	189	50
including			86.20	95.45	9.25	294	77
NV03-04	-45	285.0	2.80	266.70	263.90	156	74
including			2.80	203.00	200.20	192	92
including			39.60	176.45	136.85	237	117
including			39.60	121.25	81.65	268	142
including			39.60	94.70	55.10	283	164
including			65.00	94.70	29.70	312	190
including			65.00	83.50	18.50	377	241
NV03-05	-60	217.7	43.30	126.25	82.95	399	229
including			46.70	113.25	66.55	465	272
including			46.70	55.90	9.20	852	579
including			89.00	107.25	18.25	951	503
NV04-12	-65	220.0	18.80	27.80	9.00	362	42
and			27.80	35.45	7.65	455	71
combined			18.80	35.45	16.65	392	54
within			18.80	60.60	41.80	214	35
NV04-13	-45	142.7	20.00	64.70	44.70	246	223
NV04-14	-70	158.0	27.70	142.75	115.05	664	454
including			27.70	75.10	47.40	1032	776
including			32.70	50.70	18.00	1631	1,421
NV04-15	-60	139.6	46.55	115.65	69.10	172	114
including			47.05	55.55	8.50	723	462
NV04-16	-55	250.5	63.45	72.45	9.00	133	34
NV04-17	-85	164.2	21.20	40.20	19.00	408	97
including			30.20	40.20	10.00	681	162

NV04-18	-55	274.7	232.00	244.00	12.00	86	70
NV04-19	-80	188.1	24.00	90.50	66.50	210	100
including			25.10	37.10	12.00	293	165
including			49.35	57.75	8.40	346	177
including			74.00	81.55	7.55	362	174
NV04-20	-70	70.9	35.50	40.60	5.10	128	55

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
NV04-21	-45	198.1	42.45	126.00	83.55	340	322
including			49.95	70.50	20.55	725	703
NV04-22	-75	193.8	38.65	101.65	63.00	491	418
			42.50	55.60	13.10	991	923
NV04-23	-85	191.1	48.40	71.20	22.80	45	26
NV04-24	-50	145.6	3.00	5.65	2.65	963	918
NV04-26	-75	134.0	none			0	
NV04-28	-60	158.0	45.70	134.75	89.05	191	120
including			45.70	67.75	22.05	49	23
including			67.75	134.75	67.00	238	152
including			68.10	71.55	3.45	1199	761
NV04-29	-80	158.0	28.50	38.65	10.15	145	72
NV04-30	-80	209.0	44.80	52.70	7.90	92	48
NV04-31	-80	296.0	3.05	23.85	20.80	102	52
and			47.35	78.45	31.10	176	71
including			73.85	75.95	2.10	1371	619
NV04-36	-80	77.0	8.00	57.90	49.90	228	179
including			35.30	49.30	14.00	248	209
NV04-37	-80	102.5	12.80	89.10	76.30	191	139

including			13.80	17.70	3.90	887	597
NV04-38	-80	107.0	20.70	61.20	40.50	120	105
including			34.10	52.55	18.45	173	167
NV04-41	-45	145.2	58.10	129.00	70.90	92	78
NV04-42	-80	187.9	48.35	161.55	113.20	230	151
including			67.90	121.90	54.00	360	239
including			148.90	161.55	12.65	191	122
NV04-43	-75	230.6	44.20	127.25	83.05	372	153
including			44.20	89.00	44.80	489	217
NV04-44	-75	232.9	13.35	103.90	90.55	391	178
including			13.35	28.90	15.55	796	445
NV04-45	-80	167.0	43.00	69.85	26.85	569	355
including			43.00	51.05	8.05	1571	958
NV04-46	-80	239.0	30.40	167.00	136.60	73	31
including			30.40	65.00	34.60	122	62
NV04-47	-75	242.0	12.90	131.00	118.10	119	37
including			84.50	116.00	31.50	232	60
NV04-48	-45	67.5	16.50	32.85	16.35	52	31
including			26.70	31.80	5.10	71	50
NV04-49	-80	82.8	63.45	82.80	19.35	47	32

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
NV04-50	-80	113.0	20.80	101.00	80.20	292	255
including			20.80	65.00	44.20	409	391
NV04-51	-45	100.5	64.50	81.85	17.35	281	186
NV04-52	-45	100.5	16.50	62.55	46.05	296	271
NV04-53	-50	97.5	15.70	30.80	15.10	81	52
NV04-56	-45	142.5	19.30	127.75	108.45	106	102

including			22.50	64.50	42.00	169	164
NV04-57	-80	245.1	35.90	170.50	134.60	323	158
including			39.40	61.25	21.85	1075	677
NV05-175	-50	516.1	47.18	241.63	194.45	366	164
including			47.18	174.87	127.69	515	225
including			47.18	97.00	49.82	973	446
NV05-197	-52	441.1	94.94	168.98	74.04	317	239
including			94.94	117.36	22.42	486	294
and			143.23	168.98	25.75	361	348
NV06-272	-75	175.7	27.06	154.17	127.11	265	129
including			27.06	93.01	65.95	402	208
NV06-273	-75	185.0	26.21	122.70	96.49	296	157
including			26.21	73.89	47.68	392	238
NV06-274	-75	197.0	6.88	107.71	100.83	177	119.5
including			29.46	68.72	39.26	281	221
NV06-275	-75	161.0	28.50	148.55	120.05	410	218
including			33.01	60.78	27.77	909	539
NV06-276	-75	197.0	38.00	137.66	99.66	371	210
including			38.00	91.60	53.60	428	247
NV06-277	-75	212.2	3.05	117.62	114.57	215	125
including			3.05	47.20	44.15	426	266
including			81.64	117.62	35.98	123	48
and			167.79	184.41	16.62	294	122
NV06-278	-75	212.0	31.18	135.80	104.62	321	154
including			31.18	75.27	44.09	513	290
NV06-279	-75	206.0	33.00	189.78	156.78	312	121
including			33.00	74.98	41.98	639	231
NV06-280	-75	218.4	44.40	162.72	118.32	366	149
including			50.40	90.38	39.98	463	190
NV06-281	-75	212.0	57.72	140.00	82.28	308	133
including			57.72	100.14	42.42	441	185

NV06-282	-75	227.3	11.30	189.67	178.37	247	124
including			11.30	89.30	78.00	423	225

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
including			177.90	189.67	11.77	338	200
NV06-283	-75	227.0	27.87	123.01	95.14	317	161
including			36.76	84.58	47.82	429	250
and			170.91	188.77	17.86	190	110
NV06-284	-75	229.2	48.79	177.02	128.23	335	151
including			57.57	90.44	32.87	891	427
NV06-285	-75	223.0	41.00	164.34	123.34	345	121
including			47.00	77.70	30.70	542	192
NV06-286	-75	206.0	44.90	133.47	88.57	157	71
including			71.85	95.97	24.12	288	134

1.All length weighted average (LWA) results are "uncut"
2.Silver Equivalent is calculated by the formula AgEq=Ag g/t + (Pb% * 10000/250)

NAVIDAD HILL DRILLING RESULTS

Sixty-two drill holes have been completed to date at Navidad Hill and have been very successful in delineating silver-copper-lead mineralization. Two distinct styles of mineralization have been intersected, the first comprises structurally-controlled, sub-vertical, tabular breccia bodies often containing very high grade silver (up to ~10,000 g/t over short intervals) and the second is a stratigraphically controlled body that occurs on the northwest flank of Navidad Hill at or near the contact between trachyandesite volcanic rocks and the overlying mudstones and intercalated volcanic tuffs.

Drilling on the structurally controlled mineralization confirmed that the dip of the structures is near vertical but two somewhat unexpected geological 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. Assuming vertical dips the true width of the mineralized intercept ranges from about 34 to 101m in width. 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. Much of Navidad Hill has little lead but the silver equivalent calculation has been shown for all intercepts for comparison and because the stratigraphically controlled mineralization often has significant lead values.

The stratigraphically-controlled mineralization at Navidad Hill occurs on the northwest flank of the hill and is covered by 15 to 30 metres of overlying unmineralized rock. Drill hole NV04-90 intersected this style of mineralization with what is to date the best mineralized intercept recovered from the property (35.8m of 2,850 g/t silver and 3.62% lead). Mineralization occurs in the form of a blanket or gently-dipping, tabular body that is located at or near the contact between the trachyandesite and overlying rocks. Metal-bearing minerals include galena, stromeyerite, chalcopyrite, tetrahedrite, pyrite, sphalerite, chalcocite, Fe-Cu oxides and other oxide species. In several locations, clastic sulphides are noted in the core that are interpreted to indicate transportation of the sulphide-bearing material after it's deposition. This strongly supports the syn-volcanic, syn-sedimentary timing for mineralization that is interpreted. Assuming a generally flat lying

orientation, true thicknesses of the intercepts in this zone are from 70 to 100% of the composites tabulated below.

MINERALIZED INTERCEPTS FROM THE NAVIDAD HILL DRILLING

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
NV03-01	-45	109.5	3.05	61.45	58.40	113	111
including			10.10	31.35	21.25	237	233
including			10.10	17.50	7.40	538	536
including			15.70	16.50	0.80	2690	2678
NV03-02	-45	154.5	2.50	50.50	48.00	100	98
including			5.50	6.45	0.95	868	858
including			17.60	25.00	7.40	234	227
including			40.40	41.45	1.05	1332	1320
NV03-06	-45	136.2	3.00	63.20	60.20	165	162
including			23.30	28.80	5.50	433	425
NV03-07	-45	108.9	3.00	86.65	83.65	258	247

including			3.00	40.75	37.75	489	475
including			3.00	6.90	3.90	2011	1998
including			30.85	33.25	2.40	2154	2130
NV03-08	-45	146.0	2.50	146.00	143.50	154	146
including			2.50	71.10	68.60	291	275
including			26.10	40.15	14.05	1152	1084
including			26.10	28.40	2.30	2766	2661
including			35.45	37.20	1.75	3077	3043
NV03-09	-45	106.1	2.50	84.30	81.80	129	125
including			21.00	21.70	0.70	5124	5068
including			65.25	66.20	0.95	1475	1441
NV03-10	-45	150.7	3.50	78.50	75.00	113	111
including			3.50	9.40	5.90	673	670
NV03-11	-45	133.2	1.52	12.10	10.58	99	98
NV04-54	-50	190.5	3.05	107.40	104.35	128	125
including			3.05	38.50	35.45	303	295
NV04-55	-45	168.8	3.00	63.60	60.60	28	27
including			38.05	43.40	5.35	74	73
NV04-65	-45	229.5	4.50	23.87	19.37	91	81
and			23.87	130.50	106.63	19	18
NV04-69	-45	181.3	3.00	103.95	100.95	56	53
including			29.43	34.69	5.26	81	78
including			63.83	66.05	2.22	233	232
NV04-70	-45	190.3	3.00	87.75	84.75	85	83
including			58.30	62.85	4.55	424	421

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA

including			81.10	87.75	6.65	176	175
NV04-71	-45	172.5	3.00	88.50	85.50	57	56
including			69.50	88.50	19.00	150	149
including			78.15	85.50	7.35	267	265
NV04-72	-45	223.2	3.00	53.85	50.85	29	26
including			45.01	53.85	8.84	48	46
NV04-73	-45	193.5	3.00	36.40	33.40	126	94
including			28.50	36.40	7.90	340	292
and			58.00	59.40	1.40	3982	3975
NV04-83	-45	169.5	4.50	88.00	83.50	98	97
including			53.00	61.91	8.91	213	211
including			79.50	88.00	8.50	238	237
NV04-84	-45	213.0	13.90	55.50	41.60	57	56
including			22.20	23.53	1.33	99	98
and			77.00	81.97	4.97	57	57
NV04-85	-45	88.5	4.50	28.80	24.30	144	142
including			4.50	8.20	3.70	694	689
NV04-89	-60	97.5	17.70	28.60	10.90	144	109
NV04-90	-45	106.5	16.50	52.33	35.83	2995	2850
including			33.00	46.45	13.45	7584	7321
including			33.00	40.26	7.26	12413	11995
NV04-97	-60	100.5	7.50	39.24	31.74	202	105
including			25.50	39.24	13.74	359	148
NV04-98	-60	76.7	40.93	67.70	26.77	277	185
NV04-99	-60	88.7	44.60	74.58	29.98	260	188
including			44.60	61.70	17.10	402	280
NV04-100	-60	130.7	23.45	65.19	41.74	494	390
including			40.60	49.70	9.10	957	718
NV04-101	-60	109.7	none				
NV04-102	-60	122.0	47.78	63.59	15.81	187	116
including			56.00	63.59	7.59	226	191

NV04-103	-60	79.8	11.02	16.80	5.78	71	63
NV04-104	-60	100.3	38.45	51.60	13.15	1521	1489
NV04-109	-60	133.5	3.00	105.06	102.06	79	73
including			3.00	50.07	47.07	93	88
including			20.66	50.07	29.41	115	111
NV04-110	-45	100.5	3.00	64.50	61.50	139	128
including			3.00	21.46	18.46	343	312
including			16.12	21.46	5.34	1110	1006

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
NV04-111	-65	35.0	3.00	35.00	32.00	31	28
NV04-112	-45	85.5	6.00	64.68	58.68	222	208
including			6.00	16.26	10.26	401	375
including			28.87	43.65	14.78	357	324
NV04-113	-45	76.5	4.50	28.75	24.25	61	60
including			4.50	10.50	6.00	110	109
NV04-114	-60	62.1	5.56	39.28	33.72	73	57
including			6.50	12.75	6.25	104	83
NV04-115	-60	62.0	8.00	18.05	10.05	165	151
NV04-116	-60	70.7	15.00	45.40	30.40	325	243
including			15.00	36.42	21.42	436	322
NV04-117	-45	109.5	25.50	53.65	28.15	1154	1115
including			42.04	48.01	5.97	4677	4579
NV04-118	-60	80.0	44.00	51.62	7.62	186	155
NV04-119	-60	77.1	44.10	55.30	11.20	132	92
NV04-120	-60	95.0	7.12	65.65	58.53	55	47
including			26.00	31.24	5.24	102	84
and			62.80	65.65	2.85	254	242

NV04-132	-60	127.8	49.55	56.75	7.20	66	31
and			96.71	101.00	4.29	82	62
NV04-133	-60	184.8	94.80	105.32	10.52	95	80
and			153.97	172.80	18.83	117	113
including			163.80	167.70	3.90	465	450
NV05-139	-70	80.0	26.00	43.84	17.84	1070	1037
including			36.20	42.90	6.70	2391	2373
NV05-140	-60	80.0	29.00	61.71	32.71	109	85
including			29.00	41.56	12.56	232	171
NV05-141	-60	80.0	8.00	34.45	26.45	177	149
including			19.15	24.13	4.98	463	411
NV05-142	-60	77.0	11.00	45.45	34.45	1285	1220
including			23.00	43.22	20.22	2034	1979
NV05-157	-60	131.1	14.10	63.88	49.78	101	53
including			14.10	37.56	23.46	169	70
NV05-158	-60	104.1	35.10	68.10	33.00	111	90
including			47.10	65.10	18.00	177	147
NV05-159	-60	137.5	14.10	92.94	78.84	65	52
including			14.10	50.92	36.82	86	65
NV05-160	-60	128.2	29.15	33.26	4.11	668	623

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
NV05-161	-60	83.1	3.05	21.16	18.11	61	44
NV05-217	-60	248.0	137.00	141.15	4.15	55	46
NV05-218	-60	194.5	63.79	74.84	11.05	214	47
NV05-219	-60	266.0	58.89	60.87	1.98	678	436
and			81.17	102.87	21.70	78	67

including			81.17	89.15	7.98	112	92
including			94.17	102.87	8.70	77	72
NV05-220	-70	176.0	66.65	93.92	27.27	136	80
including			66.65	68.75	2.10	325	79
and			90.68	93.92	3.24	390	389
NV05-221	-60	194.0	none				
NV05-238	-60	167.0	57.61	61.46	3.85	46	14
and			119.00	134.86	15.86	51	49
NV05-248	-60	81.0	24.00	41.14	17.14	171	136
including			28.24	34.99	6.75	279	243
NV05-249	-50	63.6	3.00	8.73	5.73	62	62
NV05-250	-50	120.0	3.00	9.29	6.29	118	113
and			28.26	35.87	7.61	61	59
NV05-251	-65	99.0	34.17	41.19	7.02	54	54

1. All length weighted average (LWA) results are "uncut"
2. Silver Equivalent is calculated by the formula AgEq=Ag g/t + (Pb% * 10000/250)

CALCITE HILL DRILLING RESULTS

Sixty drill holes have been completed to date on Calcite Hill and have demonstrated the presence of a significant mineralized body. Mineralization encountered at Calcite Hill is predominantly hosted within trachyandesite volcanic rock and to a lesser degree within mudstone which overlies the volcanic rock. The volumetrically most important style of mineralization consists of calcite-barite veinlets and breccias with argentite-acanthite, native silver and lesser galena and chalcopyrite. In general, this style of mineralization contains high silver grades with minor amounts of lead and copper. In the upper portions of the host volcanic unit, and in the overlying mudstone, mineralization tends to be lead-rich and consists predominantly of medium-grained galena with moderate silver values. Mineralization at Calcite Hill has now been defined over a strike length of 500m and varies in horizontal width from approximately 50 to 150 metres and vertical thickness from 10 to 110 metres.

MINERALIZED INTERCEPTS FROM CALCITE HILL DRILLING

DDH	INCLINATION	TOTAL LENGTH	FROM METRES	TO METRES	COMPOSITE LENGTH	G/T AgEq	G/T SILVER

		(METRES)			METRES	LWA	LWA
NV04-88	-80	192.3	70.30	142.63	72.33	340	202
including			81.61	142.63	61.02	341	226
including			70.30	110.92	40.62	327	89
including			110.92	123.36	12.44	693	672
NV04-121	-70	149.1	none				
NV04-122	-70	253.5	152.27	199.83	40.78	79	70
including			179.61	199.83	20.22	114	102
NV04-123	-70	199.9	none				
NV04-124	-80	209.3	72.45	195.05	122.60	224	195
including			72.45	104.00	31.55	574	476
and			86.22	87.67	1.45	5,922	5,761
including			116.50	127.76	11.26	313	308
including			145.70	149.82	4.12	134	129
including			176.47	180.71	4.24	526	500
NV04-125	-80	167.1	none				
NV04-126	-50	283.5	87.40	283.50	196.10	131	113
including			87.40	187.66	100.26	189	156
including			120.72	187.66	66.94	252	228
ends in mineral			270.17	283.50	13.33	232	232
NV05-134	-70	281.0	71.10	106.01	34.91	82	60
including			90.11	106.01	15.90	103	102
NV05-135	-70	266.0	54.43	84.87	30.44	79	43
including			54.43	65.27	10.84	180	82
and			110.57	110.81	0.24	2954	2,954
and			222.39	224.88	2.49	372	367
NV05-136	-70	251.0	none				
NV05-137	-80	262.0	60.59	73.05	12.46	71	13
NV05-138	-56	250.0	87.74	211.00	123.26	182	139
including			155.50	160.00	4.50	671	654

and			192.50	211.00	18.50	393	387
NV05-143	-55	268.8	82.30	211.39	129.09	131	125
including			82.30	88.04	5.74	222	117
and			116.30	126.56	10.26	1264	1257
combined			82.30	128.86	46.56	316	300
and			190.31	200.45	10.14	159	157
NV05-144	-65	260.1	69.27	82.62	13.35	51	19

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
NV05-145	-65	250.7	68.54	76.60	8.06	61	16
NV05-146	-60	199.8	55.50	83.39	27.89	47	34
including			71.35	83.39	12.04	58	59
and			150.68	153.70	3.02	313	297
NV05-147	-70	191.1	74.10	87.72	13.62	39	37
and			163.37	170.10	6.73	46	43
NV05-148	-80	170.1	77.87	160.85	82.98	258	209
including			115.81	120.40	4.59	1244	1197
NV05-149	-80	221.1	70.97	195.17	124.20	146	135
including			90.66	131.30	40.64	238	229
NV05-150	-80	188.1	70.17	75.53	5.36	65	35
and			83.69	92.18	8.49	110	38
combined			70.17	92.18	22.01	70	25
NV05-151	-80	176.1	60.24	140.46	80.22	277	246
including			77.10	140.46	63.36	331	309
including			107.10	132.43	25.33	483	476
NV05-152	-80	221.1	68.10	119.40	51.30	101	89
including			76.04	81.96	5.92	282	249
and			117.22	119.40	2.18	1219	1218

NV05-162	-55	274.8	86.53	118.80	32.27	181	176
including			112.67	118.80	6.13	726	721
NV05-163	-70	215.1	64.80	80.33	15.53	196	149
NV05-164	-70	195.6	75.10	95.76	20.66	25	24
and			139.97	143.75	3.78	81	76
NV05-165	-70	170.1	45.49	96.05	50.56	139	102
including			58.77	72.32	13.55	269	240
NV05-166	-65	146.1	46.60	108.22	61.62	51	44
including			46.60	59.10	12.50	117	92
and			89.10	108.22	19.12	60	55
NV05-167	-60	158.1	83.94	113.55	29.61	451	236
including			83.94	88.80	4.86	1618	1251
and			99.66	113.55	13.89	375	60
NV05-168	-60	167.1	86.10	87.70	1.60	197	53
and			113.10	164.10	51.00	169	168
including			128.95	142.32	13.37	333	333
NV05-169	-80	129.0	80.45	107.40	26.95	84	48
NV05-170	-80	143.4	83.52	134.40	50.88	201	124
including			83.52	110.21	26.69	329	183
and			117.76	134.40	16.64	84	83
NV05-171	-70	134.1	89.65	133.52	43.87	284	171

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
including			95.50	113.85	18.35	424	220
NV05-172	-60	281.1	89.10	101.29	12.19	110	67
NV05-173	-80	248.4	69.31	80.80	11.49	166	127
and			204.50	220.33	15.83	50	50

NV05-174	-55	263.1	84.53	129.50	44.97	91	35
including			111.50	129.50	18.00	85	57
NV05-176	-75	233.1	95.65	206.10	110.45	39	28
including			95.65	116.64	20.99	122	63
including			107.50	116.64	9.14	178	89
NV05-177	-80	239.1	86.04	89.57	3.53	126	25
and			213.18	218.10	4.92	102	94
NV05-180	-80	131.4	104.40	113.40	9.00	127	119
NV05-181	-80	161.2	3.00	19.02	16.02	50	36
and			93.83	122.20	28.37	38	25
NV05-182	-80	218.2	123.07	156.81	33.74	40	39
including			123.07	128.20	5.13	57	57
including			145.96	156.81	10.85	72	71
NV05-183	-80	257.2	154.69	159.71	5.02	47	47
and			196.75	201.00	4.25	68	67
NV05-184	-88	209.2	82.66	176.20	93.54	128	97
including			94.90	99.82	4.92	858	712
including			120.14	124.07	3.93	344	333
NV05-185	-70	164.0	106.97	143.00	36.03	80	71
including			106.97	111.22	4.25	280	256
and			58.25	59.81	1.56	5231	5106
NV05-186	-65	119.0	43.50	100.20	56.70	121	82
including			44.70	53.10	8.40	505	259
NV05-187	-76	185.0	none			0	
NV05-188	-81	236.0	184.16	200.00	15.84	169	168
NV05-205	-63	163.5	63.48	80.98	17.50	69	64
including			63.48	76.26	12.78	83	76
and			108.40	129.52	21.12	36	35
NV05-206	-45	190.0	72.81	78.94	6.13	58	38
NV05-207	-45	166.0	48.13	75.19	27.06	496	407
including			64.40	70.48	6.08	909	903

NV05-208	-70	125.0	63.54	93.50	29.96	78	76
including			78.65	93.50	15.14	135	133
NV05-209	-71	227.0	148.10	167.97	21.27	554	545
NV05-210	-90	209.0	41.23	48.50	7.27	209	68

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
NV05-211	-80	233.0	128.35	190.85	62.50	87	84
including			128.35	131.81	3.46	764	762
and			164.15	184.50	20.35	83	80
NV05-212	-80	212.0	142.35	176.25	33.90	93	86
including			169.03	176.25	7.22	241	216
NV05-239	-45	103.0	36.43	67.00	30.57	165	161
including			36.43	38.63	2.20	165	120
and			60.27	67.00	6.73	662	661
NV05-240	-65	90.0	34.67	55.40	20.73	112	108
including			34.67	38.69	4.02	465	453
and			51.92	55.40	3.48	69	68
NV05-246	-87	209.5	184.81	193.74	8.93	53	52
NV05-247	-54	173.4	101.14	105.32	4.18	67	65
NV06-270	-90	68.0	21.52	31.38	9.86	431	401
NV06-271	-90	101.2	34.72	48.35	13.63	90	48

1. All length weighted average (LWA) results are "uncut"
2. Silver Equivalent is calculated by the formula AgEq = Ag g/t + (Pb% * 10000/250)

CALCITE HILL NW DRILLING RESULTS

Thirty-seven drill holes have been completed to date on Calcite Hill NW and have demonstrated the presence of a significant mineralized body. Mineralization encountered at Calcite Hill NW is somewhat different that other zones in Navidad Trend in that the mineralization is concentrated in and near a distinctive sedimentary tuff-breccia unit stratigraphically some 40m above the typical

position at the trachyandesite-sedimentary contact. Directly underlying the main mineralization is a sequence of fine grained pelitic sediments with significant amounts of interbedded coal. The distinctive tuff bed outcrops to the west of the drilled area and is associated with a strong silver and lead soil anomaly. In the sub-surface it has been traced over a plan area of approximately 1400m long oriented northwest by about 550m. The mineralized bed lies in the core of a general syncline with the coal underlying it. The mineralized bed, and also the coal bed, thicken towards the axis of the syncline suggesting it was a depositional feature and not just created by the gentle fold observed.

Mineralization comprises minor amounts of galena and minor amounts of pyrite as beds and disseminations in sandstones to mudstones as well as within the tuff breccia. At the base of the tuff-breccia is a very distinctive black massive mud bed with volcanic fragments which generally contains abundant galena of distinctive elongated crystals not seen elsewhere. This bed has been called the "Galena Marker". Occasionally minor amounts of green copper oxides or chalcopyrite are noted in the tuff-breccia or sedimentary rocks above the Galena Marker. Analytical results show that higher silver values are often associated with slightly elevated copper values in preference to a direct correlation with lead. Towards the southeast the stratigraphy and Galena Marker remain open but the silver to lead ratio drops notably. The thickest and highest silver grade areas appears to be coincident with the approximate centre of the known distribution of the host tuff-breccia. Argillic alteration is associated with the mineralized beds.

MINERALIZED INTERCEPTS FROM CALCITE HILL NW DRILLING

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
NV05-178	-55	302.0	68.00	112.80	44.80	126	96
including			71.00	101.00	30.00	143	122
NV05-179	-60	212.1	43.10	68.10	25.00	263	251
including			56.10	58.78	2.68	1961	1909
NV05-189	-60	211.5	55.50	68.82	13.32	72	30
NV05-190	-61	158.0	48.67	53.10	4.43	229	107
NV05-191	-70	197.0	8.00	30.86	22.86	52	36
including			26.00	30.86	4.86	113	81
and			43.51	44.47	0.96	199	46
and			76.81	84.66	7.85	87	49
NV05-192	-70	209.0	17.82	22.07	4.25	70	19
and			36.50	39.08	2.58	84	26

and			97.78	101.74	3.96	108	26
NV05-198	-90	221.3	0.00	7.40	7.40	1057	1019
and			7.40	32.30	24.90	48	13
and			106.75	108.83	2.08	133	52
NV05-199	-45	170.1	0.00	53.10	53.10	95	52
including			0.00	31.11	31.11	124	66
including			21.41	31.11	9.70	266	141
NV05-200	-76	275.1	86.35	91.20	4.85	107	41
NV05-201	-45	200.0	58.28	72.78	14.50	47	7
and			118.26	140.76	22.50	213	102
including			129.02	140.76	11.74	321	166
NV05-202	-73	149.1	61.15	71.10	9.95	458	449
NV05-203	-72	324.8	47.00	75.96	28.96	166	154
including			59.00	71.00	12.00	336	335
NV05-204	-45	161.0	71.00	119.12	48.12	65	60
including			71.00	77.00	6.00	120	113
and			113.00	119.12	6.12	329	307
NV05-213	-80	263.0	1.50	26.00	24.50	59	42
and			98.50	104.90	6.40	103	97
NV05-214	-80	254.0	20.00	51.18	31.18	30	19
and			117.18	119.96	2.78	383	238
NV05-215	-80	254.0	43.13	62.32	19.19	139	111
NV05-216	-80	200.0	none				
NV05-222	-85	239.0	18.54	43.62	23.62	86	59
including			18.54	24.55	6.01	80	69
and			31.25	32.68	1.43	652	563
and			38.55	43.62	5.07	92	35

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA

NV05-223	-45	181.5	15.35	78.00	62.65	103	88
including			57.17	59.80	2.63	375	299
and			73.85	78.00	4.15	1001	972
NV05-224	-75	152.0	43.57	66.72	23.15	127	92
including			55.73	66.72	10.99	216	181
including			55.73	62.34	6.61	301	281
NV05-225	-65	146.0	46.92	63.16	16.24	122	101
including			46.92	58.60	11.68	142	133
NV05-226	-58	140.0	41.00	59.13	18.13	90	74
including			41.00	47.70	6.70	119	112
including			52.32	54.84	2.52	181	181
NV05-227	-90	251.0	51.53	74.10	22.57	141	115
including			63.45	74.10	10.65	256	229
NV06-255	-90	131.0	59.30	69.25	9.95	68	19
including			59.30	62.00	2.70	95	36
and			67.70	69.25	1.55	216	38
NV06-256	-90	185.0	60.57	68.36	7.79	94	23
including			60.57	63.47	2.90	110	28
and			66.06	68.36	2.30	161	38
NV06-257	-90	140.0	33.32	34.85	1.53	132	37
NV06-258	-90	100.8	51.54	53.64	2.10	155	35
NV06-259	-90	122.0	71.00	76.54	5.54	128	53
NV06-260	-90	131.0	75.04	86.60	11.57	178	44
including			84.00	86.60	2.60	676	143
NV06-261	-90	131.5	53.50	64.54	11.04	175	147
NV06-262	-90	122.0	41.45	66.65	25.20	162	146
including			55.34	63.88	8.54	392	385
NV06-263	-90	131.0	68.00	80.77	12.77	281	264
including			71.00	77.47	6.47	508	496
including			71.00	74.95	3.95	785	784

NV06-264	-70	134.0	51.36	79.77	28.41	141	127
including			69.04	75.89	6.85	456	455
including			69.04	70.25	1.21	2213	2208
NV06-265	-80	137.1	50.85	63.10	12.25	107	80
NV06-267	-90	149.2	54.14	59.20	5.06	145	97
NV06-268	-60	143.4	42.77	56.79	14.02	178	160
NV06-269	-90	161.0	28.05	45.80	17.75	115	93

1 All length weighted average (LWA) results are "uncut"
2 Silver Equivalent is calculated by the formula AgEq = Ag g/t + (Pb% * 10000/250)

CONNECTOR ZONE DRILLING RESULTS

Thirty-seven drill holes have been completed to date on Connector Zone. Geologically the zone is complex and characterized by rapid changes in lithological units and their thicknesses. Two main styles of mineralization are known. The first is located closer to Galena Hill and is hosted by bedded wackes (immature sandstones) interpreted to be sourced from the trachyandesite unit. These wackes are feldspathic and are often argillically altered and are cut by minor veinlets of white and pink clay minerals with lesser amounts of carbonate and silica. These veinlets contain very minor amounts of galena and chalcopyrite and sometimes native silver and pyrargyrite.

The second style of mineralization is quite different and is present on the east flank of Navidad where it comprises mainly volcaniclastic breccias derived with little reworking from the trachyandesite unit. The mineralized portions appear to be those that have fine grained pyrite in the matrix of the breccia with little or no sign of veining or later hydrothermal brecciation.

MINERALIZED INTERCEPTS FROM CONNECTOR ZONE DRILLING

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
NV04-32	-45	154.5	46.50	96.05	49.55	83	78
NV04-33	-80	149.0	none				
NV04-34	-45	228.2	10.50	29.20	18.70	103	75
NV04-39	-80	215.0	none				
NV04-40	-45	127.2	43.20	91.20	48.00	117	108

including			67.20	88.20	21.00	168	160
NV04-66	-45	181.5	none				
NV04-67	-45	226.5	50.84	63.70	12.86	186	145
NV04-68	-45	178.5	52.20	81.75	29.55	114	98
NV04-86	-45	169.5	34.63	101.18	66.55	52	46
including			47.80	49.02	1.22	126	104
NV04-87	-45	159.5	22.40	24.06	1.66	161	129
and			52.02	52.80	0.78	659	654
and			66.25	76.50	10.25	26	25
NV04-94	-45	175.5	103.32	116.39	13.07	46	43
NV04-95	-60	100.5	49.08	64.80	15.72	76	55
NV04-96	-45	100.5	none				
NV04-105	-60	82.7	33.43	46.70	13.27	616	545
NV04-106	-60	88.7	45.80	70.70	24.90	175	147
including			65.56	67.70	2.14	1262	1,196
NV04-107	-45	118.1	52.90	99.56	46.66	394	357
including			71.60	97.10	25.50	626	589
NV04-108	-45	145.5	31.50	70.50	39.00	495	485
including			54.07	70.50	16.43	1050	1028

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
NV04-127	-60	137.1	97.08	111.39	14.31	73	56
NV04-128	-60	109.6	54.60	80.09	25.49	79	58
NV04-129	-60	28.8	none - did not reach target				
NV04-130	-62	106.8	38.56	41.04	2.48	207	111
and			66.33	78.46	12.13	120	33
NV04-131	-60	130.8	10.33	91.45	81.12	71	61
including			60.57	67.80	7.23	163	152

including			79.22	91.45	12.23	138	126
NV05-153	-45	163.8	0.00	88.80	88.80	111	107
including			0.00	7.36	7.36	233	226
and			37.48	88.80	51.32	128	124
NV04-154	-45	190.8	3.05	31.80	28.75	155	148
NV05-155	-45	88.8	0.00	9.10	9.10	106	105
NV05-156	-60	110.1	8.73	75.99	67.26	69	63
including			8.73	13.80	5.07	88	53
and			29.10	75.99	46.89	88	83
NV05-228	-50	61.5	4.50	43.35	38.85	65	57
including			20.11	34.90	14.79	108	96
NV05-229	-45	79.5	20.02	21.36	1.34	117	27
NV05-230	-45	82.3	25.30	51.78	26.48	135	104
NV05-231	-80	80.0	3.00	40.31	37.31	114	107
including			7.30	31.26	23.96	142	132
NV05-232	-45	67.3	3.00	45.60	42.60	74	71
NV05-233	-48	100.3	19.30	79.94	60.64	67	64
including			19.30	29.30	10.00	110	106
and			68.40	79.94	11.54	114	109
NV05-234	-45	70.1	35.22	55.87	21.40	239	237
including			35.22	37.26	2.04	2188	2171
NV05-235	-65	143.0	20.48	51.18	30.70	63	38
including			46.60	51.18	4.58	100	90
and			90.56	96.07	5.51	108	98
NV05-236	-45	100.4	16.40	29.60	13.20	48	22
NV05-237	-45	82.2	3.00	34.63	31.63	115	110

1 All length weighted average (LWA) results are "uncut"
2 Silver Equivalent is calculated by the formula AgEq = Ag g/t + (Pb% * 10000/250)

OTHER AREAS DRILLING RESULTS

A number of drill holes have been completed in areas such as Loma de la Plata, Barite Hill, Esperanza Zone and stratigraphic holes outside of named zones. Significant results have been received from some of these holes as shown in the table below. Mineral resources have not been calculated on any of these zones.

MINERALIZED INTERCEPTS FROM DRILLING OTHER TARGETS

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
				BARITE HILL			
NV04-58	-80	173.1	12.80	41.00	28.20	69	37
NV04-59	-80	191.1	148.70	152.40	3.70	44	23
NV04-60	-80	131.1	none				
NV04-74	-80	158.0	29.00	37.16	8.16	46	29
NV04-75	-80	158.0	53.93	55.52	1.59	91	63
NV04-76	-80	152.0	10.10	32.20	22.10	59	34
and			100.50	122.20	21.70	98	88
including			106.10	114.47	8.37	204	191
NV04-91	-45	187.5	3.00	16.50	13.50	31	12
and			123.50	153.95	30.45	25	13
NV04-92	-65	163.9	none				
				ESPERANZA TREND			
NV04-25	-45	199.8	162.70	170.65	7.95	316	303
NV04-61	-45	241.5	52.50	55.50	3.00	359	353
NV04-62	-45	223.5	7.20	9.90	2.70	853	831
NV04-63	-45	178.4	31.60	77.40	45.80	104	94
including			31.60	38.95	7.35	171	162
including			33.55	37.50	3.95	257	246
and			42.80	77.40	34.60	100	89
including			66.50	70.50	4.00	201	185
NV04-64	-45	235.3	6.00	28.30	22.30	34	25

and			69.20	102.10	32.90	54	47
including			69.20	70.60	1.40	115	101
including			96.65	102.10	5.45	154	153
and			140.10	144.00	3.90	81	47
NV04-78	-45	100.5	37.80	43.18	5.38	119	50
NV04-79	-45	121.5	34.72	47.28	12.56	515	513
NV04-80	-45	100.5	4.50	8.05	3.55	278	258

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
NV04-81	-45	150.8	58.20	62.48	4.28	43	41
and			86.87	99.76	12.89	24	23
NV04-82	-45	151.0	6.00	58.55	52.55	71	57
including			34.50	58.55	24.05	106	95
and			102.15	109.30	7.15	214	149
NV06-287	-45	221.0	6.00	35.00	29.00	28	21
and			56.00	61.37	5.37	78	74
NV06-288	-45	248.0	none				
NV06-289	-45	248.0	46.20	59.00	12.80	23	22
NV06-290	-45	245.0	83.00	104.00	21.00	277	274
including			83.00	87.43	4.43	295	290
and			93.59	104.00	10.41	420	416
LOMA DE LA PLATA							
NV05-241+	-45	118.5	0.00	31.50	31.50	577	562
NV05-242	-45	70.5	0.00	28.40	28.40	240	236
including			0.00	19.50	19.50	327	322
NV05-243	-60	95.0	3.00	32.51	29.51	61	59
including			3.00	11.27	8.27	140	140

NV05-244	-60	71.0	3.00	10.56	7.56	100	90
including			3.00	7.07	4.07	147	140
NV05-245	-60	89.0	3.00	8.00	5.00	171	172
			RECONNAISSANCE				
NV04-27	-45	181.5	7.00	7.73	0.73	84	61
and			66.90	68.10	1.20	381	377
NV04-35	-80	293.0	none				
NV04-77	-45	250.5	none				
NV04-93	-80	201.0	93.68	94.81	1.13	311	42
and			137.93	147.00	9.07	69	11
NV05-193	-70	299.0	none				
NV05-194	-80	212.2	none				
NV05-195	-80	278.2	none				
NV05-196	-75	413.7	221.00	245.00	24.00	22	7
including			223.40	227.00	3.60	65	15
NV06-252	-80	407.2	161.00	163.39	2.39	27	27

DDH	INCLINATION	TOTAL LENGTH (METRES)	FROM METRES	TO METRES	COMPOSITE LENGTH METRES	G/T AgEq LWA	G/T SILVER LWA
and			252.53	256.89	4.36	63	39
NV06-253	-70	471.1	418.79	423.91	5.12	34	21
NV06-254	-80	314.4	none				
NV06-266	-80	263.2	none				

1 All length weighted average (LWA) results are "uncut"
2 Silver Equivalent is calculated by the formula AgEq = Ag g/t + (Pb% * 10,000/250)
\+ Note that results herein for hole NV05-241 from Loma de la Plata have been corrected subsequent to those released in a press release on October 11, 2005.

MINERAL RESOURCE ESTIMATES

The Company is required in certain circumstances under Canadian law (National

Instrument 43-101 Standards Of Disclosure For Mineral Projects) ("NI 43-101") to calculate and categorize "mineral reserve", "proven mineral reserve", "probable mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" under the Canadian Institute of Mining Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Reserves - Definitions and Guidelines dated December 11 2005. These standards establish definitions and guidelines for the reporting of exploration information, mineral resources and mineral reserves in Canada. These definitions have not been adopted for use in the United States of America by the Securities and Exchange Commission (the "SEC"). Under these guidelines, the CIM definitions of proven and probable mineral reserves equate to the definitions of proven and probable reserves as set out in Guide 7 of the Securities Act Industry Guides adopted by the SEC ("Guide 7"). In addition, Canadian law requires disclosure of mineral resources that equate to measured, indicated and inferred resources in certain circumstances.

Four mineral resource estimates have been completed on deposits at the Navidad Project. The first was reported on May 25, 2004 and contained an Indicated Mineral Resource Estimate of 63.6 million tonnes at 101 g/t silver and 1.76% lead at the Galena Hill deposit. The second estimate was reported on December 1, 2004 and increased the project total Indicated Mineral Resource Estimates to 80.8 million tonnes at 103 g/t silver and 1.45% lead by including the Navidad Hill and Connector zones. The third estimate was reported on June 16, 2005 bringing project total Indicated Mineral Resource Estimates to 92.8 million tonnes at 101 g/t silver and 1.36% lead. The fourth and most recent estimate was reported on February 16, 2006 and is tabulated below. It contains an Indicated Mineral Resource of 93.4 million tones at 102 g/t silver and 1.41% lead. For the fourth estimate all prior estimates for each deposit were reviewed and recalculated; all data up until holes 251 were considered and included where appropriate; a revised silver equivalent formula using new silver and lead prices was used that excluded any value for copper and zinc based on metallurgical test work which suggested that copper and zinc are unlikely to be recovered in economic quantities. Finally an estimate was made for Calcite Hill NW for the first time. The first three resource estimates were completed by Qualified Person Neil Burns, M.Sc., P.Geo., of Snowden Mining Industry Consultants Inc. and the most recent one was completed by Qualified Persons Christine Standing, B.Sc. (Hons), MAusIMM, MAIG and Neil Burms, M.Sc., P.Geo., of Snowden Mining Industry Consultants Inc., National Instrument 43-101 Technical Reports documenting these estimates have been filed with the appropriate regulatory bodies in Canada and are publicly available on the SEDAR website.

NAVIDAD PROJECT INDICATED MINERAL RESOURCES USING A 50G/T SILVER EQUIVALENT CUT-OFF:

INDICATED RESOURCES (50G/T SILVER EQUIVALENT CUT-OFF)	TONNES (MILLIONS)	SILVER EQUIV. (G/T)	SILVER (G/T)	COPPER (%)	LEAD (%)	ZINC (%)	CONTAINED SILVER (M OZS)
CALCITE HILL NW							
Indicated	6.2	92	72	0.03	0.52	0.11	14.3

Inferred	5.3	96	70	0.03	0.64	0.13	12.1
CALCITE HILL							
Indicated	13.1	126	99	0.08	0.68	0.09	41.6
Inferred	0.4	107	93	0.04	0.35	0.06	1.2
NAVIDAD HILL							
Indicated	12.8	137	119	0.13	0.45	0.12	49.1
Inferred	1.3	110	87	0.08	0.59	0.12	3.6
CONNECTOR ZONE							
Indicated	5.6	105	89	0.04	0.40	0.12	16.0
Inferred	1.2	95	84	0.04	0.28	0.09	3.1
GALENA HILL							
Indicated	55.7	183	103	0.03	2.00	0.20	184.7
Inferred	2.9	99	33	0.01	1.65	0.12	3.0
NAVIDAD PROJECT TOTAL							
Indicated	93.4	158	102	0.05	1.41	0.16	305.7
Inferred	11.1	99	65	0.03	0.85	0.12	23.0

1 Silver Equivalent is calculated by the formula AgEq = Ag g/t + (Pb% * 10,000/250)

METALLURGICAL TEST WORK

IMA Exploration first released preliminary metallurgical results from Navidad silver project on December 1, 2005. Metallurgical work completed to date on samples from the Navidad deposits has demonstrated that Navidad mineralization is amenable to concentration by simple, cost effective and environmentally benign differential flotation processes. In addition to flotation testwork, the company is also currently investigating the production of silver metal through hydrometallurgical means from low-grade, high-recovery silver concentrates. Preliminary results from alkaline pressure oxidation followed by thiosulphate leaching of pyrite concentrate are highly encouraging.

Flotation testwork has been conducted to date on nine composite samples from Galena Hill, three samples from Navidad Hill, and two samples from Calcite Hill by G&T Metallurgical Services Ltd. of Kamloops B.C. (G&T), an ISO 9001:2000 accredited firm. Head grades from these composite samples as reported by G&T are shown in Table 1 below. The composite samples tested were constructed from intervals of quartered core at G&T where they were crushed and homogenized in preparation for metallurgical testing. All work was performed under the supervision of Tom Shouldice, P. Eng., General Manager - Operations at G&T. Peter Taggart, P.Eng., of P. Taggart & Associates Ltd., provided overall program direction, acting as IMA's representative. Both Tom Shouldice and Peter Taggart are Qualified Persons under Canadian National Instrument 43-101 regulations. A detailed description of the metallurgical testwork program to

date by Qualified Person Peter Taggart, P.Eng., is included in the February 2006 43-101 report filed on SEDAR website.

CALCITE HILL

Limited flotation testwork on mineralization from Calcite Hill yielded excellent results. Two distinct styles of mineralization are present at Calcite Hill; the first contains abundant medium-grained galena and high lead values with moderate silver values. The second mineralization type contains native silver, argentite-acanthite, stromeyerite, and possesses high silver values with generally low lead and other base metal grades. Grind sensitivity tests on these samples indicated that optimal performance could be achieved with a relatively coarse grind of approximately 150 microns (K80). Comparative work index analyses suggest the Calcite Hill mineralization will be harder than that examined from the other Navidad deposits, yet still of moderate grindability with Bond Work Indices of 14 to 19 kWh/t.

Two composite samples (Calcite Hill 10a and 11a), corresponding to the two mineralization types, were submitted to G&T for testwork. Head grades of these composite samples, and the drillholes from which they were collected, are listed in Table 1.

Table 2 shows metallurgical results achieved from stable locked cycle flotation tests performed on these samples. The lead-rich sample (Calcite Hill 10a) yielded a very high quality lead concentrate containing 80.4% lead and 709 g/t silver at a lead recovery of 92% and silver recovery of 86%. The silver-rich sample (Calcite Hill 11a) produced a silver concentrate grading 10,500 g/t silver at a silver recovery of 88%.

GALENA HILL

Mineralization at Galena Hill consists predominantly of fine-grained galena and pyrite with lesser amounts of sphalerite and chalcopyrite. Electron microprobe studies have shown silver to be contained within the lattice of both galena and pyrite, with the bulk of the silver present within pyrite. Flotation tests to date have focused on producing separate lead and silver (pyrite) concentrates through differential flotation. Primary grind sensitivity test results suggest that a nominal flotation feed approximating 80 microns K80 will provide adequate mineral liberation. The Bond work index of Galena Hill mineralization (NVGH-13) is 13.5 KWh/tonne, indicating that grinding power consumption will be modest.

Fourteen rougher and 37 open circuit cleaner tests were performed on the Galena Hill composite samples. The results of three locked cycle tests confirm data produced in the open circuit tests. Table 3 shows results achieved when subjecting three of the Galena Hill composite samples to locked cycle flotation test protocols. Figure 1 show the range of silver and lead results obtained by the many open circuit cleaner tests.

Lead metallurgical performance was generally good with 74 to 84% of the lead reporting to the lead concentrates which grade between 62.0 and 75.3% lead and include 386 to 968 g/t silver. Subsequent to galena flotation, a pyrite concentrate was produced that recovered 37 to 57% of the total silver and contains 1,083 to 3,546 g/t silver. Total locked cycle test silver recoveries (lead concentrate plus silver concentrate) range from 54 to 82%.

Ongoing work targeting improved silver recoveries includes additional flotation tests using alternate reagents, and mineralogical studies to identify distinct pyrite types present in concentrates and tails.

NAVIDAD HILL

Two distinct styles of mineralization from Navidad Hill were studied; head grades and the drillholes from which they were collected are listed in Table 1. Both types contain mixed sulfide and oxide mineralization, the first (NVNH-8a+b) was collected from drillholes intersecting stratigraphically-controlled mineralization on the northwest flank of Navidad Hill and the second (NVNH-9a) from structurally-controlled mineralization on top of Navidad Hill. Both samples contain high silver values (436 and 287 g/t Ag) but

only the stratigraphically-controlled mineralization contains significant lead (3.11% Pb). Flotation testwork on both samples produced a single bulk sulphide concentrate.

Table 4 shows the metallurgical results achieved from locked cycle tests performed on Composite samples 8a and 9a from Navidad Hill. Results show that silver recoveries of approximately 64 to 85% were achieved in concentrates grading from 10,449 to 12,246 g/t silver. Considering the oxidized nature of this mineralization, these results far exceed expectations. Work is ongoing to improve upon these results.

TABLE 1: HEAD GRADES OF COMPOSITE SAMPLES USED FOR METALLURGICAL TESTWORK.

SAMPLE	DEPOSIT	DRILLHOLE(S)	SILVER (g/t)	LEAD %
NVGH-5b/6b		NV04-56, 57	76	3.1
NVGH-6a		NV04-57	143	4.86
NVGH-6b		NV04-57	107	3.60
NVGH-7a		NV04-42	466	3.9
NVGH-7b	Galena Hill	NV04-42	297	3.7
NVGH-12		NV05-175	264	8.0
NVGH-13		NV05-197	300	4.9
NVGH-14		NV05-197	82	1.3
NVGH-15		NV05-197	340	0.4
NVNH-8a		NV04-100, 116	435	3.5
NVNH-8b	Navidad Hill	NV04-100, 116	389	3.2
NVNH-9a		NV04-54, 109	265	0.3
NVCH-10a	Calcite Hill	NV04-88	72	8.5

NVCH-11a	NV04-88	320	0.3

Notes: 1. Samples with "a" and "b" suffix were composited from alternating intervals from the same drill holes.
2. Grades listed here are as measured by G&T after sample preparation and homogenization.

TABLE 2: CALCITE HILL LOCKED CYCLE TEST RESULTS.

PRODUCT	MASS	ASSAY		DISTRIBUTION (%)	
	PERCENT	Pb (%)	Ag (g/t)	Pb	Ag
COMPOSITE 10a					
Flotation Feed	100	9.34	88	100	100
CONCENTRATE	10.7	80.4	709	92	86
Cleaner Tail	2.0	2.88	102	1	2
Rougher Tail	87.2	0.77	12	7	12
COMPOSITE 11a					
Flotation Feed	100	0.38	310	100	100
CONCENTRATE	2.6	6.75	10,500	46	88
Cleaner Tail	2.8	0.46	248	3	2
Rougher Tail	94.6	0.21	31	51	10

Note: Feed grades are calculated from assays of test exit products and may differ slightly from head grades as shown in Table 1.

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TABLE 3: GALENA HILL LOCKED CYCLE TEST RESULTS.

PRODUCT	MASS	ASSAY		DISTRIBUTION (%)	
	PERCENT	Pb (%)	Ag (g/t)	Pb	Ag
COMPOSITE 5b/6b					
Flotation Feed	100	3.30	83	100	100
LEAD CONCENTRATE	3.6	75.3	386	81	17
PYRITE CONCENTRATE	2.8	6.51	1,083	6	37

Pyrite Cleaner Tail	14.2	1.70	98	7	17
Pyrite Rougher Tail	79.4	0.23	31	6	30
COMPOSITE 7b					
Flotation Feed	100	3.56	278	100	100
LEAD CONCENTRATE	4.2	62.0	968	74	15
PYRITE CONCENTRATE	3.6	9.59	3,546	10	46
Pyrite Cleaner Tail	10.2	3.01	439	9	16
Pyrite Rougher Tail	81.9	0.35	79	8	23
COMPOSITE 12					
Flotation Feed	100	8.02	263	100	100
LEAD CONCENTRATE	10.2	66.2	634	84	25
PYRITE CONCENTRATE	10.0	7.45	1,494	9	57
Pyrite Cleaner Tail	4.1	4.00	214	2	3
Pyrite Rougher Tail	75.7	0.48	53	4	15

Note: Feed grades are calculated from assays of test exit products and may differ slightly from head grades as shown in Table 1.

FIGURE 1: SILVER RECOVERY IN LEAD AND PYRITE CONCENTRATES PRODUCED IN OPEN CIRCUIT TESTS

[GRAPHIC OMITTED]

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TABLE 4: NAVIDAD HILL LOCKED CYCLE TEST RESULTS.

PRODUCT	MASS	ASSAY		DISTRIBUTION (%)	
	PERCENT	Pb (%)	Ag (g/t)	Pb	Ag
COMPOSITE 8b					
Flotation Feed	100	2.89	395	100	100
CONCENTRATE	2.4	44.7	10,449	37	64

Cleaner Tail	5.0	5.70	526	10	7
Rougher Tail	92.5	1.65	124	53	29
COMPOSITE 91					
Flotation Feed	100	0.24	282	100	100
CONCENTRATE	2.0	2.12	12,346	17	85
Cleaner Tail	8.0	0.37	77	12	2
Rougher Tail	90.1	0.19	41	71	13

Note: Feed grades are calculated from assays of test exit products and may differ slightly from head grades as shown in Table 1.

Metallurgical testwork to date on material from the Navidad Project has focused on using flotation technology to produce a high-grade, saleable lead concentrate and variable-grade silver concentrates. In the case of Galena Hill, the pyritic silver concentrates will require further on-site treatment to produce silver dore. Recently, testwork performed at SGS Lakefield under the direction of Dr. David Dreisinger, P.Eng. of Dreisinger Consulting Inc. has shown that these silver concentrates are amenable to pressure oxidation under neutral to alkaline conditions followed by atmospheric leaching using calcium thiosulphate as a lixiviant. Preliminary bench-scale testwork has produced silver recoveries of 87% after 24 hours and 89% after 72 hours of leaching. These tests were conducted on a very low-grade silver concentrate (235 g/t silver), it is hoped that additional improvements in silver recovery may be realized in future testwork on higher-grade concentrates. The Company is highly encouraged by these results as they indicate that the Navidad Project could produce silver dore on-site using an environmentally benign lixiviant rather than the more commonly used sodium cyanide. Calcium thiosulphate is routinely used as fertilizer in the agricultural industry.

PLANNED FUTURE WORK

The Phase IV drilling currently underway is planned to encompass a minimum of 10,000m. The primary objectives of this drilling include 1) expansion of resources along the Navidad trend, 2) delineation of the high-grade mineralized zone at Loma de la Plata which has only been tested by 5 drill holes to date 3) initial testing of other targets located along the 8km Argenta Trend, 4) additional drilling along the Esperanza trend, and 5) completion of stratigraphic holes to test buried geological and geophysical targets between the Navidad and Argenta trends.

Additional surface prospecting, mapping, geochemical sampling, and geophysics may be carried out as recommended by the Company's Exploration Team.

NAVIDAD AREA PROPERTIES (OTHER THAN THE NAVIDAD PROJECT)

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

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 numbers: 14016/03; 14617/05, 14616/05, 14,644/05, 14643/05, 14642/05, 14399/04, 14616/05, 14641/05, 14640/05, 14639/05 for the total of 54,671 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. ("Pacific Bay") whereby Pacific Bay can acquire up to a 70% interest in the Regalo mineral claim through the issuance of 900,000 shares of Pacific Bay to the Company, and work expenditures totaling US$625,000 over three years. On December 16, 2005, an extension of one year was granted to Pacific Bay to meet this expenditure limit. 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.

In a January 12, 2005 News Release, Pacific Bay reported that the Yastekt South zone has strong associated gold anomalies consistent over almost one square kilometre. The Yastekt South anomaly comprises 98 soil analyses that average of 299 ppm gold. Normal, "background" gold values in the area are less than 5 ppm. Two of the 98 soil analyses returned values in excess of 3 grams per tonne gold. In a June 21, 2005 press release, Pacific Bay reported that an outcrop sample on Pacific Bay's Regalo project has returned an assay value of 205 ppm uranium. In August 22, 2005 press release Pacific Bay reported that a total of 163 rock samples were collected from 26 backhoe trenches excavated within the large soil and stream sediment anomalies described above. Of these, 13 rock samples had detectable gold in the 6 to 41 ppm range. The trench samples identified anomalous arsenic, molybdenum, vanadium and zinc pathfinder elements in porous, permeable sandstones and conglomerates with strong quartz-hematite alteration.

NOEL PROPERTY

The Noel claim (file number: 14036/03; 9,406 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 extremely anomalous values has not been prospected to date and is considered a target for follow-up work.

TRUCHA PROPERTY

The Trucha claim (file number: 14014/03; 9,915 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.

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 numbers: 14017/03; 14738/05, 14739/05 for the total of 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 numbers: 14018/03; 14740/05, 14741/05 for the total of 10,000 hectares) and Carlota claim (file numbers: 14034/03; 14742/05, 14743/05 for the total of 10,000 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 III PROPERTY

The Pampa III claim (file number: 14446/04; 2,500 hectares) is located adjacent to the Navidad Project, along trend and immediately to the southeast. It replaced the lapsed File Number 14004/03. Although predominantly covered with recent alluvium, it is interpreted to be underlain by the Canadon Asphalto Formation limestone and volcaniclastic 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 numbers: 14005/03; 14367/04, 14368/04, 14832/06, 14833/06 for the total of 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 southeast of the Navidad project and lies at the regional contact between granitic rocks that underlie the prospective Jurassic stratigraphy, and 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 numbers: 14006/03; 14370/04, 14834/06 for the total 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 numbers: 14007/03; 14732/05, 14731/05, 14830/06 for the total of 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 numbers: 14008/03; 14369/04, 14831/06 for the total of 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.

PRINCIPAL OFFICE

The Company's principal office is located at #709 - 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6. The Company leases a portion of its office space from Beauregard Holdings Corp. ("Beauregard") which is sub-leased to Grosso Group. See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions".

On September 1, 2002 the Company started to share office facilities, capital assets and personnel with Amera. During the fiscal year ended December 31, 2003, the Company received $35,110 (2002 - $6,000) from Amera. On July 7, 2004 Golden Arrow began sharing the office facilities, capital assets and personnel. During the fiscal year ended December 31, 2004, the Company received $66,390 from Amera and $57,000 from Golden Arrow. On January 1, 2005 the Company engaged the Grosso Group to provide facilities and management services. See "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions."

OTHER ASSETS

MARKETABLE SECURITIES

The Company has entered into option and sale agreements on certain of its non-core mineral property holdings in which the Company received common shares of publicly-traded companies as partial consideration. As at December 31, 2005 and 2004 the Company held 300,000 shares of Tinka Resources Limited and 900,000 shares of Pacific Bay with a quoted market value of $270,000 (2004 - $270,000).

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS.

The following discussion of the results of operations of the Company for the fiscal years ended December 31, 2005, 2004 and 2003 should be read in conjunction with the consolidated financial statements of the Company and related notes included therein.

CRITICAL ACCOUNTING POLICIES

Reference should be made to significant accounting policies contained in Note 3 of the December 31, 2005 consolidated financial statements of the Company attached hereto. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

LEGAL PROCEEDINGS

In March 2004 Aquiline Resources Inc. ("Aquiline") commenced an action against the Company seeking a constructive trust over the Navidad properties and damages. On September 29, 2005 the Company made an offer to Aquiline to settle the litigation. The Board of Directors decided to make the offer due to the inherent risks of litigation, to minimize the significant legal costs and most importantly to allow the Company to continue with its business plan to develop Navidad. The offer was rejected and the action continued on to trial. The trial commenced on October 11, 2005 and ended on December 12, 2005. At the conclusion of the trial, the Court reserved its decision; the Court's decision is expected in the first half of 2006. At this date the outcome is not determinable. The Company believes the Aquiline legal action is without merit. However, in the event of an adverse judgment the Company may suffer loss and such loss could be

material; the Company might not be able to proceed with its plans for the development of Navidad and could lose the ownership rights it currently has over the project. The Company continues to expense the legal and related costs of defending the action as they are incurred and has not made a provision for the future costs that will be incurred or their potential recovery from the plaintiff.

USE OF ESTIMATES

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

MINERAL PROPERTIES AND DEFERRED COSTS

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

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

The Company's consolidated financial statements were prepared on a going concern basis which assumes that it will be able to realize assets and discharge liabilities in the normal course of business.

The Company's consolidated financial statements are in Canadian dollars (CDN$) and are prepared in accordance with Canadian GAAP, the application of which, in the case of the Company, conforms in all material respects for the periods presented with U.S. GAAP except for the measurement differences

referred to in Note 10 of the consolidated financial statements of the Company included herein. The effects of inflation and price changes have not had a material impact on the Company's income or net sales revenues during the past three years.

The Company and its subsidiaries' functional currency is the Canadian dollar. The majority of the Company's cash deposits and accounts are in Canadian funds.

The Canadian dollar varies under market conditions, the continued fluctuation of the Canadian dollar against the U.S. dollar will continue to affect the Company's operations and financial position. See "Item 3. Key Information - Risk Factors - Currency Fluctuations".

OVERVIEW

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

The Company's accounting policy under Canadian GAAP is to defer all direct costs related to the acquisition, exploration and development of mineral properties held or controlled by the Company on an individual property basis until viability of a property is determined. Under US GAAP, the costs would be expensed. General exploration costs are expensed as incurred. When a property is placed in commercial production, such deferred costs are depleted using the units-of-production method. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the costs are written-off, or if its carrying value has been impaired, then the costs are written down to fair value. At December 31, 2005, the Company had capitalized $15,032,107 (2004-$6,551,598, 2003 -$1,469,026) on its Argentine properties.

During the year ended December 31, 2003, the Company completed a brokered private placement for 2,900,000 units at a price of $0.90 per unit, for cash proceeds of $2,421,150, net of share issue costs of $188,850 which closed in April 2003. Each unit consisted of one common share and one-half non-transferable common share purchase warrant. One whole warrant entitles the holder to purchase one common share for the exercise price of $1.10 per share on or before April 28, 2004. In addition, options and warrants were exercised which resulted in cash proceeds of $3,931,624 to the Company during the year.

During the year ended December 31, 2004, the Company completed a brokered private placement of 1,500,000 units at $3.10 per unit, for proceeds of $4,307,500 net of costs of $411,237. Each unit consisted of one common share and one half common share purchase warrant. Each full warrant entitled the holder to purchase one additional common share for one year at $3.70 per share. Underwriters were paid a commission of 6% cash and 200,000 compensation options. The compensation options were exercisable at a price of $3.25 per compensation option, for a period of twelve months, into one share and one half warrant with the warrants having the same terms as described above. The underwriters' compensation options were exercisable for a period of twelve months. This financing closed February 23, 2004.

During the year ended December 31, 2005, the Company completed a brokered private placement of 3,333,340 units at $3.00 per unit, for proceeds of $9,263,283 net of $600,001 agent's commission and $136,736 of related issue costs. Each unit consisted of one common share and one half common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of $3.45 per share until September 14, 2009. In addition to the cash commission the underwriters were paid a commission of 7% (233,334) underwriter's warrants. Each underwriter's warrant is exercisable for one share at a price of $3.25, for a period of twenty four months, expiring on September 12, 2007. The financing closed on September 12, 2005. From January 1, 2006 to April 21 2006 the aggregate amount the Company received from the exercise of warrants and options was $172,900.

On March 21, 2006 the Company completed a syndicated brokered private placement financing of 2,865,000 special warrants at $3.50 per special warrant for gross proceeds of $10,027,500 was completed. Each special warrant will entitle the holder to acquire one unit consisting of one common share and one half common share purchase warrant without payment of any additional consideration. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of $3.80 per share until March 21, 2010. In addition to a cash commission of 6% the underwriters were granted 171,900 agents' warrants, representing 6% of the number of special warrants issued. Each agents' warrant is exercisable for one share at a price of $3.80, for a period of twenty four months, expiring on March 21, 2008.

During the year ended December 31, 2005, the Company issued 1,663,517 common shares on the exercise of options, warrants and agents warrants for $4,361,011. As of December 31, 2005, the Company had reserved 1,900,004 common shares for issuance upon the exercise of outstanding warrants. As of December 31, 2004, the Company had reserved 1,422,017 common shares for issuance upon the exercise of outstanding warrants. As at May 4, 2006, there were 1,900,004 warrants outstanding.

Cash on hand at May 4, 2006 was approximately $14,500,000. During the nine month period from March 31, 2006 to December 31, 2006, the Company plans to expend $6,000,000 on the continuation of the development and exploration program at the Navidad project.

RESULTS OF OPERATIONS

The following discussion of the results of operations of the Company for the fiscal years ended December 31, 2005, 2004 and 2003 should be read in conjunction with the consolidated financial statements of the Company attached hereto and related notes included therein.

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

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

The Company's prior period financial statements have been reclassified in accordance with Canadian GAAP. The net assets transferred to Golden Arrow were described as "Spin-Off Assets Transferred" and the allocated expenses are described as "Loss Allocated to Spin-Off Assets" in the consolidated financial statements. This reclassification did not change previously reported total losses. The allocation of expenses was calculated on the basis of the ratio of the specific assets transferred to assets retained. A loss of $131,231 was allocated to spin-off assets in the 2004 period.

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

Professional fees increased $1,432,498 to $2,327,278 in 2005, primarily due to legal costs incurred in connection with the Aquiline legal action as well as increased costs of compliance. In 2005 the Company recorded non-cash stock based compensation of $2,380,000 compared to $1,972,860 in 2004, for stock options granted to its employees, consultants and directors, of which $1,800,000 is included in expenses in 2005 compared to $1,972,860 in 2004 and $580,000 in 2005 compared to $Nil in 2004 is included in capitalized mineral property expenditures. Other notable changes in the operating expenses are: (i) Salaries increased $272,151 due to staff increases (salaries in 2005 are a portion of the monthly fee charged for

services by the Grosso Group while in 2004 the Company directly employed its staff); (ii) Administrative and management services decreased by $89,744 due to some of the services provided by consultants in 2004 were provided by employees of the Grosso Group during 2005 and are included in salaries (iii) there are no cost recoveries (for shared administrative costs and rent) from Amera or Golden Arrow in 2005; (iv) Corporate development and investor relations increased $207,951, as the Company has made its shareholders and others more aware of its Navidad project and its potential, (v) Office and Sundry increased $40,337 mainly due to the increase in insurance premiums and an increase in activity, (vi) Transfer agent and regulatory fees increased $141,972 mainly due to the costs of the Company's listing on the American Stock Exchange, (vii) General exploration decreased by $173,047 as the Company's focus is on Navidad property for which costs are included in capitalized mineral property expenditures, (viii) Travel increased $52,444 due to travel related to conferences and investor presentations as well as to South America.

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

YEAR ENDED DECEMBER 31, 2004 COMPARED TO YEAR ENDED DECEMBER 31, 2003

The Company reported a consolidated loss of $4,655,063 ($0.11 per share) in 2004, an increase of $1,236,645 from the loss of $3,418,418 ($0.11 per share) in 2003. The increase in the loss in 2004, compared to 2003, was due to a number of factors of which $1,148,400 can be attributed to operating expenses and $88,245 to other expense items.

The Company's prior period financial statements have been reclassified to reflect the reorganization in accordance with Canadian GAAP. The net assets transferred to Golden Arrow are described as "Spin-Off Assets Transferred" and the allocated expenses are described as "Loss Allocated to Spin-Off Assets" in the consolidated financial statements. This reclassification did not change previously reported total losses. The allocation of certain expenses was calculated on the basis of the ratio of the specific assets transferred to

assets retained. The following discussion of the 2004 expenses compared to the 2003 expenses is based on expenses as originally reported.

The Company's 2004 operating expenses were $4,312,616 an increase of $1,148,400 from the $3,164,216 originally reported for 2003. $661,175 of the 2003 operating expense has been reclassified as "Loss Allocated to Spin-Off Assets" which relate to the assets transferred to Golden Arrow. In 2004, $131,232 was allocated to the Loss from Spin-Off Assets compared to $969,175 in 2003. The allocation was calculated on the basis of the ratio of the specific assets transferred to assets retained. Certain "Other Income and Expense" items have been allocated to spin-off assets on the basis of the nature of the income or expense. In 2004 expenses increased as a result of increased activity at the Navidad project and the support required at the corporate office.

Professional fees increased $597,017 to $894,780 in 2004, primarily due to legal costs incurred in connection with the Aquiline legal action as well as increased costs of compliance. During 2004 the Company recorded a non-cash expense of $1,972,860 for stock based compensation for stock options granted to its employees and directors, an increase of $485,625 from 2003. Other notable changes in the operating expenses are: (i) Salaries increased $113,998 due to staff increases (in 2004 the Company had an average of seven people on its payroll compared to three in 2003); (ii) Travel increased $97,641due to travel to conferences as well as to South America; (iii) Cost recoveries (for shared administrative costs and

rent) from Amera and Golden Arrow increased by $114,161; (iv) Corporate development and investor relations decreased $62,026, as 2003 was a more active year in which the Company developed investor awareness.

In 2004 the Company recorded a gain of $328,346 on the optioning of certain properties to other mining exploration companies (plus $433,960 of gains relating to the Spin-Off Assets) compared to $481,779 in total in 2003. In 2004 a write-down of $99,762 (2003 - $nil) for the carrying value of marketable securities was recognized. Reorganization costs of $346,103 were recorded in 2004. An expense of $195,285 for foreign exchange was recorded in 2004 compared to $25,916 in 2003. The foreign exchange adjustment is as a result of the continued strengthening of the Canadian dollar compared to the US dollar and due to the exchange movements between the date of recognition of expenses incurred in US$ and the date of settlement. Interest and other income was $101,589 in 2004, an increase of $35,028 from 2003, primarily as a result of an increase of funds on deposit.

On March 5, 2004 Minera Aquiline Argentina SA, a subsidiary of Aquiline Resources Inc. commenced an action against the Company seeking damages and a constructive trust over the Navidad Area Properties. See "Item 8. Financial Information - Legal Proceedings."

YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

The Company reported a consolidated loss of $3,418,418 ($0.11 per share) in 2003, an increase of $1,978,312 from the loss of $1,440,106 ($0.06 per share) in 2002. The loss from continuing operations, $2,503,041, increased $1,963,906 primarily as a result of the cost for Stock Based Compensation which increased $1,457,729 in 2003 compared to 2002. Loss allocated to Spin-off assets was little changed in 2003 ($969,175) compared to 2002 ($954,775).

In early 2003 the Company focused its efforts on its Navidad Project in Chubut Province located in southern Argentina. The preliminary results of its initial

exploration efforts were very encouraging. Phase I of a drilling program commenced in November 2003 and continued into March 2004. A second phase is scheduled to commence in May 2004. 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.

The Company's 2003 operating expenses were $2,503,041, an increase of $1,993,061 from 2002. A significant portion of the increase for 2003 is attributed to the Company's application of the fair value method of accounting for stock options granted to its employees and directors. As permitted, the Company has elected for prospective application, effective January 1, 2003. Previously options granted to the Company's directors and employees were only disclosed on a pro forma basis in the notes to the Company's consolidated financial statements. During 2003 the Company recorded a non-cash compensation expense of $1,487,235 relating to stock options granted to the Company's employees, directors and consultants. In 2002, the Company recorded an expense of $29,506 for stock options granted to its consultants. Much of the balance of the increase in the operating expenses can be attributed to the Navidad Project program: (1) Administrative and Management Services increased $68,365 (2) Corporate development and investor relations increased $116,325; (3) General exploration increased $46,638; (4) Travel increased $33,659. The increase of $159,117 in professional fees is primarily due to legal costs incurred in connection with the Aquiline legal action.

Interest and other income was $66,561 in 2003, an increase of $39,976 from 2002, primarily as a result of an increase of funds on deposit.

In 2003 the Company received cash proceeds of $6,467,245 from the sale of common shares less costs of $188,850. The Company's total assets increased from $7,432,489 at December 31, 2002 to $13,419,876 at December 31, 2003. The Company's cash position at December 31, 2003 was $4,422,334 an increase of $2,986,210 from December 31, 2002.

On May 3, 2004 the Company announced a proposed corporate reorganization. The effect of the reorganization was be to transfer the Transferred Assets to Golden Arrow. The Company retained the Navidad Properties and is responsible for the Company's accounts payable. The Company's shareholders received Golden Arrow common shares which resulted in an identical percentage ownership by the Company's shareholders before and after the reorganization. See "Item 4. Information on the Company - History and Development of the Company."

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at December 31, 2005 was $7,731,395, an increase of $2,504,041 from December 31, 2004. Total assets increased to $23,497,994 at December 31, 2005 from $12,221,856 at December 31, 2004. This increase is mainly due to the increase in Navidad carrying value and in cash balance. During fiscal 2005, the Company completed a brokered private placement for 3,333,340 units at $3.00 per unit, for proceeds of $9,263,283 net of $600,001 agent's commission and $136,736 of related issue costs. Each unit consisted of one common share and one half common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share at a price of $3.45 per share until September 14, 2009. In addition to the cash commission the underwriters were granted as commission 233,334 underwriter's warrants, representing 7% of the number of units issued. Each underwriter's warrant is exercisable for one share at a price of $3.25, for a period of twenty four months, expiring on September 12, 2007. The underwriter's warrants were valued using the

Black-Scholes Pricing Model. The warrants were valued at $0.76 per warrant for a total value of $177,333 and have been recorded as share issue costs with a corresponding increase to contributed surplus. At May 4, 2006, no underwriter's warrants had been exercised.

On March 21, 2006 the Company completed a syndicated brokered private placement financing of 2,865,000 special warrants at $3.50 per warrant for gross proceeds of $10,027,500. Each special warrant will entitle the holder to acquire one unit consisting of one common share and one half common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of $3.80 per share until March 21, 2010. In addition to a cash commission of 6% the underwriters were granted 171,900 agents' warrants, representing 6% of the number of special warrants issued. Each agents' warrant is exercisable for one share at a price of $3.80, for a period of twenty four months, expiring on March 21, 2008.

Options and warrants were exercised which resulted in cash proceeds of $4,215,145 during 2005. The Company paid $145,866 to Golden Arrow from the exercise of warrants that resulted in the issue of Golden Arrow's shares as required by the terms of the reorganization. As all warrants that were outstanding as of the effective date of the reorganization have been exercised the Company has no further obligation to pay amounts to Golden Arrow for the issue of its shares on the exercise of the Company's warrants.

The Company has received $172,900 from the exercise of options from January 1 to May 4, 2006. As at May 4, 2006 the Company had working capital of approximately $13,500,000.

The Company considers that it has adequate resources to maintain its ongoing operations but currently may not have sufficient working capital to fund all of its planned exploration and development work. The Company will continue to rely on successfully completing additional equity financing to further exploration and development of Navidad. There can be no assurance that the Company will be successful in obtaining the required financing. The failure to obtain such financing could result in the loss of or substantial dilution of its interest in its properties.

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

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

The Company's management may elect to acquire new projects, at which time additional equity financing may be required to fund overhead and maintain its interests in current projects, or may decide to relinquish certain of its properties. These decisions will be based on the results of ongoing exploration programs and the response of equity markets to the projects and business plan.

During the period from January 1, 2006 through December 31, 2006, it is anticipated that the Company will have obligations totaling $760,000 for monthly payments to the Grosso Group.

The Company does not know of any trends, demands, commitments, events or

uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the exploration programs or the acquisition of projects.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

		Payments Due by Peri		
	Total	Less than 1 Year	1-3 Years	3
Contractual Obligations	760,000	760,000	-	
Long-term Debt Obligations	-	-	-	
Capital (Finance) Lease Obligations	-	-	-	
Operating Lease Obligations	-	-	-	
Purchase Obligations	-	-	-	
Other Long-Term Liabilities Reflected in the Company's Balance Sheet under the GAAP of the Primary Financial Statements	-	-	-	
Total	760,000	760,000	-	

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.

DIRECTORS AND SENIOR MANAGEMENT

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

NAME, AGE AND POSITION(1)	PRINCIPAL OCCUPATION DURING PAST	PERIOD OF