

Edgar Filing: IMA EXPLORATION INC - Form 6-K

IMA EXPLORATION INC  
Form 6-K  
November 14, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934

For the month of NOVEMBER, 2006.

Commission File Number: 001-32558

IMA EXPLORATION INC.

-----  
(Translation of registrant's name into English)

#709 - 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6, Canada  
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(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports  
under cover of Form 20-F or Form 40-F: FORM 20-F  FORM 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as  
permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_\_

Indicate by check mark if the registrant is submitting the Form 6-K in paper as  
permitted by Regulation S-T Rule 101(b)(7): \_\_\_\_\_

Indicate by check mark whether the registrant by furnishing the information  
contained in this Form, is also thereby furnishing the information to the  
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.  
YES  NO

If "Yes" is marked, indicate below the file number assigned to the registrant in  
connection with Rule 12g3-2(b): 82-\_\_\_\_\_

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the  
registrant has duly caused this report to be signed on its behalf of the  
undersigned, thereunto duly authorized.

IMA EXPLORATION INC.  
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Date: November 30, 2006  
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/s/ Joseph Grosso  
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Joseph Grosso,  
President & CEO

IMA EXPLORATION INC.  
(AN EXPLORATION STAGE COMPANY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2006 and 2005  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED - PREPARED BY MANAGEMENT)

MANAGEMENT'S COMMENTS ON UNAUDITED  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of IMA Exploration Inc. for the nine months ended September 30, 2006 have been prepared

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by management and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

IMA EXPLORATION INC.  
(AN EXPLORATION STAGE COMPANY)  
INTERIM CONSOLIDATED BALANCE SHEETS  
(UNAUDITED - PREPARED BY MANAGEMENT)  
(EXPRESSED IN CANADIAN DOLLARS)

	SEPTEMBER 30, 2006 \$	DECEMBER 31, 2005 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	9,968,669	7,731,395
Accounts receivable, prepaids and deposits (Note 9)	869,971	548,492
Marketable securities (Note 2 and 5)	186,000	186,000
	-----	-----
	11,024,640	8,465,887
MINERAL PROPERTIES AND		
DEFERRED COSTS (Note 1, 2 & 6)	19,979,070	15,032,107
	-----	-----
	31,003,710	23,497,994
	=====	=====
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	618,559	976,811
FUTURE INCOME TAX LIABILITIES (Note 2)	2,215,549	1,760,110
	-----	-----
	2,834,108	2,736,921
	-----	-----
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 7)	59,849,509	50,414,672
CONTRIBUTED SURPLUS (Note 8)	6,282,929	5,854,445
DEFICIT	(37,962,836)	(35,508,044)
	-----	-----
	28,169,602	20,761,073
	-----	-----
	31,003,710	23,497,994

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NATURE OF OPERATIONS AND CONTINGENCY (Note 1)

MEASUREMENT UNCERTAINTY AND SUBSEQUENT EVENT (Note 2)

COMMITMENTS (Note 9)

APPROVED BY THE BOARD

/s/DAVID HORTON , Director  
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/s/ ROBERT STUART ANGUS , Director  
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The accompanying notes are an integral part of these interim consolidated financial statements.

IMA EXPLORATION INC.  
(AN EXPLORATION STAGE COMPANY)  
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT  
(UNAUDITED - PREPARED BY MANAGEMENT)  
(EXPRESSED IN CANADIAN DOLLARS)

	THREE MONTHS ENDED SEPTEMBER 30,	THREE MONTHS ENDED SEPTEMBER 30,	NINE MONTHS ENDED SEPTEMBER 30,
	2006	2005	2006
	\$	\$	\$
<b>EXPENSES</b>			
Administrative and management services	63,636	39,870	296,978
Corporate development and investor relations	51,999	142,589	299,830
General exploration	4,009	32,210	7,748
Office and sundry	55,369	41,366	144,825
Professional fees	568,616	656,337	738,826
Rent, parking and storage	24,836	34,140	72,318
Salaries and employee benefits	157,319	168,056	543,202
Stock based compensation	(14,400)	-	393,120
Telephone and utilities	3,537	7,480	13,280
Transfer agent and regulatory fees	1,289	87,252	131,216
Travel and accommodation	23,353	68,343	87,392
	-----	-----	-----
	939,563	1,277,643	2,728,735
	-----	-----	-----
LOSS BEFORE OTHER ITEMS	(939,563)	(1,277,643)	(2,728,735)
	-----	-----	-----
<b>OTHER EXPENSE (INCOME)</b>			
Foreign exchange	(3,916)	(14,619)	6,428
Interest and other income	(99,511)	(29,632)	(280,371)
	-----	-----	-----

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	(103,427)	(44,251)	(273,943)
LOSS FOR THE PERIOD	(836,136)	(1,233,392)	(2,454,792)
DEFICIT - BEGINNING OF PERIOD	(37,126,700)	(33,233,534)	(35,508,044)
DISTRIBUTION OF EQUITY ON SPIN-OFF OF ASSETS TO GOLDEN ARROW (Note 3)	-	-	-
DEFICIT - END OF PERIOD	(37,962,836)	(34,466,926)	(37,962,836)
 BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.02)	\$ (0.03)	\$ (0.05)
 WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	51,989,152	46,095,667	51,009,402

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

IMA EXPLORATION INC.  
(AN EXPLORATION STAGE COMPANY)  
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED - PREPARED BY MANAGEMENT)  
(EXPRESSED IN CANADIAN DOLLARS)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,
	2006	2005	2006
	\$	\$	\$
CASH PROVIDED FROM (USED FOR)			
OPERATING ACTIVITIES			
Net loss for the period	(836,136)	(1,233,392)	(2,454,792)
Items not affecting cash			
Stock-based compensation	(14,400)	-	393,120
	(850,536)	(1,233,392)	(2,061,672)
Change in non-cash working capital balances	(598,502)	(335,079)	(679,731)
	(1,449,038)	(1,568,471)	(2,741,403)
INVESTING ACTIVITIES			
Expenditures on mineral properties and deferred costs	(1,122,300)	(1,823,131)	(4,491,524)
Purchase of equipment	-	(1,371)	-

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	(1,122,300)	(1,824,502)	(4,491,524)
FINANCING ACTIVITIES			
Issuance of common shares	80,000	10,000,020	10,308,450
Share issue costs	(2,347)	(726,445)	(838,249)
	77,653	9,273,575	9,470,201
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,493,685)	5,880,602	2,237,274
CASH TRANSFERRED TO GOLDEN ARROW (Note 3)	-	-	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,493,685)	5,880,602	2,237,274
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	12,462,354	4,763,797	7,731,395
CASH AND CASH EQUIVALENTS - END OF PERIOD	9,968,669	10,644,399	9,968,669
CASH AND CASH EQUIVALENTS COMPRISED OF:			
Cash	468,669	644,399	468,669
Term deposits	9,500,000	10,000,000	9,500,000
	9,968,669	10,644,399	9,968,669

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

IMA EXPLORATION INC.  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006  
(UNAUDITED - PREPARED BY MANAGEMENT)  
(EXPRESSED IN CANADIAN DOLLARS)

	NAVIDAD \$	NAVIDAD AREAS \$	IVA TAX \$
Balance, beginning of period	13,466,957	113,426	1,451,724

Expenditures during the period

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Acquisition costs	110,807	-	-
Assays	63,985	-	-
Communications	53,793	-	-
Drilling	1,400,714	-	-
Engineering	43,832	-	-
Environmental and social	305,989	-	-
Metallurgy	325,457	-	-
Office and other	201,408	-	-
Salaries and Contractors	599,049	-	-
Supplies and Equipment	162,645	-	-
Transportation	243,360	-	-
Project Development	442,402	-	-
IVA Tax	-	-	538,083
	-----	-----	-----
	3,953,441	-	538,083
	-----	-----	-----
Future income tax	455,439	-	-
	-----	-----	-----
Balance, end of period	17,875,837	113,426	1,989,807
	=====	=====	=====

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

IMA EXPLORATION INC.  
 (AN EXPLORATION STAGE COMPANY)  
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006  
 (UNAUDITED - PREPARED BY MANAGEMENT)  
 (EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS AND CONTINGENCY

The Company is a natural resource company engaged in the business of acquisition, exploration and development of mineral properties in Argentina. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently the Company considers itself to be an exploration stage company. The amounts shown as mineral properties and deferred costs represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral properties and deferred costs is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete development, and future profitable production. The Company considers that it has adequate resources to maintain its ongoing operations for the balance of the year.

On July 14, 2006 the Supreme Court of British Columbia released its judgment in Aquiline Resources Inc.'s ("Aquiline") lawsuit against the Company. The Company was not successful in its defense and the court found in Aquiline's favour.

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The Order reads in part:

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

The Company has filed an appeal of this judgment. While the Company is confident of a favourable result from its appeal it recognizes that this will take a substantial period of time and the costs will be significant, with no guarantee of a successful outcome for the Company. The Company has not provided for any future legal costs and will expense the legal costs of the appeal as they occur (see Note 2).

### 2. MEASUREMENT UNCERTAINTY AND SUBSEQUENT EVENT

On October 18, 2006, the Company and Aquiline reached a definitive agreement for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The transactions outlined in the agreement will constitute due compliance by both parties with the Order referenced in Note 1 above. The principal terms and conditions of the agreement are as follows:

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

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006  
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### 2. MEASUREMENT UNCERTAINTY AND SUBSEQUENT EVENT (continued)

- (c) in the event that the Company is unsuccessful on appeal, the Company will be paid such \$18,500,000 amount, less legal costs Aquiline would be entitled to in relation to the trial and the appeal.



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- (d) in the event that the Company's appeal is successful, it will pay Aquiline's qualifying costs expended on developing the Navidad Project during the period of the appeal, less legal costs the Company would be entitled to in relation to the trial and the appeal, and control of the Navidad Project will then revert to the Company; and
- (e) pending the finalization of the appeal process, neither party will attempt a hostile takeover of the other.

The effective date of the transfer of the Navidad project is anticipated to occur on November 15, 2006. A copy of the agreement has been posted on the SEDAR website as one of the Company's public documents and is titled "Interim Project Development Agreement".

The Company currently has recorded net Navidad related assets of \$17,949,521, the components of which are as follows:

	\$
Mineral properties and deferred costs (Note 6)	19,979,070
Marketable securities (Note 5)	186,000
Future income tax liabilities	(2,215,549)
	-----
Navidad related assets (net)	17,949,521
	=====

As noted above, in the event that the Company is unsuccessful on appeal, the Company will be paid \$18,500,000 as consideration for these assets, less legal costs Aquiline would be entitled to in relation to the trial and the appeal. In the event that the legal costs that Aquiline may become entitled to are significant, the recoverability of the costs reflected as net Navidad related assets may be impaired. Such impairment may be material. However, at the current time, the Company is unable to determine with any degree of certainty what the final outcome of the appeal process may be, and if the company is unsuccessful, what Aquiline's quantum of legal costs may be awarded to it. Accordingly, the Company has not made any adjustments to the carrying value of the components of net Navidad related assets at September 30, 2006.

The carrying value of the components of net Navidad related assets will be reviewed in subsequent periods and adjusted if circumstances suggest that the full amount may not be recoverable and an appropriate amount expensed for impairment when such amounts can be reasonably determined.

### 3. SPIN-OFF OF ASSETS

On July 7, 2004, the Company completed a corporate restructuring plan (the "Reorganization") which resulted in dividing the Company's assets and liabilities into two separate companies. Following the Reorganization the Company continued to hold the Navidad Area properties, while all other mineral property interests, certain marketable securities and cash were spun-off to Golden Arrow Resources Corporation ("Golden Arrow"), a newly created company. The Navidad project, located in the province of Chubut Argentina, was staked by the Company in late 2002 and continues to be the focus of the Company's activities. The Reorganization of the Company was accomplished by way of a statutory plan of arrangement. The shareholders of the Company were issued shares in Golden Arrow on the basis of one Golden Arrow share for ten shares of the Company.

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IMA EXPLORATION INC.  
(AN EXPLORATION STAGE COMPANY)  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006  
(UNAUDITED - PREPARED BY MANAGEMENT)  
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3. SPIN-OFF OF ASSETS (continued)

During the nine months ended September 30, 2005 the Company paid \$145,866 to Golden Arrow from the exercise of warrants of the Company that resulted in the issue of Golden Arrow shares as required by the terms of the Reorganization. As all warrants that were outstanding as of the effective date of the Reorganization were exercised by March 31, 2005 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.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgement within reasonable limits of materiality. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual consolidated financial statements.

(b) Certain comparative figures have been reclassified to conform to the current year's presentation.

5. MARKETABLE SECURITIES

At September 30, 2006, marketable securities had a quoted market value of \$250,500 (December 31, 2005 - \$270,000). The Company holds these marketable securities as a result of entering into option and sale agreements for certain of its non-core mineral property holdings relating to the Navidad Project for which the Company received common shares of publicly traded companies as partial consideration. These marketable securities are considered "Navidad related assets" subject to transfer to Aquiline (see Note 2 above).

6. MINERAL PROPERTIES AND DEFERRED COSTS

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- (a) Under the terms of the July 14, 2006 court order the Company's ownership of the Navidad project must be transferred to Aquiline and the Company accordingly cautions readers that until the British Columbia Court of Appeal rules on the matter the Company may only recover the costs incurred in the development of the Navidad project. On October 18, 2006, the Company and Aquiline reached an agreement in respect to the recoverable costs. See Note 2 above for details of this agreement. The Company's position is that it will be successful in its appeal and will recover all or a significant portion of its ownership interest in the Navidad project.
- (b) Direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company are deferred on an individual property basis until the viability of a property is determined. Administration costs and general exploration costs are expensed as incurred. When a property is placed in commercial production, deferred costs will be depleted using the units-of-production method. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and (b)

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### 6. MINERAL PROPERTIES AND DEFERRED COSTS (CONTINUED)

reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the costs are written-off, or if its carrying value has been impaired, then the mineral properties and deferred costs are written down to their estimated fair value. In the event that the Company's appeal against the Aquiline court decision is unsuccessful, fair value will be determined by reference to the \$18,500,000 to be paid to the Company by Aquiline, less legal costs Aquiline would be entitled to in relation to the trial and the appeal (see Note 2 above).

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

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

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

### 7. SHARE CAPITAL

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

	NUMBER
Issued - common shares	
Balance, December 31, 2004	43,816,207
Private placement	3,333,340
Exercise of options	10,000
Exercise of agents' options	168,000
Contributed surplus reallocated on exercise of options	-
Exercise of warrants	1,485,517
Proceeds collected and paid on behalf of Golden Arrow shares	-
Less share issue costs	-
	-----
Balance, December 31, 2005	48,813,064
Private placement	2,865,000
Exercise of options	335,000
Contributed surplus reallocated on exercise of options	-
Less share issue costs	-
	-----
Balance, September 30, 2006	52,013,064 =====

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### 7. SHARE CAPITAL (continued)

- (a) 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 entitled the holder to acquire one unit consisting of one common share and one half common share purchase warrant. All special warrants were converted into common shares on May 25, 2006. Each full warrant entitles the holder thereof to purchase one additional common share in the

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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. The underwriter's warrants were valued using the Black-Scholes Pricing Model. The warrants were valued at \$0.64 per warrant for a total value of \$110,164 and have been recorded as share issue costs with a corresponding increase to contributed surplus. At September 30, 2006, no underwriter's warrants had been exercised.

(b) Stock Options and Stock-Based Compensation

The Company grants stock options in accordance with the policies of the TSX Venture Exchange ("TSXV"). During the nine months ended September 30, 2006, the Company granted 283,000 stock options.

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

Risk-free interest rate	4%
Estimated volatility	70%
Expected life	2.5 years
Expected dividend yield	0%

The weighted average fair value per share of stock options, calculated using the Black-Scholes Option Pricing Model, granted during the period was \$1.44 per share. Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

A summary of the Company's outstanding stock options at September 30, 2006, and the changes for the nine months ended September 30, 2006, is presented below:

	OPTIONS OUTSTANDING AND EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE \$
Balance, beginning of period	4,881,000	2.54
Granted	283,000	3.21
Exercised	(335,000)	0.84
Cancelled / Expired	(65,000)	2.77
	-----	
Balance, end of period	4,764,000	2.70
	=====	

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7. SHARE CAPITAL (continued)

Stock options outstanding and exercisable at September 30, 2006 are as follows:

NUMBER	EXERCISE PRICE \$	EXPIRY DATE
119,000	0.50	May 2, 2007
115,000	0.50	September 23, 2007
40,000	0.84	March 7, 2008
300,000	0.90	May 30, 2008
1,220,000	1.87	August 27, 2008
1,372,000	3.10	March 24, 2009
50,000	4.20	December 1, 2009
865,000	4.16	March 16, 2010
410,000	2.92	November 16, 2010
273,000	3.21	June 22, 2011
-----		
4,764,000		
=====		

(c) Warrants

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agents warrants outstanding at September 30, 2006 and the changes for the nine months ended September 30, 2006, is as follows:

	NUMBER
Balance, beginning of period	1,900,004
Issued	1,604,400
	-----
Balance, end of period	3,504,404
	=====

Common shares reserved pursuant to warrants and special warrants outstanding at September 30, 2006 are as follows:

NUMBER	EXERCISE PRICE \$	EXPIRY DATE
1,666,670	3.45	September 14, 2009
233,334	3.25	September 13, 2007
171,900	3.80	March 21, 2008
1,432,500	3.80	March 21, 2010
-----		
3,504,404		
=====		

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8. CONTRIBUTED SURPLUS

A continuity summary of contributed surplus is presented below:

	\$
Balance, December 31, 2005	5,854,445
Contributed surplus reallocated on exercise of stock options	(74,800)
Contributed surplus as a result of stock options granted	393,120
Contributed surplus as a result of brokers' warrants issued	110,164
	-----
Balance, September 30, 2006	6,282,929
	=====

9. RELATED PARTY TRANSACTIONS

- (a) Effective January 1, 2005 the Company engaged the Grosso Group Management Ltd. (the "Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company now owned by the Company, Golden Arrow, Amara Resources Corporation, Astral Mining Corporation and Gold Point Energy Corp., each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a reasonable pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During the nine months ended September 30, 2006, the Company incurred fees of \$574,677 to the Grosso Group: \$554,335 was paid in monthly payments and \$21,563 is included in accounts payable as a result of a review of the allocation of the Grosso Group costs to the member companies for the period. In addition, included in accounts receivable, prepaids and deposits is a \$205,000 deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.
- (b) On May 6, 2005, on the signing of an Administration Services Agreement, the Company transferred its corporate equipment and leasehold improvements to Grosso Group at their carrying values of \$93,177 as of December 31, 2004. As of September 30, 2006 the Company has received \$46,589 from the Grosso Group for these assets. The remaining balance due from the Grosso

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Group is included in accounts receivable.

- (c) The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase the monthly fee, effective May 1, 2006, to \$20,833 (previously \$8,500) and to pay a bonus of \$150,000. The total compensation paid to the President during the period was \$288,167.

In the event the contract is terminated by the Company or as a result of a change of control, a payment is payable to the President consisting of (i) any monthly compensation due to the date of termination, (ii) options as determined by the board of directors (iii) three years of monthly compensation (which may be adjusted annually) and (iv) bonus of \$461,500. If the termination had occurred on September 30, 2006, the amount payable under the contract would be \$1,211,500.

In the event the contract is terminated by the Company as a result of the President's death or permanent disability while providing services to the Company, a bonus in the amount of \$461,500 is payable.

IMA EXPLORATION INC.  
(AN EXPLORATION STAGE COMPANY)  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006  
(UNAUDITED - PREPARED BY MANAGEMENT)  
(EXPRESSED IN CANADIAN DOLLARS)

9. RELATED PARTY TRANSACTIONS (continued)

- (d) During the nine months ended September 30, 2006, the Company paid \$154,750 to directors and officers or companies controlled by directors and officers of the Company, for technical, management and consulting services provided.
- (e) The Company has agreements with a company controlled by the wife of the President of the Company for the rental of office premises. Effective January 1, 2005 the Company subleased the office premises to the Grosso Group.

10. SEGMENTED INFORMATION

The Company is involved in mineral exploration and development activities, which are conducted principally in Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for the nine months ended September 30, 2006.

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



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	----- SEPTEMBER 30, 2006 -----		
	CORPORATE	ARGENTINA	TOTAL
	\$	\$	\$
Current assets	10,940,636	84,004	11,024,640
Mineral properties and deferred costs	-	19,933,270	19,933,270
	-----	-----	-----
	10,940,636	20,017,274	30,957,910
	=====	=====	=====

	----- DECEMBER 31, 2006 -----		
	CORPORATE	ARGENTINA	TOTAL
	\$	\$	\$
Current assets	8,331,000	134,887	8,465,887
Mineral properties and deferred costs	-	15,032,107	15,032,107
	-----	-----	-----
	8,331,000	15,166,994	23,497,994
	=====	=====	=====

11. SUPPLEMENTARY CASH FLOW INFORMATION

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005
	\$	\$
Financing activities		
Share issue costs	(110,164)	(177,333)
Contributed surplus	110,164	177,333
	-----	-----
	-	-
	=====	=====

IMA EXPLORATION INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006

INTRODUCTION

The following management discussion and analysis and financial review, prepared

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as of November 14, 2006, should be read in conjunction with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2006 and audited annual consolidated financial statements and related notes for the year ended December 31, 2005. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Except as otherwise disclosed all dollar figures in this report are stated in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at WWW.SEDAR.COM.

### FORWARD LOOKING STATEMENTS

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act or "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 of the United States. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour; the inherent uncertainty of future production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Annual Information Form and in each management discussion and analysis. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of silver and lead; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment within Argentina will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

### 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 flows. As of this date the Company is an exploration stage company and has not generated any revenues. The Company is entirely dependent on the equity market for its source of funds. There is no assurance that a commercially viable mineral deposit exists on any of the properties. Further evaluation and exploration will be required before the economic viability of any of the properties is determined.

On July 14, 2006 the Supreme Court of British Columbia released its judgment in Aquiline Resources Inc.'s ("Aquiline") lawsuit against the Company. The Company was not successful in its defence and the court found in Aquiline's favour.

The Order reads in part:

"(a) that Inversiones Mineras Argentinas SA ("IMA SA") transfer the

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Navidad Claims and any assets related thereto to Minera Aquiline or its nominee within 60 days of this order;

- (b) that IMA take any and all steps required to cause IMA SA to comply with the terms of this order;

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

The Company has filed an appeal of this judgment. While the Company is confident of a favourable result from its appeal it recognizes that this will take a substantial period of time and the costs will be significant, with no guarantee of a successful outcome for the Company. The Company has not provided for any future legal costs and will expense the legal costs of the appeal as they occur.

On October 18, 2006, the Company and Aquiline reached a definitive agreement for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The transactions outlined in the agreement will constitute due compliance by both parties with the Order referenced in Note 1 above. The principal terms and conditions of the agreement are as follows:

- (i) control of the Navidad project will be transferred to Aquiline in trust for the ultimately successful party in the appeal;
- (ii) the Company and Aquiline have agreed to the costs spent to date developing the Navidad Project in the amount of \$18,500,000. Upon transfer of control of the Navidad project, Aquiline will pay \$7,500,000 of the costs into trust and the balance will be expended by Aquiline in developing the Navidad Project during the period of the appeal and secured under the terms of the trust conditions;
- (iii) in the event that the Company is unsuccessful on appeal, the Company will be paid such \$18,500,000 amount, less legal costs Aquiline would be entitled to in relation to the trial and the appeal.
- (iv) in the event that the Company's appeal is successful, it will pay Aquiline's qualifying costs expended on developing the Navidad Project during the period of the appeal, less legal costs the Company would be entitled to in relation to the trial and the appeal, and control of the Navidad Project will then revert to the Company; and
- (v) pending the finalization of the appeal process, neither party will attempt a hostile takeover of the other.

The effective date of the transfer of the Navidad project is anticipated to occur on November 15, 2006.

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### SELECTED QUATERLY FINANCIAL INFORMATION

The following selected consolidated financial information is derived from the unaudited consolidated interim financial statements of the Company. The information has been prepared in accordance with Canadian GAAP.

	2006				2005	
	SEP 30	JUN 30	MAR 31	DEC 31	SEP 30	JU
	\$	\$	\$	\$	\$	\$
Revenues	Nil	Nil	Nil	Nil	Nil	
Net Loss	(836,136)	(1,112,336)	(506,320)	(1,041,118)	(1,233,392)	(9
Net Loss per Common Share						
Basic and Diluted	(0.02)	(0.02)	(0.01)	(0.02)	(0.03)	

### SUMMARY OF FINANCIAL RESULTS

For the nine months ended September 30, 2006, the Company reported a consolidated loss of \$2,454,792 (\$0.05 per share), a decrease of \$0.05 from the loss of \$4,723,756 (\$0.10 per share) for the nine months ended September 30, 2005. The decrease in the loss in 2006, compared to the 2005 amount, was due to a number of factors of which \$2,076,354 can be attributed to decreases in operating expenses and \$192,610 change in other items.

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### RESULTS OF OPERATIONS

The Company's operating expenses for the nine months ended September 30, 2006, were \$2,728,735, a decrease of \$2,076,354 from \$4,805,089 in the 2005 period.

In the 2006 period the Company recorded non-cash stock based compensation of \$393,120 compared to \$1,800,000 in the 2005 period for the stock options granted during the periods. Other notable changes in the operating expenses are: (i) Professional fees decreased \$505,828 to \$738,826 in 2006 from \$1,244,654 in the 2005 period, primarily due to the decrease in legal costs incurred in connection with the Aquiline legal action. (Legal fees will continue to be substantial as a result of the appeal of the July 14, 2006 judgment.) (ii) Salaries increased \$111,541 due to increases in staff, increases in salary levels and bonuses of \$100,000. (iii) Administrative and management services increased \$184,794 mainly due to a \$150,000 bonus paid to the President during the 2006 period and the increase in monthly fees. The bonuses were recommended by the Compensation Committee and approved by the Board of Directors of the Company. (iv) Corporate development and investor relations decreased \$165,485 mainly due to the decrease in printing costs and decrease in corporate development consulting costs during the 2006 period. (v) Travel and accommodation decreased \$126,940 due to reduced

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travel in the 2006 period. (vi) General exploration decreased \$119,528 due to decrease in the Company's general exploration activities during the 2006 period.

In 2006 the Company recorded interest income of \$280,371 compared to \$90,428 in 2005, primarily as a result of an increase in funds on deposit.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at September 30, 2006 was \$9,968,669, an increase of \$2,237,274 from December 31, 2005. Total assets increased to \$31,003,710 at September 30, 2006 from \$23,497,994 at December 31, 2005. This increase is mainly due to the increase in Navidad carrying value and in cash balance.

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 entitles 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.

The Company has received \$280,950 from the exercise of options from January 1, 2006 to September 30, 2006. As at November 14, 2006, the Company had working capital of approximately \$9,000,000.

Options and warrants were exercised which resulted in cash proceeds of \$4,215,145 from January 1 to September 30, 2005. The Company paid \$145,866 to Golden Arrow Resources Corporation ("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 considers that it has adequate resources to maintain its ongoing operations for the balance of the year. The Company will continue to rely on successfully completing additional equity financing. 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 elsewhere in this MD&A 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 will be substantially determined by the success of the appeal of the Supreme Court of British Columbia judgement in the Aquiline lawsuit.

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

### OPERATING CASH FLOW

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Cash outflow from operating activities for the nine months ended September 30, 2006, was \$2,741,403, compared to cash outflow for 2005 period of \$2,762,578.

### FINANCING ACTIVITIES

During the nine months ended September 30, 2006, the Company received \$10,027,500 less costs of \$838,249 from a brokered private placement and \$280,950 on the exercise of options, compared to \$14,215,165, less costs of \$726,445, for the period ended September 30, 2005.

### INVESTING ACTIVITIES

Investing activities required cash of \$4,491,524 during the nine months ended September 30, 2006, compared to \$5,163,231 for the 2005 period. These investing activities were for additions to the Navidad Project in Argentina.

### RELATED PARTY TRANSACTIONS

Effective January 1, 2005 the Company engaged the Grosso Group Management Ltd. (the "Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company now owned by the Company, Golden Arrow Resources Corporation, Amera Resources Corporation, Astral Mining Corporation and Gold Point Energy Corp., each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a reasonable pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During the nine months ended September 30, 2006, the Company incurred fees of \$574,677 to the Grosso Group: \$554,335 was paid in monthly payments and \$21,563 is included in accounts receivable as a result of a review of the allocation of the Grosso Group costs to the member companies for the period. In addition, included in accounts receivable, prepaids and deposits is a \$205,000 deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

On May 6, 2005, on the signing of an Administration Services Agreement, the Company transferred its corporate equipment and leasehold improvements to Grosso Group at their carrying values of \$93,177 as of December 31, 2004. As of September 30, 2006 the Company has received \$46,589 from the Grosso Group for these assets. The remaining balance due from the Grosso Group is included in accounts receivable.

The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President. On April 12, 2006 the Board accepted the recommendation from the Compensation Committee to increase the monthly fee, effective May 1, 2006, to \$20,833 (previously \$8,500) and to pay a bonus of \$150,000. The total compensation paid to the President during the period was \$288,167.

In the event the contract is terminated by the Company or as a result of a change of control, a bonus is payable to the President consisting of (i) any monthly compensation due to the date of termination, (ii) options as determined by the board of directors, (iii) three years of monthly compensation (which may be adjusted annually) and (iv) bonus of \$461,500. If the termination had occurred on September 30, 2006, the amount payable under the agreement would be \$1,211,500.

In the event the contract is terminated by the Company as a result of the President's death or permanent disability while providing services to the

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Company, a bonus in the amount of \$461,500 is payable.

During the nine months ended September 30, 2006, the Company paid \$154,750 to directors and officers or companies controlled by directors and officers of the Company, for technical, management and consulting services provided.

The Company has agreements with a company controlled by the wife of the President of the Company for the rental of office premises. Effective January 1, 2005 the Company subleased the office premises to the Grosso Group.

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### CRITICAL ACCOUNTING 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.

Reference should be made to the Company's significant accounting policies contained in Note 3 of the Company's consolidated financial statements for the years ended December 31, 2005, 2004 and 2003. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

### RECENT ACCOUNTING PRONOUNCEMENTS

Reference should be made to the recent accounting pronouncements in Canada and in United States that are described in Note 10 of the Company's consolidated financial statements for the years ended December 31, 2005, 2004 and 2003.

### MINERAL PROPERTIES AND DEFERRED COSTS

Under the terms of the July 14, 2006 court order the Company's ownership of the Navidad project must be transferred to Aquiline and the Company accordingly cautions readers that until the British Columbia Court of Appeal rules on the matter the Company may only recover the costs incurred in the development of the Navidad project. As discussed above, on October 18, 2006, the Company and Aquiline reached an agreement in respect to the recoverable costs. The Company's position is that it will be successful in its appeal and will recover all or a significant portion of its ownership interest in the Navidad project.

Consistent with the Company's accounting policy disclosed in Note 3 of the annual consolidated financial statements, direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company have been capitalized on an individual property basis. For certain acquisitions and related payments for mineral property interests, the Company records a future income tax liability and a corresponding adjustment to the related asset carrying amount if the expenditures do not have the corresponding tax basis. It is the Company's policy to expense any exploration associated costs not related to specific projects or properties. 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

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engineers and consultants. When it is determined that a project or property will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or property. In 2006 and in 2005 no impairment of long-lived assets was identified.

### FINANCIAL INSTRUMENTS

The Company's financial instruments consisting of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of those instruments. As of September 30, 2006, the market value of marketable securities was \$250,500 (September 30, 2005 - \$244,500). These marketable securities are considered "Navidad related assets" subject to transfer to Aquiline.

### RISK FACTORS

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 litigation, 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. Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. For a more complete discussion of these risks and others, reference should be made to the December 31, 2005 Management Discussion and Analysis.

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### SHARE DATA INFORMATION

As of November 14, 2006 there were 52,013,065 common shares, 3,504,404 warrants and 4,764,000 stock options outstanding.

### INVESTOR RELATIONS

The Company currently does not engage any outside investor relations consultants. Mr. Sean Hurd is the Company's Vice-President, Investor Relations and coordinates investor relations activities. The Company also maintains a web site at [www.imaexploration.com](http://www.imaexploration.com).

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### FORM 52-109F2 CERTIFICATION OF INTERIM FILINGS

I, Joseph Grosso, President & Chief Executive Officer of IMA Exploration Inc., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) of IMA Exploration Inc. (the issuer) for the interim period ending September 30, 2006;



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2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared; and
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: November 14, 2006

/s/ JOSEPH GROSSO

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Joseph Grosso,  
President & Chief Executive Officer

### FORM 52-109F2 CERTIFICATION OF INTERIM FILINGS

I, Arthur Lang, Chief Financial Officer of IMA Exploration Inc., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) of IMA Exploration Inc. (the issuer) for the interim period ending September 30, 2006;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the

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period covered by the interim filings;

3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared; and
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: November 14, 2006

/s/ ARTHUR LANG

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Arthur Lang, Chief Financial Officer