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IMA EXPLORATION INC  
Form 6-K  
January 14, 2004

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 , 2003.

IMA EXPLORATION INC.

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

#709 - 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6, Canada  
-----

(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 [ X ] 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): \_\_\_\_\_

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a  
Form 6-K if submitted solely to provide an attached annual report to security  
holders.

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): \_\_\_\_\_

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a  
Form 6-K if submitted to furnish a report or other document that the registrant  
foreign private issuer must furnish and make public under the laws of the  
jurisdiction in which the registrant is incorporated, domiciled or legally  
organized (the registrant's "home country"), or under the rules of the home  
country exchange on which the registrant's securities are traded, as long as the  
report or other document is not a press release, is not required to be and has  
not been distributed to the registrant's security holders, and, if discussing a  
material event, has already been the subject of a Form 6-K submission or other  
Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this  
Form, the registrant is also thereby furnishing the information to the  
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes [ ] No [ X ]

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

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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.

-----  
(Registrant)

Date: November 28, 2003

By /s/ William Lee

-----  
William Lee, Director and  
Chief Financial Officer

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QUARTERLY REPORT

Incorporated as part of:

X Schedule A

-----  
X Schedules B & C

-----  
(place x in appropriate category)

ISSUER DETAILS:

NAME OF ISSUER

IMA EXPLORATION INC.

ISSUER ADDRESS

#709 - 837 WEST HASTINGS STREET  
VANCOUVER, BC V6C 3N6

ISSUER TELEPHONE NUMBER

(604) 687-1828

ISSUER FAX NUMBER

(604) 687-1858

CONTACT PERSON

MR. NIKO CACOS

CONTACT'S POSITION

CORPORATE SECRETARY

CONTACT'S TELEPHONE NUMBER

(604) 687-1828

CONTACT'S E-MAIL ADDRESS

info@imaexploration.com

WEBSITE

www.imaexploration.com

FOR QUARTER ENDED

SEPTEMBER 30, 2003

DATE OF REPORT

NOVEMBER 28, 2003

CERTIFICATE

-----  
THE THREE SCHEDULE(S) REQUIRED TO COMPLETE THIS QUARTERLY REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF

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DIRECTORS. A COPY OF THIS REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT.

JOSEPH GROSSO	/s/ Joseph Grosso	03/11/28
-----	-----	-----
NAME OF DIRECTOR	SIGN (TYPED)	DATE SIGNED (YY/MM/DD)
WILLIAM LEE	/s/ William Lee	03/11/28
-----	-----	-----
NAME OF DIRECTOR	SIGN (TYPED)	DATE SIGNED (YY/MM/DD)

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SCHEDULE A

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IMA EXPLORATION INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 2003 and 2002

(Unaudited - Prepared by Management)

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SCHEDULE A

IMA EXPLORATION INC.  
INTERIM CONSOLIDATED BALANCE SHEETS  
(Unaudited - Prepared by Management)

September 30, 2003	December 31, 2002
\$	\$
	(Audited)

ASSETS

CURRENT ASSETS

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Cash and cash equivalents	4,346,295	1,436,124
Amounts receivable and prepaids	130,175	79,661
Marketable securities (Note 3)	273,460	23,460
	-----	-----
	4,749,930	1,539,245
PROPERTY, PLANT AND EQUIPMENT	42,398	45,517
MINERAL PROPERTIES AND DEFERRED COSTS (Note 4)	7,214,347	5,847,727
	-----	-----
	12,006,675	7,432,489
	=====	=====

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	123,492	108,351
	-----	-----

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 6)	26,860,402	21,354,823
CONTRIBUTED SURPLUS	461,646	128,260
DEFICIT	(15,438,865)	(14,158,945)
	-----	-----
	11,883,183	7,324,138
	-----	-----
	12,006,675	7,432,489
	=====	=====

APPROVED BY THE BOARD OF DIRECTORS

/s/ Joseph Grosso, Director  
-----

/s/ William Lee , Director  
-----

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

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SCHEDULE A

IMA EXPLORATION INC.  
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT  
(Unaudited - Prepared by Management)

	Three Months Ended September 30,	Nine Mon Jun
	-----	-----
	2003	2003

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	\$	\$	\$
EXPENSES			
Administrative and management services	64,300	55,160	181,450
Bank charges	1,731	1,151	7,700
Corporate development and investor relations	98,468	54,546	269,134
Costs associated with cancelled financing (Note 6(b))	94,610	-	94,610
Depreciation	5,546	4,892	16,638
General exploration	30,376	37,965	151,969
Office and sundry	17,401	6,652	43,434
Printing	29,329	1,694	44,011
Professional fees	47,734	36,016	96,000
Rent, parking and storage	13,557	18,680	40,663
Salaries and employee benefits	50,000	52,394	147,934
Stock based compensation (Note 5)	346,080	-	346,080
Telephone and utilities	9,039	11,279	28,845
Transfer agent and regulatory fees	7,075	6,452	42,420
Travel and accommodation	16,498	136	49,268
	-----	-----	-----
LOSS BEFORE THE FOLLOWING	(831,744)	(287,017)	(1,560,156)
FOREIGN EXCHANGE	5,604	(6,501)	887
GAIN ON DISPOSITION OF MINERAL PROPERTY AND DEFERRED COSTS	234,848	-	234,848
INTEREST AND OTHER INCOME	27,790	9,390	44,501
	-----	-----	-----
LOSS FOR THE PERIOD	(563,502)	(284,128)	(1,279,920)
DEFICIT - BEGINNING OF PERIOD	(14,875,363)	(13,387,869)	(14,158,945)
	-----	-----	-----
DEFICIT - END OF PERIOD	(15,438,865)	(13,671,997)	(15,438,865)
	=====	=====	=====
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.02)	\$ (0.01)	\$ (0.04)
	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	34,278,040	25,048,704	31,082,130
	=====	=====	=====

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

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SCHEDULE A

IMA EXPLORATION INC.  
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited - Prepared by Management)

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	Three Months Ended September 30,		Nine Mon Jun
	2003	2002	2003
	\$	\$	\$
<b>OPERATING ACTIVITIES</b>			
Loss for the period	(563,502)	(284,128)	(1,279,920)
Items not involving cash			
Depreciation	5,546	4,892	16,638
Gain on disposition of mineral properties and deferred costs	(234,848)	-	(234,848)
Stock based compensation	346,080	-	346,080
	-----	-----	-----
	(446,724)	(279,236)	(1,152,050)
Decrease (increase) in amounts receivable and prepaids	(40,868)	24,578	(50,514)
Increase (decrease) in accounts payable and accrued liabilities	54,556	(41,543)	15,141
	(433,036)	(296,201)	(1,187,423)
	-----	-----	-----
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposition of mineral properties and deferred costs	108,665	-	108,665
Expenditures on mineral properties and deferred costs	(475,704)	(227,265)	(1,490,437)
Purchase of equipment	(3,078)	(6,478)	(13,519)
	-----	-----	-----
	(370,117)	(233,743)	(1,395,291)
	-----	-----	-----
<b>FINANCING ACTIVITIES</b>			
Issuance of common shares	1,088,943	912,935	5,667,686
Share issue costs	(7,500)	(31,823)	(174,801)
	-----	-----	-----
	1,081,443	881,112	5,492,885
	-----	-----	-----
<b>INCREASE IN CASH     AND CASH EQUIVALENTS</b>			
	278,290	351,168	2,910,171
<b>CASH AND CASH EQUIVALENTS -     BEGINNING OF PERIOD</b>			
	4,068,005	1,735,652	1,436,124
	-----	-----	-----
<b>CASH AND CASH EQUIVALENTS -     END OF PERIOD</b>			
	4,346,295	2,086,820	4,346,295
	=====	=====	=====
<b>CASH AND CASH EQUIVALENTS COMPRISED OF:</b>			
Cash	1,546,295	1,281,951	1,546,295
Term deposits	2,800,000	804,869	2,800,000
	-----	-----	-----
	4,346,295	2,086,820	4,346,295
	=====	=====	=====

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

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SCHEDULE A

IMA EXPLORATION INC.  
CONSOLIDATED SCHEDULE OF DEFERRED EXPLORATION COSTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003  
(Unaudited - Prepared by Management)

	Argentina			
	Valle de	Gualcamayo	NW San Juan	
	Cura		Mogote	Other
	Other	Other	Mogote	Other
	\$	\$	\$	\$
Balance, beginning of period	1,879,040	16,240	68,514	33,317
Expenditures during the period				
Assays	-	-	7,823	-
Contractors	-	-	1,513	-
Drilling	-	-	-	-
Environmental	-	-	-	-
Field supplies	-	-	9,196	-
Field workers	-	-	-	-
Geological	-	-	47,823	-
Geological supplies	-	-	3,937	-
Geophysics	-	-	-	-
Geophysics supplies	-	-	-	-
Office	-	-	3,429	-
Other	2,928	1,499	2,648	221
Staking and statutory fees	-	-	841	2,881
Surveying	-	-	-	-
Travel	-	-	732	-
Vehicles	-	-	508	-
Disposition of property	-	-	-	-
Option payments received	(94,803)	-	-	-
	(91,875)	1,499	78,450	3,102
Balance, end of period	1,787,165	17,739	146,964	36,419

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

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SCHEDULE A

IMA EXPLORATION INC.  
 CONSOLIDATED SCHEDULE OF DEFERRED EXPLORATION COSTS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003  
 (Unaudited - Prepared by Management)

	Argentina				
	Chubut				Other
	Navidad	La Bayas	Laguna de Los Toros	Other	
	\$	\$	\$	\$	\$
Balance, beginning of period	5,090	112,190	139,703	97,890	30,972
Expenditures during the period					
Assays	57,476	13,344	-	11,470	-
Contractors	-	18,639	-	-	-
Drilling	-	195,958	-	-	-
Environmental	7,956	307	-	-	-
Field supplies	5,742	3,726	-	510	-
Field workers	-	-	-	-	-
Geological	196,460	27,973	1,207	4,947	-
Geological supplies	26,650	4,986	-	1,217	-
Geophysics	69,736	-	-	-	-
Geophysics supplies	30,299	-	-	-	-
Officer	9,798	2,637	359	2,012	-
Other	42,100	539	259	12,447	2,914
Staking and statutory fees	2,959	-	-	90,874	-
Surveying	39,354	-	-	-	-
Travel	18,766	9,610	50	93	-
Vehicles	12,786	9,554	2	4,982	-
Disposition of property	-	-	-	(15,152)	-
Option payments received	-	-	-	(13,862)	-
	520,082	287,273	1,877	99,538	2,914
Balance, end of period	525,172	399,463	141,580	197,428	33,886

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

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SCHEDULE A



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IMA EXPLORATION INC.  
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003  
 (Unaudited - Prepared by Management)

1. NATURE OF OPERATIONS

The Company is in the process of exploring its mineral properties in South America and evaluating other mineral properties. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. 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 core operations for the next year.

2. SIGNIFICANT ACCOUNTING POLICIES

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 with 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.

3. MARKETABLE SECURITIES

	September 30, 2003		December 31,
	Recorded Value \$	Quoted Market Value \$	Recorded Value \$
Ballad Gold & Silver Ltd. - 500,000 common shares	250,000	305,000	-
Other	23,460	121,211	23,460
	273,460	426,211	23,460
	273,460	426,211	23,460

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SCHEDULE A

IMA EXPLORATION INC.  
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003  
 (Unaudited - Prepared by Management)

4. MINERAL PROPERTIES AND DEFERRED COSTS

	September 30, 2003			December 31, 2002		
	Acquisition Costs \$	Deferred Exploration Costs \$ (see schedule)	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Argentina:						
Valle de Cura	672,316	1,787,165	2,459,481	661,635	1,879,040	2,540,675
Gualcamayo	96,303	17,739	114,042	85,621	16,240	101,861
NW San Juan	66,667	183,383	250,050	51,065	101,831	152,896
Chubut	-	1,263,643	1,263,643	-	354,873	354,873
Other	-	33,886	33,886	-	30,972	30,972
	835,286	3,285,816	4,121,102	798,321	2,382,956	3,181,277
Peru:						
Rio Tabaconas	744,127	2,349,118	3,093,245	700,046	1,966,404	2,666,450
	1,579,413	5,634,934	7,214,347	1,498,367	4,349,360	5,847,727

(a) During the nine months ended September 30, 2003, the Company entered into agreements with Amera Resources Corporation ("Amera") to:

(i) farm out its Mogote Property in the NW San Juan Region of Argentina to Amera, whereby Amera has the option to earn a 51% interest in the 8,009 hectare Mogote Property by issuing a total of 1,650,000 common shares of Amera to the Company and by incurring US\$1.25 million of expenditures, including work programs and underlying option payments, all over a five year period.

On September 30, 2003, the Company and Amera amended the terms of the option whereby Amera has agreed to reimburse the Company, on a non-refundable basis, \$192,952 for payments made and expenditures which had been incurred by the Company on the Mogote Property; and

(ii) sell a 100% undivided interest in three mineral properties, comprising 24,280 hectares (the "Chubut Properties"), located in Chubut Province, Argentina, for 500,000 common shares of Amera. In addition, in the event that a decision is made to place the Chubut Properties into commercial production, Amera will pay the

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Company a bonus of US\$250,000 and a 3% net smelter returns royalty.

Amera is a private company which is in the process of completing a public offering. The president of Amera is also a director of the Company. In addition, certain directors and officers of the Company are also shareholders of Amera. Subsequent to September 30, 2003, Amera received final regulatory approvals and has reimbursed the Company the \$192,952. Amera's initial public offering is expected to be completed by December 1, 2003, at which time Amera will issue an initial 600,000 shares to the Company.

- (b) The Company has entered into an option agreement to farm out a minor property acquired by the Company. The Company has received common shares of publicly traded companies as partial consideration. See Note 3.

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SCHEDULE A

IMA EXPLORATION INC.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003  
(Unaudited - Prepared by Management)

### 5. STOCK BASED COMPENSATION

During the nine months ended September 30, 2003, the Company granted stock options to its employees and directors to purchase up to 1,438,500 shares of the Company. The Company has also granted stock options to consultants to purchase up to 480,000 shares of the Company. The options are exercisable at prices ranging from \$0.84 per share to \$1.87 per share and have a 5 year term to expiry.

The Company has recognized compensation expense of \$346,080 for the stock options granted to consultants during the nine months ended September 30, 2003 which vested immediately.

As the Company did not adopt the fair value method of accounting for stock options granted to employees and directors, Section 3870 requires disclosure of pro forma amounts that reflect the impact as if the Company had adopted the fair value based method of accounting. Had compensation costs for the Company's stock options granted to employees and directors been accounted for under the fair value method, the Company's net loss and loss per share would have increased as follows:

	\$
Net loss for the period	
- as reported	(1,279,920)
- compensation expense	(910,578)
	-----
- pro-forma	(2,190,498)
	=====
Basic and diluted loss per common share	
- as reported	\$ (0.04)
- pro-forma	\$ (0.07)

The fair value of stock options granted to employees and directors was

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estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grants made during the period:

Risk-free interest rate	2.58% - 4.37%
Estimated volatility	60% - 104%
Expected life	2.5 years

The weighted average fair value per share of stock options, calculated using the Black-Scholes option pricing model, granted during the period was \$0.63 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.

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SCHEDULE A

IMA EXPLORATION INC.  
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003  
 (Unaudited - Prepared by Management)

6. SHARE CAPITAL

Authorized: 99,708,334 common shares without par value  
 Issued and allotted:

	September 30, 2003		December 31, 2002	
	Shares	Amount \$	Shares	Amount \$
Balance, beginning of period	26,550,606	21,354,823	18,592,219	18,090,497
Issued during the period for:				
Private placements	2,900,000	2,610,000	5,703,026	2,552,870
Exercise of warrants	4,133,477	2,361,586	2,085,361	837,512
Exercise of options	1,474,750	638,774	170,000	68,000
Exercise of agent's option	77,800	70,020	-	-
Less: Share issue costs	-	(174,801)	-	(194,056)
	8,586,027	5,505,579	7,958,387	3,264,326
Balance, end of period	35,136,633	26,860,402	26,550,606	21,354,823

(a) During April 2003, the Company completed a brokered private placement for 2,900,000 units at a price of \$0.90 for cash proceeds of \$2,435,199, net of share issue costs of \$174,801. Each unit consisted of one common share of the Company and one-half non-transferable common share purchase warrant. One whole warrant entitles the holder

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to purchase one common share for the exercise price of \$1.10 on or before April 28, 2004. In addition, the Company granted the agent an option to purchase 195,750 units on the same terms as the private placement. Certain officers and directors of the Company have purchased 445,000 units of the private placement. During the nine months ended September 30, 2003, the Agent exercised options to purchase 77,800 units.

(b) In September 2003, the Company agreed to conduct a brokered private placement of 2 million units, at a price of \$2.25, to raise \$4.5 million. The financing was not completed. Accordingly, costs of \$94,610 associated with the financing have been charged to operations.

(c) Stock Options

A summary of the Company's outstanding stock options at September 30, 2003, and the changes for the nine months ended September 30, 2003, is presented below:

	Options Outstanding and Exercisable	Weighted Average Exercise Price \$
Balance, beginning of period	2,465,500	0.44
Granted	1,918,500	1.60
Exercised	(1,474,750)	0.42
	-----	
Balance, end of period	2,909,250	1.21
	=====	

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SCHEDULE A

IMA EXPLORATION INC.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003  
(Unaudited - Prepared by Management)

6. SHARE CAPITAL (continued)

Stock options outstanding and exercisable at September 30, 2003, are as follows:

Number	Exercise Price \$	Expiry Date
278,750	0.40	July 19, 2006
379,000	0.50	May 2, 2007
340,000	0.50	Sept. 23, 2007
216,500	0.84	March 7, 2008
300,000	0.90	May 30, 2008
1,395,000	1.87	Aug. 27, 2008
	-----	
2,909,250		
	=====	

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(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, 2003, and the changes for the nine months ended September 30, 2003, is as follows:

	Number
Balance, beginning of period	9,511,550
Issued	1,488,900
Expired	(3,001)
Exercised	(4,133,477)
	-----
Balance, end of period	6,863,972
	=====

Common shares reserved pursuant to warrants outstanding at September 30, 2003 are as follows:

Number	Exercise Price \$	Expiry Date
1,622,222	0.60	May 23, 2004
1,172,915	0.60	Sept. 27, 2004
1,268,489	0.75	Sept. 15, 2004
1,253,667	0.90	Mar. 16, 2005
173,667	0.75	Apr. 19, 2005
1,373,012	1.10	Apr. 28, 2004
6,863,972		

(d) See also Note 11.

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SCHEDULE A

IMA EXPLORATION INC.  
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003  
 (Unaudited - Prepared by Management)

7. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2003, the Company:

- (i) paid a total of \$249,600 to officers and directors of the Company for salaries, management and consulting services provided;
- (ii) paid \$45,693 for rent to a company owned by the President of the Company and his wife; and
- (iii) received \$18,000 from Amera for shared rent and administration.

Other related party transactions are disclosed elsewhere in these interim consolidated financial statements.

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### 8. SEGMENTED INFORMATION

The Company's principal activities are the exploration of mineral properties in Argentina and Peru. Management reviews the financial results according to expenditures by property.

Segment assets by geographical location are as follows:

	September 30, 2003			
	Canada	Argentina	Peru	Total
	\$	\$	\$	\$
Equipment	30,358	7,032	5,008	42,398
Mineral properties and deferred costs	-	4,121,102	3,093,245	7,214,347
	-----	-----	-----	-----
	30,358	4,128,134	3,098,253	7,256,745
	=====	=====	=====	=====
	December 31, 2002			
	Canada	Argentina	Peru	Total
	\$	\$	\$	\$
Equipment	34,323	5,817	5,377	45,517
Mineral properties and deferred costs	-	3,181,277	2,666,450	5,847,727
	-----	-----	-----	-----
	34,323	3,187,094	2,671,827	5,893,244
	=====	=====	=====	=====

### 9. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of the Company's financial instruments consisting of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their carrying values. As of September 30, 2003, the market value of marketable securities was \$426,211.

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SCHEDULE A

IMA EXPLORATION INC.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003  
(Unaudited - Prepared by Management)

### 10. SUPPLEMENTARY CASH FLOW INFORMATION

During the nine months ended September 30, 2003, the Company:

- i) received common shares of Ballad pursuant to a farm-out option agreement, as described in Note 4, with a deemed cost of \$250,000; and

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ii) transferred \$12,694 from contributed surplus to share capital on the exercise of stock options.

### Supplemental Cash flow information

	September 30, 2003	September 30, 2002
	\$	\$
Interest paid in cash	-	-
	=====	=====
Income taxes paid in cash	-	-
	=====	=====

### 11. SUBSEQUENT EVENT

Subsequent to September 30, 2003, the Company issued 703,875 shares for \$463,368 on the exercises of stock options and warrants.

BC FORM 51-901F

SCHEDULE B

IMA EXPLORATION INC.  
QUARTERLY REPORT  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

#### 1.(a) GENERAL AND ADMINISTRATIVE EXPENSES

	\$
Administrative and management services	181,450
Bank charges and interest	7,700
Corporate development and investor relations	269,134
Depreciation	16,638
Office and sundry	43,434
Printing	44,011
Professional fees	96,000
Rent, parking and storage	40,663
Salaries and employee benefits	147,934
Telephone and utilities	28,845
Transfer agent and regulatory fees	42,420
Travel and accommodation	49,268
	-----
	967,497
	=====

#### 1.(b) MINERAL PROPERTIES AND DEFERRED COSTS

See next page for consolidated schedule of mineral properties and deferred costs.

#### 1.(c) GENERAL EXPLORATION EXPENSES

	\$
Accounting services	10,814
Bank fees	9,672



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Consulting	21,335
Insurance	12,066
Geological	44,246
Geological supplies	9,864
Legal	15,486
Office	10,392
Supplies	1,443
Travel	1,005
Vehicle	15,646
	-----
	151,969
	=====

2.(a) RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2003, the Company:

- (i) paid a total of \$249,600 to officers and directors of the Company for salaries, management and consulting services provided;
- (ii) paid \$45,693 for rent to a company owned by the President of the Company and his wife;
- (iii) received \$18,000 from Amera Resources Corporation ("Amera"), a private company with a common director for shared rent and administration;
- (iv) entered into a number of agreements with Amera whereby the Company agreed to option and sell certain of its mineral properties to Amera. Details of the terms are described in Note 4 of the Company's interim consolidated financial statements; and
- (v) conducted a private placement in which certain officers and directors of the Company purchased 445,000 units for \$400,500.

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SCHEDULE B

IMA EXPLORATION INC.  
 QUARTERLY REPORT  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

1.(b) MINERAL PROPERTIES AND DEFERRED COSTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

	Argentina			
	Valle de Cura	Gualcamayo	NW San Juan	
	Other \$	Other \$	Mogote \$	Other \$
Balance, beginning of period	2,540,675	101,861	107,940	44,956
Option payments	10,681	10,682	15,602	-
Expenditures during the period				
Assays	-	-	7,823	-
Contractors	-	-	1,513	-
Drilling	-	-	-	-

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Environmental	-	-	-	-
Field supplies	-	-	9,196	-
Field workers	-	-	-	-
Geological	-	-	47,823	-
Geological supplies	-	-	3,937	-
Geophysics	-	-	-	-
Geophysics supplies	-	-	-	-
Office	-	-	3,429	-
Other	2,928	1,499	2,648	221
Staking and statutory fees	-	-	841	2,881
Surveying	-	-	-	-
Travel	-	-	732	-
Vehicles	-	-	508	-
Disposition of property	-	-	-	-
Option payments received	(94,803)	-	-	-
	(91,875)	1,499	78,450	3,102
Balance, end of period	2,459,481	114,042	201,992	48,058

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SCHEDULE B

IMA EXPLORATION INC.  
 QUARTERLY REPORT  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

1.(b) MINERAL PROPERTIES AND DEFERRED COSTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 (continued)

	Argentina				
	Chubut				Other
	Navidad	La Bayas	Laguna de Los Toros	Other	\$
	\$	\$	\$	\$	\$
Balance, beginning of period	5,090	112,190	139,703	97,890	30,972
Option payments	-	-	-	-	-
Expenditures during the period					
Assays	57,476	13,344	-	11,470	-
Contractors	-	18,639	-	-	-
Drilling	-	195,958	-	-	-
Environmental	7,956	307	-	-	-
Field supplies	5,742	3,726	-	510	-
Field workers	-	-	-	-	-
Geological	196,460	27,973	1,207	4,947	-
Geological supplies	26,650	4,986	-	1,217	-
Geophysics	69,736	-	-	-	-
Geophysics supplies	30,299	-	-	-	-
Officer	9,798	2,637	359	2,012	-
Other	42,100	539	259	12,447	2,914

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Staking and statutory fees	2,959	-	-	90,874	-
Surveying	39,354	-	-	-	-
Travel	18,766	9,610	50	93	-
Vehicles	12,786	9,554	2	4,982	-
Disposition of property	-	-	-	(15,152)	-
Option payments received	-	-	-	(13,862)	-
	-----	-----	-----	-----	-----
	520,082	287,273	1,877	99,538	2,914
	-----	-----	-----	-----	-----
Balance, end of period	525,172	399,463	141,580	197,428	33,886
	=====	=====	=====	=====	=====

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SCHEDULE B

IMA EXPLORATION INC.  
 QUARTERLY REPORT  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

3. (a) SECURITIES ISSUED DURING THE PERIOD ENDED SEPTEMBER 30, 2003

Date of Issue	Type of Security	Type of Issue	Number	Price	Total Proceeds	T Cons
-----	-----	-----	-----	-----	-----	-----
				\$	\$	
Jan. 2003	Common	Warrants	13,500	0.45	6,075	
Feb. 2003	Common	Options	10,000	0.40	4,000	
Feb. 2003	Common	Warrants	400,000	0.45	180,000	
Feb. 2003	Common	Warrants	112,015	0.54	60,488	
Mar. 2003	Common	Options	25,000	0.40	10,000	
Mar. 2003	Common	Warrants	2,000	0.75	1,500	
Mar. 2003	Common	Warrants	11,111	0.53	5,889	
Mar. 2003	Common	Warrants	1,330	0.50	665	
Mar. 2003	Common	Warrants	1,206,500	0.45	542,926	
Mar. 2003	Common	Warrants	527,343	0.54	284,765	
Mar. 2003	Common	Warrants	60,000	0.55	33,000	
Apr. 2003	Common	Private placement	2,900,000	0.90	2,610,000	
Apr. 2003	Common	Options	142,000	0.40	56,800	
Apr. 2003	Common	Options	160,000	0.50	80,000	
Apr. 2003	Common	Warrants	275,725	0.54	148,892	
Apr. 2003	Common	Warrants	5,000	0.75	3,750	
Apr. 2003	Common	Warrants	100,000	0.53	53,000	
Apr. 2003	Common	Warrants	40,000	0.55	22,000	
May 2003	Common	Warrants	85,000	0.55	46,750	
May 2003	Common	Warrants	55,555	0.53	29,444	
May 2003	Common	Options	20,500	0.50	10,250	
May 2003	Common	Options	4,250	0.40	1,700	
June 2003	Common	Warrants	149,933	0.75	112,450	
June 2003	Common	Warrants	25,000	0.55	13,750	
June 2003	Common	Warrants	20,000	0.90	18,000	
June 2003	Common	Options	70,500	0.50	35,250	
June 2003	Common	Options	518,500	0.40	207,400	
July 2003	Common	Warrants	30,000	0.90	27,000	

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July 2003	Common	Warrants	54,000	0.55	29,700
July 2003	Common	Warrants	501,434	0.75	376,076
July 2003	Common	Options	10,000	0.50	5,000
July 2003	Common	Options	100,000	0.40	40,000
Aug. 2003	Common	Warrants	93,500	0.90	84,150
Aug. 2003	Common	Warrants	69,477	0.75	52,108
Aug. 2003	Common	Warrants	55,000	0.55	30,250
Aug. 2003	Common	Warrants	18,468	0.50	9,234
Aug. 2003	Common	Warrants	5,888	1.10	6,477
Aug. 2003	Common	Options	14,400	0.40	5,760
Sept. 2003	Common	Warrants	25,000	0.75	18,750
Sept. 2003	Common	Warrants	17,698	0.50	8,849
Sept. 2003	Common	Warrants	110,000	1.10	121,000
Sept. 2003	Common	Warrants	63,000	0.55	34,650
Sept. 2003	Common	Options	322,600	0.40	129,040
Sept. 2003	Common	Options	70,000	0.50	35,000
Sept. 2003	Common	Options	7,000	0.84	5,880
Sept. 2003	Common	Agent's Options	77,800	0.90	70,020

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SCHEDULE B

IMA EXPLORATION INC.  
 QUARTERLY REPORT  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

3. (b) OPTIONS GRANTED DURING THE PERIOD ENDED SEPTEMBER 30, 2003

Date Granted	Number of Shares	Type of Option	Name	Exercise Price	Expiry Date
-----	-----	-----	-----	-----	-----
				\$	
Mar. 7, 2003	50,000	Employee	K. Patterson	0.84	Mar. 7, 2008
Mar. 7, 2003	30,000	Employee	D. Charchafle	0.84	Mar. 7, 2008
Mar. 7, 2003	21,500	Employee	J.C. Beretta	0.84	Mar. 7, 2008
Mar. 7, 2003	25,000	Employee	M. Saldana	0.84	Mar. 7, 2008
Mar. 7, 2003	25,000	Employee	N. Demare	0.84	Mar. 7, 2008
Mar. 7, 2003	50,000	Director	W. Lee	0.84	Mar. 7, 2008
Mar. 7, 2003	15,000	Employee	A. Sanchez	0.84	Mar. 7, 2008
Mar. 7, 2003	7,000	Employee	M. Briones	0.84	Mar. 7, 2008
May 30, 2003	150,000	Director	R. Angus	0.90	May 30, 2008
May 30, 2003	150,000	Director	C. Idziszek	0.90	May 30, 2008
Aug. 27, 2003	200,000	Director	J. Grosso	1.87	Aug. 27, 2003
Aug. 27, 2003	50,000	Director	G. Carlson	1.87	Aug. 27, 2003
Aug. 27, 2003	100,000	Director	S. Hurd	1.87	Aug. 27, 2003
Aug. 27, 2003	75,000	Director	W. Lee	1.87	Aug. 27, 2003
Aug. 27, 2003	75,000	Director	N. Cacos	1.87	Aug. 27, 2003
Aug. 27, 2003	50,000	Employee	N. DeMare	1.87	Aug. 27, 2003
Aug. 27, 2003	30,000	Employee	J.C. Berretta	1.87	Aug. 27, 2003
Aug. 27, 2003	5,000	Employee	J. Denee	1.87	Aug. 27, 2003
Aug. 27, 2003	15,000	Employee	D. Bussandri	1.87	Aug. 27, 2003
Aug. 27, 2003	15,000	Employee	S. Kain	1.87	Aug. 27, 2003
Aug. 27, 2003	300,000	Employee	S. Phillips	1.87	Aug. 27, 2003
Aug. 27, 2003	10,000	Consultant	D. Charchafle	1.87	Aug. 27, 2003
Aug. 27, 2003	220,000	Consultant	C. D'Amico	1.87	Aug. 27, 2003
Aug. 27, 2003	50,000	Consultant	R. Dragon	1.87	Aug. 27, 2003
Aug. 27, 2003	120,000	Consultant	A. Colucci	1.87	Aug. 27, 2003
Aug. 27, 2003	15,000	Consultant	L. Salley	1.87	Aug. 27, 2003

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Aug. 27, 2003	30,000	Consultant	P. Hedblom	1.87	Aug. 27, 2003
Aug. 27, 2003	25,000	Consultant	J. Wong	1.87	Aug. 27, 2003
Aug. 27, 2003	10,000	Consultant	M. Maksym	1.87	Aug. 27, 2003

4.(a) AUTHORIZED AND ISSUED SHARE CAPITAL AS AT JUNE 30, 2003

Class	Par Value	Authorized Number	Issued	
			Number	Amount
Common	WPV	99,708,334	35,136,633	\$26,860,402

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SCHEDULE B

IMA EXPLORATION INC.  
 QUARTERLY REPORT  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

4.(b) OPTIONS AND WARRANTS OUTSTANDING AS AT SEPTEMBER 30, 2003

Security	Number	Exercise Price	Expiry Date
		\$	
Options	278,750	0.40	Jul. 19, 2006
Options	379,000	0.50	May 02, 2007
Options	340,000	0.50	Sept. 23, 2007
Options	216,500	0.84	Mar. 07, 2008
Options	300,000	0.90	May 30, 2008
Options	1,395,000	1.87	Aug. 27, 2008
	-----		
	2,909,250		
	=====		
Warrants	1,268,489	0.75	Sept. 15, 2004
Warrants	173,667	0.75	Apr. 19, 2005
Warrants	1,253,667	0.90	Mar. 16, 2005
Warrants	1,622,222	0.60	May 23, 2004
Warrants	1,172,915	0.60	Sept. 27, 2004
Warrants	1,373,012	1.10	Apr. 28, 2004
	-----		
	6,863,972		
	=====		

Pursuant to the 2,900,000 unit brokered private placement financing, the Company has granted an option to the agent to acquire 195,750 units at \$0.90 per unit. Each unit will consist of one common share and one-half non-transferable common share purchase warrant. One whole warrant will entitle the agent to purchase one common share for the exercise price of \$1.10 per share, on or before April 28, 2004. During the nine months ended September 30, 2003, the agent exercised options to purchase 77,800 units.

4.(c) SHARES IN ESCROW OR SUBJECT TO POOLING AS AT SEPTEMBER 30, 2003

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There were no shares subject to escrow or pooling as at September 30, 2003.

### 5.(a) LIST OF DIRECTORS AND OFFICERS AS AT SEPTEMBER 30, 2003

#### Directors:

Gerald D. Carlson  
Joseph Grosso  
William Lee  
Sean Hurd  
Robert Stuart (Tookie) Angus  
Nikolaos Cacos  
Chet Idziszek

#### Officers:

Gerald D. Carlson (Chairman)  
Joseph Grosso (President & CEO)  
William Lee (CFO)  
Nikolaos Cacos (Secretary)

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SCHEDULE C

IMA EXPLORATION INC.  
QUARTERLY REPORT  
FOR THE PERIOD ENDED SEPTEMBER 30, 2003

### MANAGEMENT DISCUSSION AND ANALYSIS

#### INTRODUCTION

The following management's discussion and analysis and financial review should be read in conjunction with the Company's consolidated financial statements and related notes.

#### OVERVIEW

The Company owns outright, or has the right to acquire through various option agreements, interests in a number of exploration properties in Argentina and one property in Peru.

The properties on which the Company has concentrated its exploration efforts over the last few years are Navidad, Las Bayas, Mogote and Rio Tabaconas. The Company has also acquired, through staking, interests in a number of properties in Chubut. With its focus on the Navidad property, the Company is considering farm-outs for some of its properties as a means by which exploration can be conducted. Certain farm-out deals have been made on certain properties and are discussed below.

On November 18, 2003, the Company announced all required permits for drilling at the Navidad property have been received and a drill contract has been awarded to Connors Argentina, S.A. Construction of drill pads and improvement of trails to allow access for drilling equipment is now underway and is expected to be completed shortly. Phase I of the two-phase 6,000 metre diamond drill program budgeted to cost approximately US\$1.5 million, is now underway at Navidad Hill.

During the months of August and September, the Company carried out an extensive market awareness program through numerous cities in Canada. On September 22, 2003 the Company announced that it had entered into an agreement with two underwriters who had agreed to purchase, on a bought-deal basis, 2,000,000 units of the Company at a purchase price of \$2.25 per unit, for a total proceeds of \$4.5 million to close on or about October 2, 2003.

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On October 15, 2003 the Company announced that it had received notice that the bought deal financing announced on September 22, 2003, would not be completed. As previously announced, the financing was scheduled to close on October 2, 2003, the same date on which the Company received a letter from Aquiline Resources Inc. ("Aquiline") requesting information on the history of the staking of Navidad. In order to discuss the details of the letter with its financial advisors, the Company was compelled to issue a news release on October 6, 2003 disclosing the Aquiline letter. This created some uncertainty in the market conditions for the Company's shares that ultimately led to the cancellation of the financing.

Aquiline's letter is exceptionally vague on substance. Aquiline has not identified any specific confidential information at issue and has not made any allegations that the Company has breached the confidentiality agreement pertaining to the Calcatreu project which was reviewed and rejected by the Company along with many other bidders.

Also on October 15, 2003, the Company initiated a legal action in the Supreme Court of British Columbia against Aquiline claiming damages, an injunction and costs for injurious falsehood, interference with contractual relations, interference with economic interests, defamation, and negligence arising out of the Defendant's issuance and publication of a letter sent to the Company on the same day that the Company was to have closed a bought deal financing.

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SCHEDULE C

IMA EXPLORATION INC.  
QUARTERLY REPORT  
FOR THE PERIOD ENDED SEPTEMBER 30, 2003

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROPERTY UPDATE

The Company's mineral property groups are Valle de Cura , Gualcamayo, NW San Juan and Chubut in Argentina; and, Rio Tabaconas, in Peru. For the quarter ended September 30, 2003, the Company focused mainly in Argentina planning logistical details of the planned drill program at Navidad.

a) ARGENTINA

VALLE DE CURA

The Company has no exploration budget commitment for the Valle del Cura region in Argentina as this group of properties is covered under the existing option agreement with Barrick Gold Corp.

The selection notice period in the property option agreement between Barrick Gold Corp. ("Barrick") and the Company was extended to December 31, 2003 to allow Barrick's technical team to review additional properties of the Company. In return for the extension, Barrick paid the Company US \$65,000 in April 2003, such funds will be utilized by the Company to fund holding costs of US \$15,000 in July 2003 and US \$50,000 in December 2003. No further work will be carried out on these properties until after December 31, 2003 when Barrick makes its election.

On September 22, 2003, the Company finalized terms for a farm-out of 10,000 ha

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Gollette property located in the Valle de Cura region to Cloudbreak Resources Ltd. ( "Cloudbreak" ), a public company listed on the Exchange. Under the terms of the option agreement, Cloudbreak can earn up to a 50 % interest by funding US \$1,000,000 and issuing 850,000 shares over three years. Cloudbreak can increase its interest to 75 % by funding US \$1,000,000 in year 4, US \$1,500,000 in year 5, issuing an additional 1,000,000 shares and providing a comprehensive report on the results on the work performed up to the date of the report. Cloudbreak will also make all underlying property holding costs to maintain the property in good standing. Cloudbreak received Exchange Acceptance to the option agreement on October 31, 2003 and will be issuing the initial 500,000 shares shortly.

### GUALCAMAYO

The Company has no exploration budget commitment for the Gualcamayo region in Argentina.

### NW SAN JUAN

A small exploration program was completed at the Mogote property in the first quarter of 2003. The Company has no further exploration budget committed for the NW San Juan region.

The results of the exploration program were announced on March 20, 2003. The work program was successful in that it expanded the gold-copper exploration potential of the project. Mogote is a copper-gold porphyry target and is located along the Argentina-Chile border in the Maricunga belt.

Detailed mapping, rock chip sampling, and talus-fines sampling have defined two intersecting target areas which are defined by coincident >100 ppb gold and >500 ppm copper in talus-fines sampling and have been confirmed by rock chip sampling. The target areas are Filo Central and Filo Este. Filo Central measures 4,000 metres by 800 metres and trends north-northwest; it includes two higher-grade (>200 ppb gold) cores measuring 1,400 by 400 metres and 900 by 250 metres. Filo Este is 2,000 metres by 700 metres in size and trends east-west; within this zone a core of >200 ppb gold in talus fines measures 1,200 by 250 metres. The >100 ppb gold contour in talus fine sampling has been previously

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SCHEDULE C

IMA EXPLORATION INC.  
QUARTERLY REPORT  
FOR THE PERIOD ENDED SEPTEMBER 30, 2003

### MANAGEMENT DISCUSSION AND ANALYSIS (continued)

used, with documented success, to define several large gold-copper deposits in the Maricunga belt. Neither of these targets have been drill tested or trenched.

The exploration work at Mogote was carried out by Linus Keating, D.Sc. under the supervision of Lindsay Bottomer, P.Geo., the Company's Qualified Person for the project.

In February, the Company received an offer to joint venture the property from Amera Resources Corporation ("Amera"). Amera has a common director with the Company and accordingly an independent committee of the Board of Directors of the Company was formed to negotiate and settle on the terms of the farm-out agreement with Amera. After negotiations the Company entered into an agreement to option this property to Amera, a private company which, as of August 8, 2003,



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has filed a preliminary prospectus with the TSX Venture Exchange (the "Exchange") and the BC Securities Commission. Amera has a common director with the Company and the farm-out to Amera is also subject to Exchange approval. Under the terms of the agreement, Amera can earn 51% interest by spending US\$1,250,000 in exploration and development expenditures on the property and issuing 1,650,000 of its common shares to the Company in varying amounts over 5 years. Included in the expenditure commitment of Amera is an obligation to reimburse the Company for all the expenditures it has incurred on the property. Subsequent to September 30, 2003, Amera received all necessary regulatory approvals to complete the acquisition and file a final prospectus to complete an initial public offering. As a result, the Company was reimbursed \$192,952 as of October 31, 2003 and 100,000 shares will be issued to the Company shortly.

The Company has received notice from Amera of plans for continued exploration at the Mogote Project. Plans include a program budgeted at CDN \$ 275,000 which will include: geological mapping, cat trenching, rock and talus samples, and a significant geophysical survey. This program is currently underway.

### CHUBUT

During late 2002 and early 2003, the Company staked a number of properties in various areas of the province of Chubut. Some of the properties staked included Costa, Lago, Pico, Corcovado, Loma Alto and Nueva Ruta properties. These properties were staked in order to target geological environments prospective for low sulphidation gold veins. Other properties staked included Penascudo and Gan Gan and extensions to the previously staked Costa property. The Company also has rights to other properties through various staking programs. The Company's inventory of resource exploration properties in Chubut is an asset which is to be developed through exploration programs or given the focus of exploration efforts at Navidad through third party agreements.

On March 6, 2003, the Company entered into an agreement to sell a 100 % undivided interest in Lago Pico (10,000 ha), Loma Alta (10,000 ha) and Nueva Ruta (4,180 ha) to Amera. The terms of the agreement were approved by the independent committee of the Company. Amera received approval from the Exchange on November 3, 2003 and will be issuing 500,000 common shares to the Company. In addition, in the event that a decision is made to place any of the properties into commercial production, the Company will receive a bonus of US\$250,000 and a 3 % net smelter return royalty.

On May 28, 2003, the Company granted Ballad Gold & Silver Ltd. ("Ballad"), a public company listed on the Exchange, an exclusive right to enter into an option agreement with the Company to earn up to 85 % interest in the Penascudo property. This right was exercised by Ballad on August 12, 2003 and Ballad's participation was approved on August 29, 2003 by the Exchange. For the initial 70% interest, Ballad must complete US \$1,800,000 of exploration work by October 31, 2008, issue 500,000 shares to the Company and make a further US \$300,000 cash payment and issue an additional 500,000 shares and complete a feasibility study on or before October 31, 2008. The initial 500,000 shares were issued to the Company on September 4, 2003. Ballad is an arm's length junior exploration company.

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### MANAGEMENT DISCUSSION AND ANALYSIS (continued)

On August 27, 2003, the Company finalized terms for a farm-out of a 1,000 hectare Chubut property to Consolidated Pacific Bay Minerals ("Pacific Bay"), an arm's length junior exploration company. Under the terms of the option agreement, Pacific Bay can earn a 51% interest by funding US \$625,000 of exploration and issuing 900,000 shares. Pacific Bay's participation is subject to acceptance for filing with the Exchange. Pacific Bay can increase its interest to 70% by funding costs to prepare a feasibility study.

### NAVIDAD PROJECT

On February 3, 2003 the Company announced the discovery of high-grade silver-lead-copper mineralization on its 100% owned Navidad Property in north-central Chubut Province. The discovery at Navidad was the culmination of an extensive and ongoing regional exploration program throughout southern Argentina where the Company has been active since 1995. Since this discovery, the Navidad Project has become the focus of the Company's exploration efforts. Work performed to date includes detailed and property scale geological mapping, rock chip sampling, soil sampling, a large gradient array induced polarization (IP) geophysical survey, several lines of pole-dipole IP, a ground magnetic survey, and a gravity survey. To September 30, 2003 approximately \$520,082 has been spent at the Navidad Project and has resulted in the delineation of multiple drill targets.

Rock chip sampling and geologic mapping have defined three distinct yet related styles of mineralization at the Navidad Project; namely "bonanza-grade structures", "mineralized carapace breccia", and "galena matrix breccia". These mineralization styles have been mapped along a linear ridge named "Navidad Ridge" that is comprised of "Barite", "Galena", and "Navidad Hills". To date, 835 rock chip samples have been collected and analyzed. All primary analytical work has been performed by ALS Chemex using fire assay/gravimetric, AA (atomic absorption) and ICP-MS (inductively coupled plasma - mass spectroscopy) techniques as appropriate. 120 randomly selected samples (approximately 14% of all samples) have been submitted for check assay to Alex Stewart (Assayers) Argentina S.A.; results of these generally agree well with the original results from ALS Chemex.

Dr. Paul Lhotka, P.Geol. has performed or directly supervised all exploration work at the Navidad Project and is the Company's "Qualified Person" for the project. Dr. Lhotka has prepared for the Company a NI 43-101 report dated September 2, 2003, entitled "Exploration of the Navidad Silver-Copper-Lead Property December 2002 to May 2003, Chubut Province, Argentina". This report has been SEDAR filed and provides a detailed description of all significant geological work completed to date on the project.

Bonanza-grade structures have been mapped and sampled at Navidad Hill over an area of 475 metres long by 60 to 140 metres wide. Within this area 636 cumulative metres of structures have been mapped and sampled in detail with 119 measured rock chip samples. Widths of the mapped bonanza-grade structures are variable, ranging from less than one metre to 3.3 metres. An average width cannot yet be determined due to soil cover that often obscures the contacts. Sampling of bonanza-grade structures has returned a length-weighted average of 5,546 g/t silver (162 oz/t), 3.79% copper and 9.84% lead.

Also at Navidad Hill, mapping suggests carapace breccia-hosted mineralization is the predominant rock type in three areas of 50 by 150 metres, 18 by 20 metres, and 20 by 25 metres, respectively. 50 measured rock chip samples have returned a length weighted average grade of 3,785 g/t silver (110.5 oz/t), 3.72% copper, and 2.07% lead.

At Galena Hill, significant zones of galena matrix breccia and mineralized

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carapace breccia have been defined. Galena matrix breccia has been defined and sampled in detail over an area of 475 by up to 90 metres; 101 measured continuous chip and panel samples have returned a length-weighted average of 147 g/t silver (4.3 oz/t) and 7.69% lead. The true thickness of this mineralized body is unknown at present, however, pole-dipole IP (discussed below) suggests that chargeability anomalies which correlate with mapped mineralization on surface extend to depths of 100 to 300 metres. Mineralized carapace breccia has been defined over two areas at Galena Hill measuring 118 x 46 metres and 55 x 16 metres; and 23 rock chip samples give a length-weighted average of 2,222 g/t silver (64.9 oz/t), 0.84% copper, and

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MANAGEMENT DISCUSSION AND ANALYSIS (continued)

2.93% lead. Silver-copper bearing carapace breccias at Galena and Navidad Hills are separated by 600 metres most of which is overburden covered. Metal zoning suggests this covered area is the centre of the mineralized system.

On Barite Hill, numerous zones of galena matrix breccia have been mapped and sampled. Due to poor exposure, numerous samples of subcrop and float have been taken and have been used to define the size of mineralized areas, however, only representative measured chip samples from outcropping and hand trenched areas have been used to define the length-weighted averages reported here. 67 chip samples have been taken giving a length weighted average of 109 g/t silver (3.18 oz/t) and 4.73% lead. Several mineralized zones have been defined with a cumulative strike length of approximately 1,300 metres and a currently unknown width.

ROCK CHIP SAMPLE RESULTS

MINERALIZATION STYLE	NUMBER OF SAMPLES	SIZE OF MINERALIZED AREA	SILVER (oz/t)	SILVER (g/t)
<b>NAVIDAD HILL AREA</b>				
Bonanza Grade Structures	119	475 x 60-140m; 636 cumulative metres of structures	162.0	5,546
Mineralized Carapace Breccia	50	50x150, 20x25 and 18x20m	110.5	3,785
<b>GALENA HILL AREA</b>				
Mineralized Carapace Breccia	23	118x46 and 55x16m	64.9	2,222
Galena Matrix Breccia	101	475x90m	4.3	147

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### BARITE HILL AREA

Galena Matrix Breccia (Measured chip samples only)	67	Several zones with cumulative strike length of approximately 1,300m	3.2	109
Galena-matrix Breccia (Subcrop and float samples)	15	As above	3.9	132

A soil sample grid has been completed covering the entire Navidad Ridge area and encompassing a strike length of 5.8 kilometres. Lines were oriented north-south and spaced at 100 metres with samples collected at 50 metre intervals along these lines over most of the grid. In areas of particular interest samples were collected on a 50 by 50 metre grid. In total, 958 soil samples were collected including approximately 10% duplicate and blank samples collected in order to assess laboratory quality. All samples were analyzed by ALS Chemex by ICP and AA techniques. Sample collection was overseen by Dr. Paul Lhotka, P.Geo., the Company's Qualified Person on the Navidad Project. Review of the data for blanks and duplicate samples indicates no contamination or reproducibility problems were encountered.

Highlights of the soil survey include a 1,700 by 300 metre silver-copper-lead anomaly over the Navidad Hill and Galena Hill areas. This soil anomaly is defined by greater than 2 ppm (parts per million) silver and generally greater than 100 ppm copper. Within this zone there is a central core of greater than 10 ppm silver in soils (includes values of up to 298 ppm Ag) of approximately 600 by 200 metres. Portions of this central core correlate with the outcropping bonanza-grade structures at Navidad Hill and these soil results demonstrate the potential to expand this zone significantly. Significant soil anomalies also exist at Barite and Calcite Hills. Silver values of up to 531 ppm have been received from

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outside areas of known high-grade mineralization and show excellent potential for additional discoveries. Lead values are consistently elevated and correlate well with silver over the entire 5.8 kilometre survey length. Samples of greater than 500 ppm lead have been returned from every line within the survey area.

Induced Polarization (IP) geophysical surveys utilizing both gradient array and pole-dipole arrays have been completed at the Navidad Project. Gradient IP totalling 80.3 line kilometres was performed over an area of 2.5 by 6.2 kilometers with 200 metre spaced lines, including the entire Navidad system and adjacent covered areas. Follow-up time domain Pole-Dipole IP (using dipole lengths of 20 and 100 metres) was performed over 8.5 line kilometres covering areas of anomalous chargeability defined by the gradient array survey. The IP surveys were performed by Quantec Geoscience Ltd.

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The IP surveys have identified a chargeability anomaly with a surface footprint of 1.6 km x 1.3 km that starts near surface in areas of exposed mineralization at Galena Hill and in some cases extends to depths of approximately 300 metres. Pole-dipole survey results show an excellent correlation between chargeability and mapped exposures of more intense examples of galena matrix breccia mineralization. The large chargeability anomaly extends over 1 km to the southwest of known mineralization in an area completely obscured by soil cover. Chargeability anomalies are generally caused by minerals such as: base-metal sulphides, pyrite, graphite, hematite and magnetite. Pyrite, graphite, hematite, and magnetite have not been observed on surface at Navidad in quantities that could explain the anomaly.

A magnetic geophysical survey was performed by Quantec Geoscience and covers the entire Navidad grid (7.2 x 2.5 km) totalling 88.7 line kilometres (including a 6.2km tie line). Data was collected at 10m intervals along lines spaced 200m apart. Quantec made standard corrections for diurnal variations and produced plan maps of the total field magnetic data and pole reduced data. Mapped mineralization at Navidad, Galena, and Barite Hills is not associated with magnetic anomalies nor is the IP chargeability anomaly. The area of the large gradient and pole-dipole IP chargeability anomaly is characterized by a low, flat magnetic response that indicates magnetite is not the source of the chargeability anomaly.

The final geophysical survey performed at the Navidad Project measured subtle differences in the earth's gravitational field. Once appropriate corrections have been applied, results of these gravity measurements are indicative of contrasting densities in the rock underlying the survey area. Laboratory tests of mineralized and unmineralized specimens from the Navidad project indicate that densities of unmineralized rocks range from 2.19 to 2.64 g/cm<sup>3</sup> while mineralized rocks range from 2.63 to 3.95 g/cm<sup>3</sup>. Gravity data acquisition was performed by Proingeo S. A., an Argentine geophysical and topographic survey contractor. Quantec Geoscience provided consulting services to the Company on survey design and execution, has reviewed data quality, and built a three dimensional model of the survey results using the University of British Columbia (Canada) inversion software. Quantec Geoscience reports raw data quality is very good. The gravity survey covers an area of approximately 2.2 by 2.5 km centred on the previously reported IP chargeability anomaly. It includes 385 gravity stations that were measured on two lines with closely spaced points and additional points spaced at about 100 by 200m intervals.

In the Galena Hill area, the gravity survey has defined an important anomaly with multiple peaks approximately 0.8 x 1.1 km in size. This anomaly has a "donut-like" form with a central low surrounded by higher density values; amplitude of this anomaly is approximately 0.6 to 0.8 milligals above surrounding values. This complex anomaly is partly coincident with, but somewhat smaller in size, than the previously announced Gradient and Pole-Dipole I.P. chargeability anomaly at Navidad. The anomaly is not reasonably explained by simple lithologic density variations and is most readily explained by the presence of sulphide/barite mineralization. Part of the gravity anomaly is spatially associated with mapped breccia-hosted mineralization on surface and it correlates very well with potential extensions to this mineralization indicated by the most intense Pole-Dipole IP chargeability anomaly.

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### MANAGEMENT DISCUSSION AND ANALYSIS (continued)

A second gravity high of approximately 260 by 550m in diameter is spatially associated with mapped Bonanza Grade Structures at Navidad Hill. This anomaly may be caused by the combination of sulphide mineralization and the denser host rock of the flow dome at Navidad Hill relative to surrounding sediments. It covers the portion of the flow dome known to host Bonanza Grade Structures and their strike extension. Most of the rest of the flow dome is not represented by a gravity high.

In review, important amounts and grades of silver-copper-lead mineralization are exposed from Navidad Hill to Barite Hill a distance of over 2,900m. Detailed mapping and sampling has confirmed the importance of the original discovery announcement of February 3, 2003. The outcropping mineralization is accompanied by a soil geochemical anomaly of over 5.8km long and a large IP chargeability anomaly portions of which show anomalously high gravity values.

Planned work on the Navidad Project includes a significant diamond drill program and minor additional surface work. The diamond drill program is now underway and will include 2 phases of 3,000 metre each of HQ coring predominantly at Navidad and Galena Hills. US \$1,500,000 is budgeted for the Phase I and II drilling at the Navidad Project.

### LAS BAYAS PROJECT

In January, 2003 the Company undertook a diamond drill program on it's 100% owned Las Bayas project. The purpose of this program was to test for potentially economic grades of gold and silver hosted within low-sulphidation quartz veins that are well exposed on surface. Prior surface work by the Company had delineated over 15,000 linear metres of quartz veining within an area of approximately 1.5 by 4.0 kilometres. Vein widths at surface range from less than one metre to 22 metres and gold grades range from less than detection limit to 25.8 grams/tonne. The drill program comprised 1,953 metres of NQ core that was recovered from 19 drill holes targeting six individual veins. Total cost of this program was CDN \$385,000.

Eighteen of the 19 drill holes completed intersected the targeted low-sulphidation quartz veins; these intersections ranged in width from 0.4 to 22.1 metres of vein material. This drilling tested approximately 900 metres of the mapped 15,000 metre strike length of veins exposed at Las Bayas Hill.

Highlights of the assay results are tabulated below:

DDH	LENGTH (m)	GOLD (g/t)	SILVER (g/t)	GOLD
				EQUIVALENT (Au+Ag/70) (g/t)
LB03-01	5.1	0.96	36.9	1.48
including	1.3	2.62	33.0	3.09
LB03-03	1.29	0.68	59.8	1.53
LB03-05	5.0	0.73	51.5	1.47
including	2.0	1.48	101.9	2.93
LB03-07	0.7	1.02	3.6	1.07

The remaining drill holes intersected gold grades ranging from below detection to 0.86 grams/tonne. Although results fell short of expectations, it must be emphasized that only 900 linear metres of veining were tested by this program and approximately 14,100 linear metres remain untested. The Company has no immediate plans for further work on the Las Bayas property, however an additional surface program is recommended on the outlying portions of the property that as yet remain completely untested.

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### MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Dr. Paul Lhotka, the Company's "Qualified Person" for the Las Bayas project has provided the Company a NI 43-101 report dated September 15, 2003, on the project entitled "Exploration of the Las Bayas Gold-Silver Property, August 2002 to February 2003, Chubut Province, Argentina". This report has been SEDAR filed and provides a detailed description of all significant geological work completed to date on the project.

### OTHER

The Company has no exploration budget commitment for the Other - San Juan region in Argentina.

### ACQUISITIONS AND FARM-OUTS

The Company continues to be quite active in Chubut province reviewing other properties and conducting due diligence, with the objective of acquiring additional prospective properties.

The Company has developed a business plan to have exploration work done on its non-core properties by way of farm-outs. The Company will be able to have exploration done on its non-core properties, while focusing its exploration resources on its core Navidad property.

### b) PERU

#### RIO TABACONAS

As a result of extremely encouraging results from the Phase I drill program in the fall of 2001, a Phase II drill program was developed and \$1.2 million was raised in April 2002, through a Short Form Offering, to fund further exploration on the property.

In June 2002, the Company announced it would take a more measured approach to exploration on the project to ensure that local cultural, developmental and environmental concerns pertaining to mining activities in the region would be addressed. All exploration activities have been deferred until an agreement with the local community of Tamborapa can be finalized. The Company has declared force majeure, as allowed under the property option agreement. A Company-Community plan has been prepared with the aid of several Peruvian social economic consultants and has been presented for discussion to the community leaders, government officials and interested party leaders and as of the date of this quarterly report no agreement has been reached. Thus the Company will continue to work with the various social economic consultants to develop a plan which will be acceptable by all parties in the community of Tabaconas.

During the nine months ended September 30, 2003, no drilling work has been initiated and the Company has spent \$426,795, the majority of which has been for maintaining the properties in good standing, legal costs, social economic consultants and our Peruvian administrative and field staff assisting in developing the Company's community plan. Until then the Company cannot proceed with any work programs on the property. Up to December 31, 2002, the Company

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spent \$862,736 on this property for a total of \$1,132,750. The balance of the funds allocated in the Short Form, of \$67,250 have been allocated for general exploration activities.

### SUMMARY OF FINANCIAL RESULTS

For the nine months ended September 30, 2003, the Company reported a consolidated loss of \$1,279,920 (\$0.04 per share) compared to a loss of \$953,158 (\$0.04 per share) for the comparative period in 2002. The increase in the loss experienced by the Company in 2003, compared to 2002, was attributed to increases in certain operating expenditures

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### MANAGEMENT DISCUSSION AND ANALYSIS (continued)

such as \$84,887 for corporate development and investor relations, \$94,610 for cost associated with the cancelled financing, \$61,302 for general exploration, \$18,482 for office sundry, \$24,382 for printing, \$346,080 for stock-based compensation and \$9,212 for transfer agent and regulatory fees.

### RESULTS OF OPERATIONS

#### CORPORATE COSTS AND OTHER INCOME

The directors provided services to the Company and were paid \$249,600 for the nine months ended September 30, 2003. Mr. W. Lee, the CFO, was paid a salary of \$54,000, Mr. N. Cacos, the Corporate Secretary was paid management fees of \$49,500, Mr. Sean Hurd, director and investor relations manager, was paid management fees of \$36,000, Mr. R. Brown, a former director, was paid a consulting fee of \$1,200 during his tenure as a director, Mr. G. Carlsen, Chairman of the Board was paid consulting fees of \$32,400 and Mr. J. Grosso, the President and CEO, was paid management fees of \$76,500.

The significant increases in expenditures this period versus prior period are as follows: (i) corporate development and investor relations - \$84,887 of which \$32,690 was for the New York Gold Show and market awareness meetings in Edmonton, Calgary and Toronto, \$12,650 was for a three month coverage on a website "Savvy Investor.com", \$9,900 for various media advertising, \$5,347 was for the Annual General Meeting presentation, \$20,500 for the PDAC in Toronto and \$3,800 for the Cambridge House Gold Conference; (ii) cost associated with cancelled financing - \$94,610 of which \$17,500 was paid to the TSX Venture exchange, \$5,300 to ComputerShare Trust Company of Canada, \$21,810 to Catalyst Corporate Finance Lawyers and \$50,000 accrued for Cassels Brock & Blackwell LLP; (iii) general exploration - \$61,302 as a result of additional examination of grassroots properties in the Patagonia region in Argentina and in Peru; (iv) office and sundry - \$18,482 of which \$2,300 was for computer software, \$2,570 for a laptop computer, \$2,900 to Pitney works - postage; (v) printing - \$24,382 to Rustica Edit Ltd. for graphic design and printing of shareholder information packages (vi) transfer agent and regulatory fee - \$9,212 mainly due to increase in TSX Venture Exchange filing fees for private placements, stock option plan and exercise of warrants.



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The following expenses decreased for the period: (i) Professional fees - \$ 8,585 as \$33,016 was related to the North America and Europe Market awareness program in the prior year; (ii) Rent, parking and storage - \$13,819 as a result of cost recovery from a private company sharing office space; (iii) Travel and accommodation - \$25,662 as \$32,580 was incurred in the prior year for the North America and Europe market awareness program.

During the period ended September 30, 2003 and 2002 the Company did not write-off any mineral claims and deferred costs.

The Company recorded a gain of \$234,848 on the disposition of the Penascudo Property and related deferred costs as a result of receiving 500,000 shares from Ballad under the option agreement

Interest and miscellaneous income reported for the period ended September 30,2003 was \$44,501 an increase of \$28,806 from \$15,695 reported in 2002, as a result of more funds on deposit.

During the period ended September 30,2003 and 2002, the Company did not dispose of any Viceroy common shares. Through a plan of arrangement completed after June 30, 2003, the 195,500 Viceroy common shares held as marketable securities were converted to 65,166 Quest Capital Corp. Class A shares , symbol QC.A on the TSX Exchange, 6,516 Spectrum Gold Inc. common shares and 19,550 Viceroy Exploration Inc. common shares.

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LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2003 the Company had working capital of \$4,626,438 compared to \$2,112,952 at September 30, 2002. As at September 30, 2003, the Company had cash and cash equivalents on hand of \$4,346,295 (2002 - \$2,086,820). Subsequent to the period ended September 30,2003 the Company issued 703,875 shares for \$463,368 on the exercises of options and warrants.

The Company has accounts receivable and prepaids of \$130,175, prepaids comprise \$28,989 and the balance of \$101,186 represents receivables all of which are fully collectible with \$49,063 being GST receivable \$20,678 accrued interest receivable, \$17,490 deposit in brokerage firm and the balance being miscellaneous.

The Company considers that it does have adequate resources to maintain its ongoing operations and property commitments for the year. The Company may require additional financing if it proceeds with further planned exploration and property acquisitions for the remainder of fiscal 2003. 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 additional financing or negotiating joint venture agreements.

OPERATING CASH FLOW

Cash outflow from operating activities for the period ended September 30,2003,

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was \$1,187,423 compared to cash outflow in 2002 of \$986,981. The cash outflows for 2003 were largely due to increases in corporate development and investor relations, cost associated with a cancelled financing, office sundry, printing, general exploration, stock based compensation and transfer agent and regulatory fees as explained above.

### FINANCING ACTIVITIES

Cash flow from financing activities for the period ended September 30, 2003, generated \$5,492,885 (2002 - \$3,264,327) which included \$638,774 from the exercise of 1,474,750 stock options and \$2,361,586 from the exercise of 4,133,477 warrants. Subsequent to the period ended September 30, 2003, the Company issued 703,875 shares for \$463,368 on the exercise of options and warrants.

### INVESTING ACTIVITIES

Cash flow from investing activities required \$1,395,291 for the period ended September 30, 2003 (2002 - \$946,291), these investing activities were primarily for additions of \$939,825 (2002 - \$207,772) to Chubut and other properties in Argentina and \$426,795 (2002 - \$730,693 to the Rio Tabaconas project in Peru) and \$13,519 (2002 - \$7,826) to office equipment.

### CRITICAL ACCOUNTING POLICIES

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2002. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

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### MANAGEMENT DISCUSSION AND ANALYSIS (continued)

#### USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates 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 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. 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

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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 or its carrying value has been impaired, a provision is made for any expected loss on the project or property.

### 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 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. For a full understanding of these risks and others, reference should be made to the Company's "Annual Information Form".

### INVESTOR RELATIONS

The Company currently does not engage any outside investor relations consultant. Mr. Sean Hurd, a director, is the Company's Investor Relations Manager and coordinates investor relations activities. However, during the period ended September 30, 2003 the Company, under a month to month agreement, retained Raven Capital, a private company owned and managed by Jack Barnes to provide public relations and consulting primarily targeted to the North American financial and investment community. Raven Capital has been in the investor relations business since 1999 providing similar services to public companies. Raven Capital was paid \$7,500 for January, \$3,750 per month for February and March and \$7,275 per month for April and May 2003.