

KOBEX MINERALS INC.
Form 20-F/A
December 02, 2009

United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 20-F/A
Amendment No. 1

- Registration Statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934
or
- Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2008
or
- Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
or
- Shell Company Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number: 001-32558

KOBEX MINERALS INC.

(formerly IMA Exploration Inc.)
(Exact name of Registrant as specified in its charter)

KOBEX MINERALS INC.

(Translation of Registrant's name into English)

British Columbia
(Jurisdiction of incorporation or organization)

1700 -700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8
(Address of principal executive offices)

Samuel Yik, 604-688-9368, syik@kobexminerals.com
1700 -700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Securities registered or to be registered pursuant to Section 12(g) of the Act.
Common Shares, no par value
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
Not Applicable
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the period covered by the annual report.

52,132,064 Common Shares as of the close of the period covered by the report December 31, 2008

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No X

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No X

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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

Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer _____ Accelerated filer
Non-accelerated filer X

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP _____ International Financial Reporting Standards as issued Other X
By the International Accounting Standards Board _____

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 X Item 18 _____

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

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EXPLANATORY NOTE:

We hereby amend our Annual Report, on Form 20-F, filed on April 8, 2009, by this Amendment No. 1 on Form 20-F/A, in response to a request from the Securities and Exchange Commission to clarify or amend the Company's financial statements and related disclosures in the Company's 20-F for the year ended December 31, 2008.

We amend our 20-F for the following purposes:

1. amendment to Item 3. Key Information, Selected Financial Information table to revise the description of the line items in the Consolidated Statements of Cash Flows table so that the parentheses appropriately represent "used" cash resources;
2. amendment to Item 4. Information on the Company, we have included the map of our Island Copper Project; and
3. inclusion of the "signed" audit report of our auditors for the fiscal year ended December 31, 2008.

We are also updating Exhibits 12.1, 12.2, 13.1, 13.2 and 15.1.

This Amendment does not amend or restate any information contained in our 20-F filed on April 8, 2009, other than as noted in this Explanatory Note. This Amendment does not purport to update any recent events or developments to the date of the original filing on April 8, 2009.

Item 3. Key Information.

Selected Financial Data

| | 2008 | Restated 2007 | Restated 2006 | Restated 2005 | Restated 2004 |
|--|-------------|------------------|------------------|------------------|------------------|
| Consolidated statements of cash flows | | | | | |
| Operating Activities | | | | | |
| Cash generated (used) per Canadian and US GAAP | \$ 15,419 | \$ (1,954) | \$ (8,277) | \$ (10,875) | \$ (7,410) |
| Investing Activities | | | | | |
| Cash generated (used) per Canadian and US GAAP | \$ (15,500) | \$ 1,687 | \$ (920) | \$ (3,233) | \$ (1,561) |
| Financing activities | | | | | |
| Cash provided per Canadian and US GAAP | - | \$ 60 | \$ 9,437 | \$ 13,478 | \$ 9,297 |

Item 4. Information on the Company.

Principal Properties

Canada

Island Copper Project

The following map identifies the location of the Island Copper Project:

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Item 17. Financial Statements.

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| Audited Financial Statements for the Years Ended December 31, 2008, 2007 and 2006 | F-1 – F-27 |

Item 19. Exhibits.

(a) Financial Statements

Audited Financial Statements for the Years Ended December 31, 2008, 2007 and 2006

(b) List of Exhibits.

| Exhibit Number | Description |
|-------------------|--|
| 12.1 | Certification of Alfred Hills Pursuant to Rule 13a-14(a) |
| 12.2 | Certification of Samuel Yik Pursuant to Rule 13a-14(a) |
| 13.1 | Certification of Alfred Hills Pursuant to 18 U.S.C. Section 1350 |
| 13.2 | Certification of Samuel Yik Pursuant to 18 U.S.C. Section 1350 |
| 15.1 | Consent Independent Registered Public Accounting Firm |

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

KOBEX MINERALS INC.

Dated: December 1, 2009

/s/ Alfred Hills
Alfred Hills,
President, Chief Executive Officer, and Director

IMA Exploration Inc.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2008, 2007 AND 2006
(Expressed in Canadian Dollars)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada and reconciled to accounting principles generally accepted in the United States as set out in Note 15 and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada and the Public Company Accounting Oversight Board (United States), and their report follows.

"Joseph Grosso"

"Mike Clark"

Joseph Grosso
President

Mike Clark
Chief Financial Officer

March 27, 2009

Independent Auditors' Report

To the Shareholders of
IMA Exploration Inc.

We have audited the consolidated balance sheets of IMA Exploration Inc. (the "Company") as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive income (loss) and deficit, cash flows, and changes in shareholders' equity for each of the years in the three year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

(signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

Vancouver, BC
March 24, 2009

Comments by Auditor for U.S. Readers on Canada-U.S. Reporting Difference

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that has a material effect on the comparability of the Company's financial statements, such as the change described in note 2 to the financial statements. Our report to the shareholders dated March 24, 2009 is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting principles in the auditors' report when the change is properly accounted for and adequately disclosed in the financial statements.

(signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

Vancouver, BC

March 24, 2009

IMA EXPLORATION INC.
 (An Exploration Stage Company)
 CONSOLIDATED BALANCE SHEETS
 AS AT DECEMBER 31, 2008 AND 2007
 (Expressed in Canadian Dollars)

| | 2008 | 2007 |
|--|--------------|--------------|
| | \$ | \$ |
| A S S E T S | | |
| CURRENT ASSETS | | |
| Cash | 102,706 | 183,628 |
| Short-term investments (Note 5) | 21,347,769 | 6,813,462 |
| Marketable securities and investment (Note 6) | 120,869 | - |
| Other receivables and prepaids (Note 10) | 190,007 | 422,400 |
| Navidad interest (Notes 2 and 3) | - | 18,500,000 |
| | 21,761,351 | 25,919,490 |
| DEPOSIT (Note 10) | 205,000 | 205,000 |
| INVESTMENT (Note 6) | 718,248 | - |
| | 22,684,599 | 26,124,490 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 10) | 193,343 | 105,724 |
| TERMINATION BENEFIT (Note 10) | 711,500 | - |
| | 904,843 | 105,724 |
| SHAREHOLDERS' EQUITY | | |
| SHARE CAPITAL (Note 8) | 58,753,501 | 58,753,501 |
| WARRANTS (Note 8) | - | 1,281,946 |
| CONTRIBUTED SURPLUS (Note 9) | 7,502,258 | 6,157,412 |
| DEFICIT | (44,476,003) | (40,174,093) |
| | 21,779,756 | 26,018,766 |
| | 22,684,599 | 26,124,490 |

NATURE OF OPERATIONS (Note 1)
 NAVIDAD INTEREST (Notes 2 and 3)
 COMMITMENTS (Note 10)
 SUBSEQUENT EVENT (Note 7)

APPROVED BY THE BOARD

“David Horton”, Director

“Robert Stuart Angus”,

Director

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

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IMA EXPLORATION INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

(Expressed in Canadian Dollars)

| | 2008 | 2007 | 2006 |
|---|---------------------|---------------------|---------------------|
| | \$ | \$ | \$ |
| | | Restated – | Restated – |
| | | Note 2 | Note 2 |
| EXPENSES | | | |
| Administrative and management services | 268,882 | 209,201 | 461,553 |
| Corporate development and investor relations | 183,784 | 167,817 | 328,779 |
| Exploration (Note 7) | 1,930,325 | 99,589 | 4,678,096 |
| Consulting | 232,000 | - | - |
| Office and sundry | 245,894 | 238,220 | 181,913 |
| Professional fees | 234,382 | 1,022,321 | 1,124,144 |
| Rent, parking and storage | 108,658 | 49,023 | 96,263 |
| Salaries and employee benefits | 350,792 | 244,337 | 652,530 |
| Stock-based compensation (Note 8) | 62,900 | 34,421 | 393,120 |
| Telephone and utilities | 20,347 | 12,053 | 17,432 |
| Transfer agent and regulatory fees | 70,731 | 80,122 | 103,457 |
| Travel and accommodation | 69,690 | 35,230 | 93,392 |
| Navidad holding costs (Note 3) | - | 109,666 | 312,349 |
| LOSS BEFORE OTHER ITEMS | (3,778,385) | (2,302,000) | (8,443,028) |
| OTHER INCOME (EXPENSE) | | | |
| Foreign exchange loss | (14,758) | (8,324) | (2,865) |
| Interest income | 863,416 | 675,156 | 373,009 |
| Other than temporary loss on marketable securities (Note 6) | (474,810) | - | - |
| Loss from equity investment (Note 6) | (68,174) | - | - |
| Loss on held-for-trading investment (Note 6) | (117,699) | - | - |
| Termination benefit (Note 10) | (711,500) | - | - |
| Navidad recovery (Note 3) | - | 18,314,000 | - |
| | (523,525) | 18,980,832 | 370,144 |
| INCOME (LOSS) AND COMPREHENSIVE (INCOME) LOSS FOR THE YEAR | (4,301,910) | 16,678,832 | (8,072,884) |
| DEFICIT - BEGINNING OF YEAR | (40,174,093) | (56,852,925) | (48,780,041) |
| DEFICIT - END OF YEAR | (44,476,003) | (40,174,093) | (56,852,925) |
| BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE | \$ (0.08) | \$ 0.32 | \$ (0.16) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 52,132,064 | 52,099,787 | 51,263,575 |

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

IMA EXPLORATION INC.
 (An Exploration Stage Company)
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
 (Expressed in Canadian Dollars)

| | 2008 \$ | 2007 \$ Restated – Note 2 | 2006 \$ Restated – Note 2 |
|--|-----------------|------------------------------------|------------------------------------|
| CASH PROVIDED FROM (USED FOR) | | | |
| OPERATING ACTIVITIES | | | |
| Income (loss) for the year | (4,301,910) | 16,678,832 | (8,072,884) |
| Items not affecting cash | | | |
| Accrued interest in short-term investments | (534,307) | - | - |
| Stock-based compensation | 62,900 | 34,421 | 393,120 |
| Loss on marketable securities (Note 6) | 474,810 | - | - |
| Loss from equity investment (Note 6) | 68,174 | - | - |
| Loss on held-for-trading investment | 117,699 | - | - |
| Receipt of Navidad interest | 18,500,000 | - | - |
| Termination benefit (Note 10) | 711,500 | - | - |
| Navidad recovery (Note 3) | - | (18,314,000) | - |
| | 15,098,866 | (1,600,747) | (7,679,764) |
| Change in non-cash working capital balances | 320,012 | (353,083) | (596,912) |
| | 15,418,878 | (1,953,830) | (8,276,676) |
| INVESTING ACTIVITIES | | | |
| Purchase of marketable securities and investments | (1,499,800) | - | - |
| Purchase/proceeds on disposal of in short-term investments | (14,000,000) | 1,686,538 | (920,000) |
| | (15,499,800) | 1,686,538 | (920,000) |
| FINANCING ACTIVITIES | | | |
| Issuance of common shares | - | 59,500 | 10,308,450 |
| Share issuance costs | - | - | (871,749) |
| | - | 59,500 | 9,436,701 |
| INCREASE (DECREASE) IN CASH | (80,922) | (207,792) | 240,025 |
| CASH - BEGINNING OF YEAR | 183,628 | 391,420 | 151,395 |
| CASH - END OF YEAR | 102,706 | 183,628 | 391,420 |

SUPPLEMENTARY CASH FLOW INFORMATION (Note 16)

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

IMA EXPLORATION INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

(Expressed in Canadian Dollars)

| | 2008 \$ | 2007 \$ Restated – Note 2 | 2006 \$ Restated – Note 2 |
|--|-------------------|------------------------------------|------------------------------------|
| SHARE CAPITAL | | | |
| Balance at beginning of year | 58,753,501 | 58,664,727 | 50,414,672 |
| Private placements | - | - | 10,027,500 |
| Warrant valuation | - | - | (1,298,981) |
| Exercise of options | - | 59,500 | 280,950 |
| Contributed surplus reallocated on the exercise of options | - | 29,274 | 95,300 |
| Share issue costs | - | - | (854,714) |
| Balance at end of year | 58,753,501 | 58,753,501 | 58,664,727 |
| WARRANTS | | | |
| Balance at beginning of year | 1,281,946 | 1,281,946 | - |
| Warrant valuation from private placement warrants granted | - | - | 1,298,981 |
| Warrant valuation from agent's warrants granted | - | - | 110,164 |
| Warrant issue costs | - | - | (127,199) |
| Contributed surplus reallocated on expiry of warrants | (1,281,946) | - | - |
| Balance at end of year | - | 1,281,946 | 1,281,946 |
| CONTRIBUTED SURPLUS | | | |
| Balance at beginning of year | 6,157,412 | 6,152,265 | 5,854,445 |
| Contributed surplus as a result of stock options granted | 62,900 | 34,421 | 393,120 |
| Contributed surplus reallocated on expiry of warrants | 1,281,946 | - | - |
| Contributed surplus reallocated on the exercise of stock options | - | (29,274) | (95,300) |
| Balance at end of year | 7,502,258 | 6,157,412 | 6,152,265 |
| DEFICIT | | | |
| Balance at beginning of year | (40,174,093) | (56,852,925) | (48,780,041) |
| Income (loss) for the year | (4,301,910) | 16,678,832 | (8,072,884) |
| Balance at end of year | (44,476,003) | (40,174,093) | (56,852,925) |
| TOTAL SHAREHOLDERS' EQUITY | 21,779,756 | 26,018,766 | 9,246,013 |

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

1. NATURE OF OPERATIONS

IMA Exploration Inc. (the “Company”) is a natural resource company engaged in the business of acquisition, exploration and development of mineral properties. The Company presently has no property interests with 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.

2. CHANGE IN ACCOUNTING POLICY

During the year ended December 31, 2008, the Company retrospectively changed its accounting policy for exploration expenditures to more appropriately align itself with policies applied by other comparable companies at a similar stage in the mining industry. Prior to the year ended December 31, 2008, the Company capitalized all such costs to mineral properties held directly or through an investment and only wrote down capitalized costs when the property was abandoned or if the capitalized costs were not considered to be economically recoverable.

Exploration expenditures are now charged to earnings as they are incurred until the property reaches development stage. All direct costs related to the acquisition of resource property interests will continue to be capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

The Company has accounted for this change in accounting policy on a retroactive basis. The impact of this change on the previously reported December 31, 2007 and 2006 consolidated financial statements is as follows:

| | As previously reported \$ | Restatement \$ | As stated \$ |
|--|------------------------------------|-------------------|-----------------|
| Navidad recovery for the year ended December 31, 2007 | 550,479 | 17,763,521 | 18,314,000 |
| Income (loss) for the year ended December 31, 2007 | (1,084,689) | 17,763,521 | 16,678,832 |
| Loss per share for the year ended December 31, 2007 | (0.02) | 0.34 | 0.32 |
| Navidad interest as at December 31, 2006 | 17,949,521 | (17,763,521) | 186,000 |
| Exploration expense for the year ended December 31, 2006 | (186,572) | (4,491,524) | (4,678,096) |
| Income (loss) for the year ended December 31, 2006 | (3,581,360) | (4,491,524) | (8,072,884) |
| Loss per share for the year ended December 31, 2006 | (0.07) | (0.09) | (0.16) |
| Deficit at December 31, 2006 | (39,089,404) | (17,763,521) | (56,852,925) |

3. NAVIDAD INTEREST

On March 5, 2004, Aquiline Resources Inc. (“Aquiline”), through its subsidiary, Minera Aquiline Argentina SA, filed a claim in the Supreme Court of British Columbia against the Company seeking a constructive trust over the Navidad properties and damages. On July 14, 2006 the court released its judgment on the claim. The Company was not successful in its defense and the court found in Aquiline’s favour.

The Order reads in part:

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

On October 18, 2006, the Company and Aquiline reached a definitive agreement for the orderly conduct of the Navidad Project pending the determination of the appeal by the Company against the judgment of the trial court. The parties have agreed that the transactions outlined in the agreement were in satisfaction of the Order referenced above. The principal terms and conditions of the agreement are as follows:

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

The effective date of the transfer of the Navidad project was November 16, 2006.

The Company’s appeal of this judgment was heard by the British Columbia Court of Appeal between April 10 and April 12, 2007. The Court of Appeal dismissed the Company’s appeal and released their reasons for judgment on June 7, 2007.

The Company filed an application for leave to appeal to the Supreme Court of Canada in October 2007. On December 20, 2007 the Supreme Court of Canada denied the Company’s appeal. This brought the lawsuit to a close. The Navidad property has been transferred to Aquiline.

3. NAVIDAD INTEREST (continued)

As at December 31, 2007, the Company recorded a Navidad interest balance of \$18,500,000, the components of which are as follows:

| | \$ |
|-----------------------------|------------|
| Mineral properties (i) | 17,763,521 |
| Navidad recovery (ii) | 550,479 |
| | 18,314,000 |
| Marketable securities (iii) | 186,000 |
| Navidad interest | 18,500,000 |

(i) The mineral property costs represent the carrying value of the acquisition costs and all exploration costs the Company had incurred in the development of the Navidad project.

(ii) The Company has recorded an additional recovery of \$550,479 to bring the total Navidad interest amount recoverable to \$18,500,000 pursuant to IPDA.

(iii) Marketable securities represents the carrying value of the common shares of publicly traded companies the Company received as partial consideration for entering into option and sale agreements for certain of its non-core mineral property holdings relating to the Navidad Project. Accordingly, these marketable securities were subject to transfer to Aquiline in relation to the July 2006 court order.

The Company received the \$7.5 million held in trust on January 8, 2008 plus interest that had accrued in the amount of \$341,380. The balance of \$11 million was received on February 11, 2008.

The Company expensed Navidad holding costs of \$109,666 in the year ended December 31, 2007. These are costs the Company incurred in order to maintain basic operations in Argentina subsequent to the transfer of control of the Navidad project to Aquiline under the terms of the IPDA.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The significant measurement differences between those principles and those that would be applied under United States generally accepted accounting principles ("US GAAP") as they affect the Company are disclosed in Note 15.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates include the assumptions used in the determination of the fair value of stock based compensation and other than temporary impairments for

investments. Actual results may differ from these estimates.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All inter-company transactions and balances have been eliminated. The Company also equity accounts an entity that is subject to control on basis other than ownership of a majority of the voting interests (note 6).

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market investments, maturing less than 3 months from the date of initial investment. Cash equivalents are stated at cost, which is approximates fair value.

Short-term Investments

Short-term investments include money market investments maturing less than 12 months from the date of initial investment.

Mineral Properties

During the year ended December 31, 2008, the Company changed its accounting policy relating to mineral property exploration expenditures and it now expenses exploration expenditures when incurred (see note 2).

When a property is placed in commercial production, acquisition costs will be depleted using the units-of-production method. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the costs are written-off, or if its carrying value has been impaired, then it is written down to fair value.

The Company accounts for foreign value added taxes paid as expenses when incurred. 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 recovery of exploration expenses.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Asset Retirement Obligations

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized on the same basis as the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at December 31, 2008 the Company does not have any asset retirement obligations.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when events or circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

Translation of Foreign Currencies

The Company's foreign operations are integrated and are translated using the temporal method. Under this method, the Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates in effect during the period except for depreciation and amortization which are translated at historical rates. The resulting gains or losses are reflected in operating results in the period of translation.

Income Taxes

The Company uses the asset and liability method of accounting for future income taxes. Under this method of tax allocation, future income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Potential future income tax assets are not recognized to the extent that they are not considered more likely than not to be realized.

Investment tax credits

The Company is eligible to receive investment tax credits ("ITCs") related to certain of its mineral property expenditures. On a cash basis, the ITCs are accounted for as a reduction in the cost of mineral properties or exploration costs in the period when related expenditures are incurred.

Loss Per Share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. In years in which a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted losses per share are the same. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Note 8.

Stock-Based Compensation

The Company has an employee stock option plan. The Company recognizes an expense or addition to exploration expenditures arising from stock options granted using the fair value method. The fair value of option grants is established at the date of grant using a Black Scholes option pricing model and the expense is recognized over the option vesting period.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Section 3855, Financial Instruments – Recognition and Measurement and Section 3861, Financial Instruments – Disclosure and Presentation, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments related to those classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Company is required to designate its financial instruments into one of the following five categories: held for trading; available-for-sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available-for-sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Company has designated its financial instruments as follows:

- (i) Cash and short-term investments are classified as “Available-for-sale”.
- (ii) Amounts receivable and deposits are classified as “Loans and Receivables”. These financial assets are recorded at values that approximate their amortized cost using the effective interest method.
- (iii) Accounts payable and accrued liabilities are classified as “Other Financial Liabilities”. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

Comprehensive Income

Section 1530, Comprehensive Income, introduced the financial statement “Statement of Comprehensive Income” effective January 1, 2007 and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose a company’s ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning January 1, 2008. The adoption of this standard did not have an effect on the Company for the year ended December 31, 2008.

Accounting Changes

Effective January 1, 2007, the Company adopted the revised CICA Handbook Section 1506, Accounting Changes, which requires that: (a) a voluntary change in accounting principles can be made if, and only if, the changes result in

more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change and (c) for changes in estimates, the nature and amount of the change should be disclosed (see note 2).

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, establishes standards for disclosing information about the company's capital and how it is managed. Under this standard the Company is required to disclose the following, based on the information provided internally to the company's key management personnel:

- (i) qualitative information about its objectives, policies and processes for managing capital.
- (ii) summary quantitative data about what it manages as capital.
- (iii) whether during the period it complied with any externally imposed capital requirements to which it is subject.
- (iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

This standard was effective for interim and annual financial statements beginning on January 1, 2008. Disclosures required by this standard are included in Note 11.

Financial Instruments Disclosures

In March 2007, the CICA issued section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation, which together comprise a complete set of disclosure and presentation requirements that revised and enhanced previous disclosure requirements. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The standard deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The Company adopted this section effective January 1, 2008. Disclosures required by these standards are included in note 12.

Recent Accounting Pronouncements

Goodwill and Intangible Assets

CICA Handbook Section 3064, Goodwill and Intangible Assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the preoperating period. As a result of the withdrawal of EIC 27, companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009.

5.

SHORT-TERM INVESTMENTS

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As at December 31, 2008 and 2007, the Company held short-term investments comprised of the following:

| | December 31, 2008 | |
|--|-------------------|-----------------------------------|
| | Maturity | Principal and Accrued Interest \$ |
| 12 month term deposit | | |
| - 4.15% annual interest rate (\$6,800,000 principal amount) | January 6, 2009 | 7,076,839 |
| 12 month term deposit | | |
| - 3.45% annual interest rate (\$10,000,000 principal amount) | February 10, 2009 | 10,305,302 |
| 12 month term deposit | | |
| - 3.45% annual interest rate (\$1,000,000 principal amount) | February 10, 2009 | 1,030,530 |
| 12 month term deposit | | |
| - 3.15% annual interest rate (\$2,900,000 principal amount) | August 12, 2009 | 2,935,098 |
| | | 21,347,769 |

| | December 31, 2007 | |
|--|-------------------|-----------------------------------|
| | Maturity | Principal and Accrued Interest \$ |
| 12 month term deposit | | |
| - 4.45% annual interest rate (\$6,700,000 principal) | August 13, 2008 | 6,813,462 |

All term deposits are redeemable in full or portion at the Company's option without penalty. Interest is paid on amounts redeemed subsequent to 30 days from the date of investment.

6. MARKETABLE SECURITIES AND INVESTMENT

For the year ended December 31, 2008

| | Cost \$ | Other than temporary loss \$ | Loss on equity investment \$ | Loss on held for trading investment \$ | Carrying Value \$ |
|--|-----------|------------------------------|------------------------------|--|-------------------|
| Available-for-sale investment | | | | | |
| Panthera Exploration Inc. (a) | 499,800 | (474,810) | - | - | 24,990 |
| Investment accounted for under the equity method | | | | | |
| Blue Sky Uranium Corp. (b) | | | | | |
| Common shares | 786,422 | - | (68,174) | - | 718,248 |
| Warrants | 213,578 | - | - | (117,699) | 95,879 |
| Total marketable securities and investments | 1,499,800 | (474,810) | (68,174) | (117,699) | 839,117 |

a) On June 16, 2008 the Company purchased 3,570,000 units of Panthera Exploration Inc. ("Panthera") (formerly Amera Resources Corporation), a company with common directors, for \$0.14 per unit for a total of \$499,800. On

December 23, 2008 Panthera did a 10 for 1 rollback of its shares. As a result the Company now holds 357,000 shares. As at December 31, 2008, the quoted market value of the shares was \$24,990. The Company has designated its marketable securities as financial assets available-for-sale and accordingly, changes to their fair value are recorded in other comprehensive income in the period they occur. Management has determined that the decrease in fair value of Panthera is other than temporary. As a result a loss of \$474,810 has been recorded in Other income (expenses).

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6. MARKETABLE SECURITIES AND INVESTMENT (continued)

b) On September 17, 2008 and October 24, 2008 the Company purchased 2,750,000 and 5,583,333 Units, respectively, of Blue Sky Uranium Corp. (“Blue Sky”), for \$0.12 per unit for a total of \$1,000,000. Each Unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the Company to purchase one additional common share at a price of \$0.18 per share in year one and \$0.20 per share in year two. The fair value assigned to the warrants was \$213,578. At December 31, 2008 the fair value of the warrants was \$95,879. As a result the company recorded a loss of \$117,699 on held-for-trading investments.

IMA’s holdings of Blue Sky is 22%. The Company has accounted for its investment in common shares using the equity method and has been classified as long-term. Blue Sky has a December 31st year end and is under common management. During the year ended December 31, 2008 the Company recorded a \$68,174 loss resulting from equity accounting. As at December 31, 2008, the quoted market value of the shares was \$416,667. The Company has determined this decrease in value to be temporary and accordingly has not recorded any impairment of the common share investment

7. MINERAL PROPERTIES

The table below summarizes the general exploration expenditures for the year ended December 31, 2008, 2007 and 2006:

| | 2008 | 2007 | 2006 |
|---------------------|-----------|--------|-----------|
| Hushamu property | 1,767,014 | - | - |
| Navidad | - | - | 4,491,524 |
| General exploration | 163,311 | 99,589 | 186,572 |
| General exploration | 1,930,325 | 99,589 | 4,678,096 |

Hushamu Property

The Company has entered into an Option Agreement with Western Copper Corporation (“Western Copper”) to further explore and develop the Hushamu Property and in which the Company has the right to acquire up to a 70% interest. The Hushamu porphyry style copper-molybdenum-gold deposit is located on northern Vancouver Island, B.C.

The Company has agreed to expend a minimum of \$1.9 million in the first year of a three year option period. Over years two and three the Company has an option to spend an additional \$13.1 million on drilling, metallurgical, and engineering studies in the completion of a pre-feasibility report on the Hushamu deposit to meet the required terms of the agreement. This expenditure, a total of \$15 million, and the completion of a pre-feasibility report will earn the Company a 49% interest in the project (Option 1). The Company can earn an additional 16% by funding a subsequent feasibility study by the fourth year (Option 2) and an additional 5% can be earned upon completion of mine permitting (Option 3) for a total interest of 70% with Western Copper retaining a 30% participating interest in the joint venture.

7. MINERAL PROPERTIES (continued)

The table below summarizes the mineral property expenditures for the year ended December 31, 2008:

| Hushamu Property | | \$ |
|--------------------------------|--|-----------|
| Balance, beginning of the year | | - |
| Drilling | | 923,462 |
| Salaries and contractors | | 373,178 |
| Construction | | 107,235 |
| Transportation | | 102,840 |
| Assays | | 96,224 |
| Supplies and equipment | | 65,933 |
| Office | | 36,431 |
| Road building/ Trenching | | 22,511 |
| Imagery and base maps | | 17,274 |
| Geotechnical | | 8,659 |
| Shipping | | 6,772 |
| Communications | | 6,495 |
| Balance, end of the year | | 1,767,014 |

* Subsequent to year end the Company met its \$1.9 million expenditure commitment

8. SHARE CAPITAL

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

| Issued - common shares | December 31, 2008 | | December 31, 2007 | |
|--|-------------------|------------|-------------------|------------|
| | Number | \$ | Number | \$ |
| Balance, beginning of period | 52,132,064 | 58,753,501 | 52,013,064 | 58,664,727 |
| Exercise of options | - | - | 119,000 | 59,500 |
| Contributed surplus reallocated on exercise of options | - | - | - | 29,274 |
| Balance, end of period | 52,132,064 | 58,753,501 | 52,132,064 | 58,753,501 |

(a) Stock options and stock-based compensation

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The stock options granted are subject to a four month hold period and exercisable for a period of five years.

8. SHARE CAPITAL (continued)

A summary of the changes in the number of stock options outstanding and exercisable for the year ended December 31, 2008 is as follows:

| | 2008 | | 2007 | | 2006 | |
|-------------------------------|--|--|--|--|--|--|
| | Options Outstanding and Exercisable | Weighted Average Exercise Price \$ | Options Outstanding and Exercisable | Weighted Average Exercise Price \$ | Options Outstanding and Exercisable | Weighted Average Exercise Price \$ |
| Balance, Beginning of year | 4,330,000 | 2.72 | 4,624,000 | 2.69 | 4,848,500 | 2.53 |
| Granted | 250,000 | 0.54 | 100,000 | 0.47 | 283,000 | 3.21 |
| Exercised | - | - | (119,000) | 0.50 | (315,000) | 0.61 |
| Cancelled/Forfeited | (680,000) | 2.46 | (160,000) | 3.66 | (187,500) | 2.96 |
| Expired | (1,275,000) | 1.62 | (115,000) | 0.50 | (5,000) | 0.40 |
| Balance, end of year | 2,625,000 | 3.12 | 4,330,000 | 2.72 | 4,624,000 | 2.69 |

Stock options outstanding and exercisable at December 31, 2008 are as follows:

| Number | Exercise Price \$ | Expiry Date |
|-----------|-------------------------|-------------------|
| 1,147,000 | 3.10 | March 24, 2009 |
| 690,000 | 4.16 | March 16, 2010 |
| 355,000 | 2.92 | November 16, 2010 |
| 250,000 | 0.54 | June 2, 2011 |
| 183,000 | 3.21 | June 22, 2011 |
| 2,625,000 | | |

During the year ended December 31, 2008, the Company granted stock options to directors, employees or consultants to acquire 250,000 (2007 – 100,000; 2006 - 273,000) common shares of the Company and recorded compensation expense of \$62,900 (2007: \$34,421; 2006: \$393,120) with a corresponding increase in contributed surplus as a result.

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

| | 2008 | 2007 | 2006 |
|-------------------------|---------|-----------|-----------|
| Risk-free interest rate | 3.18% | 4.21% | 4.0% |
| Estimated volatility | 125% | 136% | 70% |
| Expected life | 3 years | 2.5 years | 2.5 years |
| Expected dividend yield | 0% | 0% | 0% |

The weighted average fair value per stock option granted during the year was \$0.25 (2007 - \$0.34; 2006 - \$1.76). Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing

models do not necessarily provide reliable measure of the fair value of the Company's stock options.

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8. SHARE CAPITAL (continued)

(b) Warrants

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agents warrants outstanding at December 31, 2008, 2007 and 2006 and the changes for the years ending on those dates is as follows:

| | 2008 | 2007 | 2006 |
|----------------------------|-------------|-----------|-----------|
| Balance, beginning of year | 3,271,070 | 3,504,404 | 1,900,004 |
| Issued | - | - | 1,604,400 |
| Expired | (1,604,400) | (233,334) | - |
| Balance, end of year | 1,666,670 | 3,271,070 | 3,504,404 |

Common shares reserved pursuant to warrants and agent warrants outstanding at December 31, 2008 are as follows:

| Number | Exercise Price \$ | Expiry Date |
|-----------|----------------------|--------------------|
| 1,666,670 | 3.45 | September 14, 2009 |

9. CONTRIBUTED SURPLUS

A continuity summary of contributed surplus is presented below:

| | December 31, 2008 | December 31, 2007 | December 31, 2006 |
|--|----------------------|----------------------|----------------------|
| | \$ | \$ | \$ |
| Balance, beginning of period | 6,157,412 | 6,152,265 | 5,854,445 |
| Contributed Surplus as a result of stock options granted | 62,900 | 34,421 | 393,120 |
| Contributed Surplus reallocated on exercise of stock options | - | (29,274) | (95,300) |
| Contributed Surplus reallocated on expiry of warrants | 1,281,946 | - | - |
| Balance, end of period | 7,502,258 | 6,157,412 | 6,152,265 |

10. RELATED PARTY TRANSACTIONS

(a) The Company engages Grosso Group Management Ltd. (the "Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow Resources Corporation and Blue Sky Uranium Corp., each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. The Grosso Group services contract also provides that, in the event the services are terminated by a member company, a termination payment would include three months of compensation and any contractual obligations that the Grosso Group undertook for the company, up to a maximum of \$500,000.

During the year ended December 31, 2008, the Company incurred fees of \$619,807 (2007: \$349,143; 2006: \$724,902) to the Grosso Group: \$595,482 (2007: \$330,305; 2006: \$764,115) was paid in twelve monthly payments and \$24,325 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 (2007 – \$18,838 included in amounts payable; 2006: \$39,213 included in amounts receivable). Also, included in deposits is a \$205,000 (2007 - \$205,000; 2006 - \$205,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

Effective May 31, 2008 Astral Mining Corporation withdrew as a shareholder of Grosso Group and discontinued the use of the services and facilities provided.

Effective September 1, 2008 Panthera withdrew as a shareholder of Grosso Group and discontinued the use of the services and facilities provided.

(b) During the year ended December 31, 2008, the Company paid \$310,558 (2007 - \$353,283; 2006: \$533,917) to companies controlled by directors and officers of the Company, for accounting, management and consulting services provided.

(c) Effective January 1, 2008 the Company entered into a consulting agreement with a company controlled by a director of the Company for a fee of \$10,000 per month plus reimbursement for out-of-pocket expenses. Discretionary bonuses may also be paid if approved by the compensation committee. Accordingly, the total compensation paid to the director in the year ended December 31, 2008 was \$120,000. This amount is included in the total amount paid to directors and officers discussed in Note 10(b) above.

The Company may terminate this agreement by giving the director thirty day written notice. In the event the Company terminates this agreement the director may be entitled to receive the discretionary bonus.

(d) The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President for an annual fee of \$250,000. Accordingly, the total compensation paid to the President in the year ended December 31, 2008 was \$250,000 (2007 - \$250,000; 2006 - \$350,667). This amount is included in the total amount paid to directors and officers discussed in Note 10(b) above.

10. RELATED PARTY TRANSACTIONS (continued)

In the event the contract is terminated by the Company or as a result of a change of control, a payment is payable to the President consisting of (i) any monthly compensation due to the date of termination, (ii) options as determined by the board of directors (iii) three years of monthly compensation (which may be adjusted annually) and (iv) bonus of \$461,500. If the termination had occurred on December 31, 2008, 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 plus one years fees of \$250,000 is payable. At December 31, 2008, the Company has accrued a total of \$711,500 (2007 - \$nil) related to this bonus and termination benefits.

Effective May 1, 2007, the Company negotiated agreements with the other shareholder companies of the Grosso Group for the President of the Company to provide services for a monthly fee. The agreements may be terminated at any time at the other companies' discretion upon 30 days written notice. The Company reserves its right to restrict services provided by the President to the other shareholder companies based on its own requirements for the President's services, at which time the fee would be adjusted accordingly. For the fiscal year ended December 31, 2008, the Company has accrued a receivable of \$59,442 from the other shareholder companies which has been recorded as a decrease in Administrative and management services expense. This amount is reflected in the total amount paid to directors and officers discussed in Note 10(b) above. The fees are reviewed and adjusted on a periodic basis.

All of the related party transactions and balances in these consolidated financial statements arose in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. CAPITAL RISK MANAGEMENT

The capital Structure of the Company consists of equity attributable to common shareholders and includes share capital, warrants, contributed surplus, stock options, accumulated other comprehensive loss and deficit.

The Company manages its capital to maximize its ability to continue as a going concern and have sufficient capital to explore and develop mining projects. There were no changes to the company's capital risk management strategy during the year ended December 31, 2008.

12. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain risks, including currency, credit and metal price risk.

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

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12. MANAGEMENT OF FINANCIAL RISK (continued)

The Company has not hedged its exposure to currency fluctuations. At December 31, 2008, the Company is exposed to currency risk through the following assets and liabilities in US dollars and Argentina pesos:

| | December 31, 2008 | | December 31, 2007 | | December 31, 2006 | |
|--|-------------------|-------|-------------------|----------|-------------------|-----------|
| | US\$ | Arg\$ | US\$ | Arg\$ | US\$ | Arg\$ |
| Cash | 86,829 | 613 | 79,400 | 66,256 | 54,121 | 206,107 |
| Other receivables and prepaids | 27,967 | - | 680 | | 101 | 4,000 |
| Accounts payable and accrued liabilities | (27,834) | - | (1,704) | (30,725) | (4,246) | (156,438) |

Based on the net exposures as at December 31, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and Argentinean pesos would be insignificant in the Company's net earnings.

Credit Risk: Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, short-term investments and other receivables. The Company limits its exposure to credit loss by placing its cash and short-term investments with major financial institutions.

Metal Price Risk: The Company's portfolio of properties has exposure to predominantly Copper, silver and gold. The prices of these metals, especially copper, greatly affect the value of the Company and the potential value of its properties and investments.

13. INCOME TAXES

The recovery of income taxes shown in the consolidated statements of operations, comprehensive income (loss) and deficit differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

| | 2008 | 2007 Restated – Note 2 | 2006 Restated – Note 2 |
|---|-------------|------------------------------|------------------------------|
| Statutory tax rate | 31.00% | 34.12% | 34.12% |
| | \$ | \$ | \$ |
| Income (loss) for the year | (4,301,910) | 16,678,832 | (8,072,884) |
| Provision for income taxes based on statutory Canadian combined federal and provincial income tax rates | (1,333,592) | 5,690,817 | (2,754,468) |
| Differences in foreign tax rates | - | (707) | (526) |
| Non-deductible differences | 23,134 | 26,288 | 1,681,840 |
| Loss expiry | 260,760 | 430,571 | 428,518 |
| Non taxable component of Navidad recovery | - | (6,060,913) | - |
| Change in valuation allowance | 1,107,675 | (926,300) | 630,433 |
| Other | (57,977) | 840,244 | 14,203 |
| | - | - | - |

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13. INCOME TAXES (continued)

The significant components of the Company's future tax assets are as follows:

| | 2008 | 2007 | 2006 |
|---|-------------|-------------|-------------|
| | \$ | \$ | \$ |
| Future income tax assets | | | |
| Operating loss carryforward | 4,681,251 | 4,307,036 | 4,950,897 |
| Share issue costs | 143,509 | 288,455 | 509,317 |
| Resource deductions | 778,142 | 268,425 | 306,710 |
| Other | 390,839 | 22,150 | 45,442 |
| | 5,993,741 | 4,886,066 | 5,812,366 |
| Valuation allowance for future tax assets | (5,993,741) | (4,886,066) | (5,812,366) |
| | - | - | - |

The Company has Canadian capital loss carryforwards of \$161,172 and non-capital loss carryforwards of \$17,337,966 that may be available for tax purposes. The Company's capital losses do not expire and may be carried forward indefinitely. The non-capital losses expire as follows:

| Expiry Date | \$ |
|-------------|------------|
| 2009 | 1,317,730 |
| 2010 | 1,545,964 |
| 2014 | 2,752,324 |
| 2015 | 4,708,790 |
| 2026 | 3,282,352 |
| 2027 | 1,503,664 |
| 2028 | 2,227,142 |
| | 17,337,966 |

14. SEGMENTED INFORMATION

The Company is involved in mineral exploration and development activities. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of fiscal 2008 and 2007.

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

| | December 31, 2008 | | |
|----------------|-------------------|-----------|------------|
| | Canada | Argentina | Total |
| | \$ | \$ | \$ |
| Current assets | 21,761,139 | 212 | 21,761,351 |
| Deposit | 205,000 | - | 205,000 |
| Investment | 718,248 | - | 718,248 |
| | 22,684,387 | 212 | 22,684,599 |

| | December 31, 2007 | | |
|--|-------------------|-----------|-------|
| | Canada | Argentina | Total |
| | \$ | \$ | \$ |

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| | | | |
|----------------|------------|--------|------------|
| Current assets | 25,897,160 | 22,330 | 25,919,490 |
| Deposit | 205,000 | - | 205,000 |
| | 26,102,160 | 22,330 | 26,124,490 |

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15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements of the Company have been prepared in accordance with Canadian GAAP, which differ in certain material respects from US GAAP.

The effects of significant measurement differences between Canadian GAAP and US GAAP for certain items on the consolidated balance sheets, statements of operations and deficit and statements of cash flows are as follows:

| | 2008 | 2007 | 2006 |
|--|-------------|----------------------|----------------------|
| | \$ | \$ | \$ |
| | | Restated – Note 2 | Restated – Note 2 |
| Consolidated statements of operations | | | |
| Income (loss) for the year under Canadian GAAP and US GAAP | (4,301,910) | 16,678,832 | (8,072,884) |
| Unrealized losses on available-for-sale securities (ii) | - | - | (3,000) |
| Comprehensive loss (iii) | (4,301,910) | 16,678,832 | (8,075,884) |
| Basic and diluted income (loss) per share under US GAAP | (0.08) | 0.32 | (0.16) |
| Weighted average number of common shares outstanding | 52,132,064 | 52,099,787 | 51,263,575 |

| | 2008 | 2007 | 2006 |
|---|------------|------------|----------------------|
| | \$ | \$ | \$ |
| | | | Restated – Note 2 |
| Shareholders' Equity | | | |
| Balance per Canadian GAAP | 21,779,756 | 26,018,766 | 9,246,013 |
| Accumulated other comprehensive income (ii) | - | - | 81,000 |
| Balance per US GAAP | 21,779,756 | 26,018,766 | 9,327,013 |

| | 2008 | 2007 | 2006 |
|---|------|----------------------|----------------------|
| | \$ | \$ | \$ |
| | | Restated – Note 2 | Restated – Note 2 |
| Mineral properties | | | |
| Balance per Canadian GAAP | - | - | - |
| Transfer of marketable securities (ii) | - | - | - |
| Mineral properties and deferred costs expensed under US GAAP (i) | - | - | - |
| Balance per US GAAP | - | - | - |

| | 2008 | 2007 | 2006 |
|---------------------------|------|----------------------|----------------------|
| | \$ | \$ | \$ |
| | | Restated – Note 2 | Restated – Note 2 |
| Navidad interest | | | |
| Balance per Canadian GAAP | - | 18,500,000 | 186,000 |
| Fair value adjustment | - | - | 81,000 |
| Balance per US GAAP | - | 18,500,000 | 267,000 |

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15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES (continued)

There are no differences for the statements cash flows between Canadian GAAP and US GAAP for the years ending December 31, 2008, 2007 and 2006.

i) Mineral Properties and Deferred Costs

During the year ended December 31, 2008, the Company changed its accounting policy relating to mineral property exploration expenditures and it now expenses exploration expenditures when incurred as is required for US GAAP (see note 2).

ii) Investments

For the 2006 fiscal year, the Company's marketable securities were classified as available-for-sale investments under US GAAP until July 14, 2006, the date of the Navidad judgment. Subsequently, the marketable securities were transferred to the Navidad interest balance (see Note 3 above).

iii) Comprehensive Income

US GAAP requires disclosure of comprehensive income (loss) which is intended to reflect all other changes in equity except those resulting from contributions by and payments to owners.

iv) Realization of Navidad interest

For US GAAP purposes the Company had previously expensed the exploration and other costs that comprised the amount shown as Navidad interest. The Company has recognized as income those costs in 2007 as the litigation is concluded and the funds representing those costs have been received. (See Note 3).

Fair Value Measurements

In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements", which establishes a framework for measuring fair value. It also expands disclosures about fair value measurements and was effective for the first quarter of 2008. This guidance is not effective until January 1, 2009.

Recently issued US GAAP accounting standards:

i) In December 2007, the FASB issued SFAS 160 a standard on accounting for noncontrolling interests and transactions with non-controlling interest holders in consolidated financial statements. The standard is converged with standards issued by the AcSB and IASB on this subject. This statement specifies that non-controlling interests are to be treated as a separate component of equity, not as a liability or other item outside of equity. Because non-controlling interests are an element of equity, increases and decreases in the parent's ownership interest that leave control intact are accounted for as capital transactions rather than as a step acquisition or dilution gains or losses. The carrying amount of the non-controlling interests is adjusted to reflect the change in ownership interests, and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to the controlling interest.

15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES (continued)

This standard requires net income and comprehensive income to be displayed for both the controlling and the non-controlling interests. Additional required disclosures and reconciliations include a separate schedule that shows the effects of any transactions with the non-controlling interests on the equity attributable to the controlling interest.

The statement is effective for periods beginning on or after December 15, 2008. SFAS 160 will be applied prospectively to all non-controlling interests, including any that arose before the effective date. Management anticipates the adoption of this interpretation is not expected to have an effect on the Company's results of operations or financial position.

ii) In December 2007, the FASB issued a revised standard on accounting for business combinations, SFAS 141R. The major changes to accounting for business combinations are summarized as follows:

- § all business acquisitions would be measured at fair value.
- § the existing definition of a business would be expanded.
- § pre-acquisition contingencies would be measured at fair value.
- § most acquisition-related costs would be recognized as expense as incurred (they would no longer be part of the purchase consideration).
- § obligations for contingent consideration would be measured and recognized at fair value at acquisition date (would no longer need to wait until contingency is settled).
- § liabilities associated with restructuring or exit activities be recognized only if they meet the recognition criteria of SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities, as of the acquisition date.
- § non-controlling interests would be measured at fair value at the date of acquisition (i.e. 100% of the assets and liabilities would be measured at fair value even when an acquisition is less than 100%).
- § goodwill, if any, arising on a business combination reflects the excess of the fair value of the acquiree, as a whole, over the net amount of the recognized identifiable assets acquired and liabilities assumed. Goodwill is allocated to the acquirer and the non-controlling interest.
- § in accounting for business combinations achieved in stages, commonly called step acquisitions, the acquirer is to re-measure its pre-existing non-controlling equity investment in the acquiree at fair value as of the acquisition date and recognize any unrealized gain or loss in income.

The statement is effective for periods beginning on or after December 15, 2008.

iii) Equity Method Investment Accounting Considerations

In November 2008, FASB Task Force clarified the accounting for certain transactions and impairment considerations involving equity method investments. Topics related to equity method investments include the initial carrying value of an equity method investment, impairment assessment of investees intangibles and an equity investees issuance of shares. EITF 08-6 is effective for fiscal years beginning on or after December 15, 2008. The Company is currently evaluating the impact of EITF 08-6 on the Company's consolidated financial statements.

16. SUPPLEMENTARY CASH FLOW INFORMATION

| | 2008 | 2007 | 2006 |
|--------------------------------------|------|----------|----------|
| | \$ | \$ | \$ |
| Financing activities | | | |
| Shares issue costs | - | - | (95,893) |
| Warrant issue costs | - | - | (14,271) |
| Warrants | - | - | 110,164 |
| Shares issued on exercise of options | - | 29,274 | 74,800 |
| Contributed surplus | - | (29,274) | (74,800) |
| | - | - | - |

| | 2008 | 2007 | 2006 |
|------------------------------------|---------|-----------|-----------|
| | \$ | \$ | \$ |
| Change in non-cash working capital | | | |
| Other receivables and prepaids | 232,393 | (222,195) | 143,287 |
| Accounts payable | 87,619 | (130,888) | (740,199) |
| | 320,012 | 353,083 | 596,912 |

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