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IMA EXPLORATION INC  
Form 6-K  
June 09, 2003

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 MAY , 2003.  
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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

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

SIGNATURES

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

IMA Exploration Inc.  
(Registrant)

Date May 28, 2003

By /s/ William Lee

(Signature)

William Lee, Director and Chief Financial Officer

1 Print the name and title of the signing officer under his signature.

BC FORM 51-901F

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 MARCH 31, 2003

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DATE OF REPORT

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

JOSEPH GROSSO -----	/S/ Joseph Grosso -----	03/05/28 -----
NAME OF DIRECTOR	SIGN (TYPED)	DATE SIGNED (YY/MM/DD)
WILLIAM LEE -----	/S/ William Lee -----	03/05/28 -----
NAME OF DIRECTOR	SIGN (TYPED)	DATE SIGNED (YY/MM/DD)

(Signatures for this Form should be entered in TYPED form)

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SCHEDULE A

-----  
IMA EXPLORATION INC.  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED  
MARCH 31, 2003

(Unaudited - Prepared by Management)  
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SCHEDULE A

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

	March 31, 2003 \$	December 31, 2002 \$ (Audited)
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	1,599,438	1,436,124
Amounts receivable and prepaids	161,844	79,661
Marketable securities	23,460	23,460
	-----	-----
	1,784,742	1,539,245
PROPERTY, PLANT AND EQUIPMENT	41,925	45,517
MINERAL PROPERTIES AND DEFERRED COSTS (Note 3)	6,459,871	5,847,727
	-----	-----
	8,286,538	7,432,489
	=====	=====
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	142,124	108,351
	-----	-----
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL (Note 4)	22,484,131	21,354,823
CONTRIBUTED SURPLUS	128,260	128,260
DEFICIT	(14,467,977)	(14,158,945)
	-----	-----
	8,144,414	7,324,138
	-----	-----
	8,286,538	7,432,489
	=====	=====

APPROVED BY THE BOARD OF DIRECTORS

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

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

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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.  
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT  
FOR THE THREE MONTHS ENDED MARCH 31  
(Unaudited - Prepared by Management)

	2003	2002
	\$	\$
EXPENSES		
Administrative and management services	59,250	58,700
Bank charges and interest	3,277	1,499
Corporate development and investor relations	73,142	50,940
Depreciation	5,546	4,892
General exploration	58,224	14,927
Office and sundry	7,975	8,790
Printing	7,036	4,555
Professional fees	27,944	3,007
Rent, parking and storage	13,862	17,880
Salaries and employee benefits	48,944	48,963
Telephone and utilities	10,424	6,839
Transfer agent and regulatory fees	4,538	6,522
Travel and accommodation	10,995	11,788
	-----	-----
LOSS BEFORE THE FOLLOWING	(331,157)	(239,302)
FOREIGN EXCHANGE	17,349	3,411
INTEREST AND MISCELLANEOUS INCOME	4,776	3,212
	-----	-----
LOSS FOR THE PERIOD	(309,032)	(232,679)
DEFICIT - BEGINNING OF PERIOD	(14,158,945)	(12,718,839)
	-----	-----
DEFICIT - END OF PERIOD	(14,467,977)	(12,951,518)
	=====	=====
BASIC AND DILUTED - LOSS PER COMMON SHARE	\$ (0.01)	\$ (0.01)
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	27,158,205	18,981,497
	=====	=====

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.  
 INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE THREE MONTHS ENDED MARCH 31  
 (Unaudited - Prepared by Management)

	2003 \$	2002 \$
OPERATING ACTIVITIES		
Loss for the period	(309,032)	(232,679)
Item not involving cash		
Depreciation	5,546	4,892
	-----	-----
	(303,486)	(227,787)
Decrease (increase) in amounts receivable and prepaids	(82,183)	3,467
Increase in accounts payable and accrued liabilities	33,773	45,996
	-----	-----
	(351,896)	(178,324)
	-----	-----
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,954)	(791)
Expenditures on mineral properties and deferred costs	(612,144)	(344,353)
	-----	-----
	(614,098)	(345,144)
	-----	-----
FINANCING ACTIVITIES		
Issuance of common shares	1,129,308	242,060
Share issue costs	-	(55,553)
	-----	-----
	1,129,308	186,507
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	163,314	(336,961)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	1,436,124	755,765
	-----	-----
CASH AND CASH EQUIVALENTS - END OF PERIOD	1,599,438	418,804
	=====	=====
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
CASH	794,569	418,804
TERM DEPOSIT	804,869	-
	-----	-----
	1,599,438	418,804
	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION		
INTEREST PAID IN CASH	-	-
	=====	=====
INCOME TAXES PAID IN CASH	-	-
	=====	=====

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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.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 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. See also Note 9.

### 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.

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SCHEDULE A

IMA EXPLORATION INC.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2003  
(Unaudited - Prepared by Management)

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3. MINERAL PROPERTIES AND DEFERRED COSTS

	March 31, 2003			December 31, 2002	
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$
Argentina:					
Valle de Cura	661,635	1,879,077	2,540,712	661,635	1,879,040
Gualcamayo	85,621	16,240	101,861	85,621	16,240
NW San Juan	51,065	171,882	222,947	51,065	101,831
Chubut	-	770,252	770,252	-	354,873
Other	-	31,195	31,195	-	30,972
	798,321	2,868,646	3,666,967	798,321	2,382,956
Peru:					
Rio Tabaconas	700,046	2,092,858	2,792,904	700,046	1,966,404
	1,498,367	4,961,504	6,459,871	1,498,367	4,349,360

See also Note 9.

4. SHARE CAPITAL

Authorized: 99,708,334 common shares without par value

Issued:

	March 31, 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	-	-	5,703,026	2,552,870
Exercise of warrants	2,333,799	1,115,308	2,085,361	837,512
Exercise of options	35,000	14,000	170,000	68,000
Less: Share issue costs	-	-	-	(194,056)
	2,368,799	1,129,308	7,958,387	3,264,326
Balance, end of period	28,919,405	22,484,131	26,550,606	21,354,823

See also Note 9.

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SCHEDULE A

IMA EXPLORATION INC.  
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE THREE MONTHS ENDED MARCH 31, 2003  
 (Unaudited - Prepared by Management)

5. STOCK BASED COMPENSATION

During the three months ended March 31, 2003, the Company granted stock options to its employees and directors to purchase up to 223,500 shares of the Company. The options are exercisable at \$0.84 per share and have a 5 year term to expiry.

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	(309,032)
- compensation expense	(113,985)
	-----
- pro-forma	(423,017)
	=====
Basic and diluted loss per share	
- as reported	\$(0.01)
- pro-forma	\$(0.02)

The fair value of stock options granted to employees and directors was 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	4.37%
Estimated volatility	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 to the Company's employees, directors and consultants was \$0.51 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 THREE MONTHS ENDED MARCH 31, 2003  
 (Unaudited - Prepared by Management)

6. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2003, the Company:

- (i) paid \$40,025 to companies controlled by certain directors and officers of the Company for management and consulting services provided;
- (ii) paid \$15,231 for rent to a company owned by the President of the Company and his wife; and
- (iii) received \$6,000 from a private company with a common director for shared rent and administration.

7. 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:

	March 31, 2003			
	Canada	Argentina	Peru	T
	\$	\$	\$	
Property, plant and equipment	30,854	5,817	5,254	
Mineral properties and deferred costs	-	3,666,967	2,792,904	6,
	-----	-----	-----	-----
	30,854	3,672,784	2,798,158	6,
	=====	=====	=====	=====
	December 31, 2002			
	Canada	Argentina	Peru	T
	\$	\$	\$	
Property, plant and equipment	34,323	5,817	5,377	
Mineral properties and deferred costs	-	3,181,277	2,666,450	5,
	-----	-----	-----	-----
	34,323	3,187,094	2,671,827	5,
	=====	=====	=====	=====

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SCHEDULE A

IMA EXPLORATION INC.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2003  
(Unaudited - Prepared by Management)

8. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of the Company's financial instruments consisting of cash and cash equivalents, amounts receivable and prepaids and accounts payable and accrued liabilities approximate their carrying values, due to their short-term nature. As of March 31, 2003, the market value of marketable securities was \$95,795.

9. SUBSEQUENT EVENTS

During the three months ended March 31, 2003, the Company:

- (a) completed a brokered private placement for 2,900,000 units at a price of \$0.90 for cash proceeds of \$2,497,248, net of commission costs of \$112,752. 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 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 basis as the private placement;
- (b) issued 302,000 shares for \$136,800 on the exercise of options. In addition, the Company issued 561,280 shares for \$303,836 on the exercise of warrants and agents warrants;
- (c) agreed, subject to regulatory approvals, to farm out its Mogote Property in the NW San Juan Region of Argentina to Amera Resources Corporation ("Amera"), a private company which has a common director. Amera has the option to earn a 51% interest in the 8,009 hectare Mogote Property by issuing 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; and
- (d) agreed, subject to regulatory approvals, to 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 Company a bonus of US\$250,000 and a 3% net smelter returns royalty.

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SCHEDULE B

IMA EXPLORATION INC.  
QUARTERLY REPORT

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FOR THE THREE MONTHS ENDED MARCH 31, 2003

## 1. (a) GENERAL AND ADMINISTRATIVE EXPENSES

	\$
Administrative and management services	59,250
Bank charges and interest	3,277
Corporate development and investor relations	73,142
Depreciation	5,546
Office and sundry	7,975
Printing	7,036
Professional fees	27,944
Rent, parking and storage	13,862
Salaries and employee benefits	48,944
Telephone and utilities	10,424
Transfer agent and regulatory fees	4,538
Travel and accommodation	10,995
	-----
	272,933
	=====

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

	Argentina				
	Valle de Cura \$	Gualcamayo \$	NW San Juan \$	Chubut \$	Other \$
Balance, beginning of period	2,540,675	101,861	152,896	354,873	30,972
	-----	-----	-----	-----	-----
Expenditures during the period					
Assays	-	-	7,823	24,243	-
Drilling	-	-	-	248,044	-
Environmental	-	-	-	-	-
Field supplies	-	-	6,938	10,475	-
Field workers	-	-	-	-	-
Geological	-	-	50,293	97,503	-
Office	-	-	2,019	5,254	-
Other	37	-	2,476	1,703	223
Travel	-	-	-	19,561	-
Vehicles	-	-	502	8,596	-
	-----	-----	-----	-----	-----
	37	-	70,051	415,379	223
	-----	-----	-----	-----	-----
Balance, end of period	2,540,712	101,861	222,947	770,252	31,195
	=====	=====	=====	=====	=====

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SCHEDULE B

IMA EXPLORATION INC.  
 QUARTERLY REPORT  
 FOR THE THREE MONTHS ENDED MARCH 31, 2003

1. (c) GENERAL EXPLORATION EXPENSES

	\$
Bank fees	3,476
Consulting	27,656
Geological	17,809
Office	5,302
Vehicles	3,981
	-----
	58,224
	=====

2. (a) RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2003, the Company:

- (i) paid \$40,025 to companies controlled by certain directors and officers of the Company for management and consulting services provided; and
- (ii) paid \$15,231 for rent to a company owned by the President of the Company and his wife; and
- (iii) received \$6,000 from a private company with a common director for shared rent and administration.

3. (a) SECURITIES ISSUED DURING THE PERIOD ENDED MARCH 31, 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	

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SCHEDULE B

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IMA EXPLORATION INC.  
 QUARTERLY REPORT  
 FOR THE THREE MONTHS ENDED MARCH 31, 2003

3. (b) OPTIONS GRANTED DURING THE PERIOD ENDED MARCH 31, 2003

Date Granted	Number of Shares	Type of Option	Name	Price	Exercise Expiry Date
				\$	
Mar. 7, 2003	50,000	Employee	K. Patterson	0.84	Mar. 7, 2008
Mar. 7, 2003	30,000	Employee	D. Charchafly	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
	-----				
	223,500				
	=====				

4. (a) AUTHORIZED AND ISSUED SHARE CAPITAL AS AT MARCH 31, 2003

Class	Par Value	Authorized Number	Issued	
			Number	Amount
Common	WPV	99,708,334	28,919,405	\$22,484,131

4. (b) OPTIONS AND WARRANTS OUTSTANDING AS AT MARCH 31, 2003

Security	Number	Exercise Price	Expiry Date
		\$	
Options	1,380,500	0.40	Jul. 19, 2006
Options	510,000	0.50	May 02, 2007
Options	540,000	0.50	Sept. 23, 2007
Options	223,500	0.84	Mar. 07, 2008
	-----		
	2,654,000		
	=====		

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FOR THE THREE MONTHS ENDED MARCH 31, 2003

## 4.(b) OPTIONS AND WARRANTS OUTSTANDING AS AT MARCH 31, 2003 (continued)

Security	Number	Exercise Price	Expiry Date
-----	-----	-----	-----
		\$	
Warrants	1,556,000	0.75	Sept. 15, 2004
Warrants	637,000	0.75	Apr. 19, 2005
Warrants	1,397,167	0.90	Mar. 16, 2005
Warrants	205,278	0.54	Apr. 09, 2003
Warrants	73,448	0.54	Apr. 09, 2003
Warrants	55,555	0.53	May 23, 2003
Warrants	1,722,222	0.53/0.60	May 23, 2003/2004
Warrants	1,494,915	0.55/0.60	Sept. 27, 2003/2004
Warrants	36,166	0.50	Sept. 27, 2003
	-----		
	7,177,751		
	=====		

## 4.(c) SHARES IN ESCROW OR SUBJECT TO POOLING AS AT MARCH 31, 2003

There were no shares subject to escrow or pooling as at March 31, 2003.

## 5.(a) LIST OF DIRECTORS AND OFFICERS AS AT MARCH 31, 2003

### Directors:

Gerald Carlson  
Joseph Grosso  
William Lee  
Sean Hurd  
Robert Brown  
Nikolaos Cacos

### Officers:

Gerald Carlson (Chairman)  
Joseph Grosso (President & Chief Executive Officer)  
William Lee (Chief Financial Officer)  
Nikolaos Cacos (Secretary)

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SCHEDULE C

IMA EXPLORATION INC.  
QUARTERLY REPORT  
FOR THE QUARTER ENDED MARCH 31, 2003

MANAGEMENT DISCUSSION & ANALYSIS

-----

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### 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

After carrying out a successful Phase I exploration program on Las Bayas during the fall of 2002, the Company during the first quarter of 2003 completed a 1,953 metre, 20 hole drill program on the Las Bayas property, completed a detailed Phase II surface exploration program on its 100 % owned Mogotes property and completed the preliminary mapping, rock sampling and grid soil sampling on the Silver-copper-lead property at its Navidad project in Chubut Province, all of which are located in Argentina. The results of the follow up exploration program on the Navidad project significantly expanded the potential size of the bonanza-grade silver-copper-lead mineralization zone as did the work on Mogotes.

The Company and Amera Resources Corporation a private company which has a common director entered into agreements to option or sell, subject to TSX Exchange approval, interest in various mineral concessions located in Argentina on March 6, 2003 as follows:

- i) letter of intent for Amera to earn a undivided 51 % interest to further explore the Arturo Property (Mogotes). To earn a 51 % interest in the property, Amera must issue 1,650,000 common shares to the Company and incur US \$1.25 million of expenditures, including work programs and underlying option payments, all over five years.
- ii) property purchase agreement to 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 properties into commercial production, the Company will receive a bonus of US \$250,000 an a 3 % net smelter returns royalty.

During the quarter, Barrick and the Company agreed to extend the Selection Notice Period in the option agreement from November 30,2002 to December 30,2003. In return for the extension Barrick paid US \$65,000 which will be used to make payments to maintain the option properties in good standing.

### SUMMARY OF FINANCIAL RESULTS

The Company reported a consolidated loss of \$309,032 (\$0.01 per share) for the period ended March 31,2003, an increase of \$76,353 from the loss of \$232,679 (\$0.01 per share) in 2002. The increase in the loss experienced by the Company in 2003, compared to 2002, was attributed to certain operating expenditures such as \$22,202 for increase in Corporate development and Investor relations cost , \$43,297 for increase in General Exploration and \$24,937 for increase in Professional fees and an increase in non-operating items of \$15,502 as a result of a favourable foreign exchange rate and increased interest income.

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### MANAGEMENT DISCUSSION & ANALYSIS (continued)

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#### RESULTS OF OPERATIONS

##### CORPORATE COSTS AND OTHER INCOME

There were increases in to the following expenses: (i) Administration and management services - \$550; (ii) Amortization and depreciation - \$654; (iii) Bank charges and interest - \$1,778; (iv) Corporate development and investor relations - \$22,202 of which \$15,000 was for an investor relation consultant and \$7,202 for various media advertising; (v) General exploration - \$43,297 as a result of additional examination of grassroots properties mainly in the Patagonia region in Argentina and in Peru ; (vi) Printing - \$2,481 mainly for investor presentation material; (vii) Professional fees - \$24,937 which relates to the ongoing North America and European market awareness program; (viii) Telephone and utilities - \$ 3,585 due to the increase in correspondence with Europe, North America and South America.

The following expenses decreased for the year (i) Office and sundry - \$815 as a result of cost recovery from a private company sharing office space; and (ii) Rent, parking and storage - \$4,018 as a result of cost recovery from a private company sharing office space; (iii) Salaries and employee benefits - \$19; (iv) Transfer agent and regulatory fees -\$1,984; (v) Travel and accommodation - \$793.

During the period ended March 31,2003 and 2002 the Company did not write-off any mineral claims and deferred costs.

Interest and miscellaneous income reported for the period ended March 31,2003 was \$4,776 an increase of \$1,564 from \$3,212 reported in 2002 as a result of more funds on deposit.

During the period ended March 31,2003 and 2002, the Company did not dispose of any Viceroy common shares.

##### LIQUIDITY AND CAPITAL RESOURCES

At March 31,2003 the Company had working capital of \$1,642,618 compared to \$346,974 at March 31,2002. As at March 31, 2003, the Company had cash and cash equivalents on hand of \$1,599,438 (2002 - \$418,804).

Subsequent to the period ended March 31,2003, the Company completed a private placement of 2,900,000 units at \$0.90 per unit for a total amount of \$2.61 million. Each unit consists of one common share and one half of one common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one additional common share in the capital of the Company for one year at \$1.10 per share. The funds will be used on its properties in South American and general working capital.

In addition the Company issued 302,000 shares for \$136,800 on the exercise of options and 561,280 shares for \$303,836 on the exercise of warrants.

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### MANAGEMENT DISCUSSION & ANALYSIS (continued)

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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 March 31, 2003, was \$351,896 or \$0.01 per share compared to cash outflow in 2002 of \$178,324 or \$0.01 per share. The cash outflows for 2003 were largely due to increase in corporate development and investor relations, general exploration and professional fees.

### FINANCING ACTIVITIES

Cash flow from financing activities for the period ended March 31, 2003 generated \$1,129,308 (2002 - \$186,507) which included \$14,000 from the exercise of 35,000 stock options and \$1,115,308 from the exercise of 2,333,799 warrants.

### INVESTING ACTIVITIES

Cash flow from investing activities required \$614,098 for the period ended March 31, 2003 (2002 - \$345,144), these investing activities were primarily for additions of \$70,051 to NW San Juan Properties and \$415,379 to Chubut and other properties in Argentina and \$126,454 to the Rio Tabaconas project in Peru and \$1,954 to office equipment.

### CRITICAL ACCOUNTING POLICIES

Reference should be made to the Company's significant accounting policies contained in note 2 of the interim consolidated financial statements. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

### 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.

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MANAGEMENT DISCUSSION & ANALYSIS (continued)  
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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 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".

OUTLOOK

BONANZA-GRADE SILVER DISCOVERY AT NAVIDAD, PATAGONIA, ARGENTINA

At the beginning of the quarter, IMA announced that it had staked a new silver-copper-lead discovery at Navidad in Chubut Province, Argentina. This discovery, made by IMA geologists while conducting grassroots regional exploration in the district, includes two distinct styles of mineralization: bonanza silver- copper-lead and replacement silver-lead.

Subsequent work on the Navidad project in Patagonia has achieved the following:

- Doubled the strike length of the mapped bonanza-grade silver-copper-lead mineralization at Navidad Hill.
- Significantly expanded the size of replacement-style silver-lead mineralization which has clear bulk tonnage potential.
- Demonstrated the potential for additional discoveries within an 8 kilometre by 3 kilometre area of favourable geology and anomalous geochemistry.

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SCHEDULE C

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MANAGEMENT DISCUSSION & ANALYSIS (continued)  
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Ongoing work at Navidad included detailed mapping and sampling, infill soil sampling, geophysical surveys including induced polarization and gravimetrics with the goal of defining drill targets.

The results of the recently completed soil sampling survey to date are very encouraging as it continues to meet and exceed expectations of IMA's Technical Team. Significant naturally-occurring metal anomalies in soils have now been extended to an overall strike length of 5.8 km.

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 strong soil anomaly, which IMA Geologists believe to be very significant, is defined by greater than 2 grams per tonne (g/t) silver and generally greater than 100 ppm copper. Within this zone there is a central core of greater than 10 g/t silver in soils (includes values of up to 298 g/t Ag) of approximately 600 by 200 metres. Portions of this central core correlate with the outcropping bonanza-grade mineralization 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 g/t have been received from 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. A total of 958 soil samples have now been collected on the Navidad project at 50 metre sample spacing on lines spaced 100 metres and 50 metres apart in key areas.

The first phase of detailed 1:500 and 1:1,000 scale mapping and sampling in the Navidad, Galena, and Barite Hill areas was completed and 824 rock chip samples have been collected. Results will be released over the next few weeks, once they are received and reviewed by IMA geologists. In addition, Quantec Geoscience Argentina S.A. is currently collecting IP/Resistivity data over a 2.5 by 7.0 kilometre area at Navidad. Preliminary results indicate significant anomalies over areas of known bonanza-grade structures and known galena matrix breccia, anomalies have also been defined in new areas that are completely soil covered. Final results from this survey are expected in mid to late June. It is anticipated that drilling will commence in the Patagonian Spring (approximately September) of 2003.

## BARRICK OPTION AGREEMENT

IMA and Barrick Gold Corporation have agreed to extend the Selection Notice Period in the Exploration and Option Agreement dated August 17, 1999 by an additional year from November 30, 2002 to December 31, 2003. By that time, Barrick can select if it will continue with an option to earn an interest in either the Potrerillos or the Rio de las Taguas property. No further exploration

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work will be carried out on the Potrerillos and Rio de las Taguas properties until December 31, 2003.

Both properties have confirmed drill targets and are located in close proximity to Barrick's Pascua and Veladero gold discoveries in, a world class gold mining district containing over 38 million ounces of gold and 780 million ounces of silver.

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MANAGEMENT DISCUSSION & ANALYSIS (continued)

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The Company has no exploration budget commitment for the Valle del Cura region in Argentina, the Gualcamayo region, and the NW San Juan region as it is focusing on its highest priority projects for 2003. The Company plans to expend approximately US\$500,000 in Argentina on surface work at the Navidad project, an additional US\$1,500,000 on drill programs at the Navidad project and US\$593,000 on the Rio Tabaconas project (formerly known as Tamborapa project) in Peru from March 31, 2003 to December 31, 2003. In addition, minimum property payments of approximately US \$225,000 are required to maintain all of the existing property holdings.

#### FORWARD LOOKING STATEMENTS

Certain information contained in the Management's Discussion and Analysis constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. The Company assumes no obligation to update its forward-looking statements to reflect actual results, changes in assumptions or changes in other risk factors affecting such statements.

#### INVESTOR RELATIONS

Activities during the quarter ended March 31, 2003 consisted of investor mailings and shareholders communications by Company personnel.