



## **NEW OROPERU RESOURCES INC.**

### **CONSOLIDATED FINANCIAL STATEMENTS (Expressed in Canadian dollars)**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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**INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF NEW OROPERU RESOURCES INC.**

We have audited the accompanying consolidated financial statements of New Oroperu Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of New Oroperu Resources Inc. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
April 18, 2018

**NEW OROPERU RESOURCES INC.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian dollars)**  
**As at December 31, 2017 and 2016**

	2017	2016
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 51,229	\$ 154,705
Receivables	16,711	10,598
Prepaid expenses	7,292	7,292
	<b>75,232</b>	<b>172,595</b>
<b>Non-current</b>		
Exploration and evaluation properties (Note 4)	1	1
	<b>\$ 75,233</b>	<b>\$ 172,596</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade payables and accrued liabilities	\$ 20,881	\$ 18,605
<b>Equity</b>		
Share capital (Note 5)	33,053,980	33,053,980
Reserves - Stock option (Note 5c)	1,476,463	1,293,832
Reserves - Warrants (Note 5d)	105,917	105,917
Deficit	(34,582,008)	(34,299,738)
	<b>54,352</b>	<b>153,991</b>
	<b>\$ 75,233</b>	<b>\$ 172,596</b>

Approved and Authorized for Issue by the Board on April 18, 2018:

"K. Wayne Livingstone"  
..... Director

"Maynard E. Brown"  
..... Director

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

**NEW OROPERU RESOURCES INC.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian dollars)**  
**For the years ended December 31, 2017 and 2016**

	2017	2016
<b>Expenses</b>		
Consulting fees (Note 6)	\$ 116,827	\$ 119,456
Directors fees (Note 6)	36,760	38,681
General and administration (Note 6)	90,581	86,095
Insurance	12,839	13,972
Legal and audit	37,714	27,120
Property maintenance (Note 4c)	10,808	4,165
Regulatory fees	9,483	9,360
Rent	6,000	6,040
Share-based payments (Note 5c)	578,901	-
	<b>(899,913)</b>	<b>(304,889)</b>
<b>Other</b>		
Proceeds of option payments in excess of capital costs (Note 4a)	238,128	129,856
Write-off of exploration property (Note 4b)	-	(1)
Foreign exchange gain (loss)	(16,755)	948
Write-off of receivables	-	(400)
<b>Net Loss and Comprehensive Loss for the Year</b>	<b>\$ (678,540)</b>	<b>\$ (174,486)</b>
<b>Loss Per Share, Basic and Diluted</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>20,924,985</b>	<b>20,899,384</b>

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

**NEW OROPERU RESOURCES INC.**  
**Consolidated Statements of Changes in Equity**  
**(Expressed in Canadian dollars)**  
**For the years ended December 31, 2017 and 2016**

	Share Capital		Reserves			Total Equity
	Number of Shares	Amount	Stock Options	Warrants	Deficit	
<b>Balance, December 31, 2015</b>	<b>20,874,985</b>	<b>\$ 33,041,480</b>	<b>\$ 1,293,832</b>	<b>\$ 108,417</b>	<b>\$ (34,125,252)</b>	<b>\$ 318,477</b>
Warrants exercised	50,000	10,000	-	-	-	10,000
Reserve value of warrants exercised	-	2,500	-	(2,500)	-	-
Net loss for the year	-	-	-	-	(174,486)	(174,486)
<b>Balance, December 31, 2016</b>	<b>20,924,985</b>	<b>\$ 33,053,980</b>	<b>\$ 1,293,832</b>	<b>\$ 105,917</b>	<b>\$ (34,299,738)</b>	<b>\$ 153,991</b>
Share-based payments (Note 5c)	-	-	578,901	-	-	578,901
Expiry of stock options	-	-	(396,270)	-	396,270	-
Net loss for the year	-	-	-	-	(678,540)	(678,540)
<b>Balance, December 31, 2017</b>	<b>20,924,985</b>	<b>\$ 33,053,980</b>	<b>\$ 1,476,463</b>	<b>\$ 105,917</b>	<b>\$ (34,582,008)</b>	<b>\$ 54,352</b>

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

**NEW OROPERU RESOURCES INC.**  
**Consolidated Statements of Cash Flows**  
**(Expressed in Canadian dollars)**  
**For the years ended December 31, 2017 and 2016**

	2017	2016
<b>Operating activities</b>		
Net loss	\$ (678,540)	\$ (174,486)
Items not involving cash:		
Share-based payments (Note 5)	578,901	-
Unrealized foreign exchange	16,755	6,614
Gain on exploration and evaluation properties (Note 4a)	(238,128)	(129,856)
Write-off exploration property (Note 4a)	-	1
Write-off of receivable	-	400
Changes in non-cash working capital:		
Receivables	(6,113)	(1,295)
Prepaid expenses	-	387
Due to related parties (Note 6)	-	(2,530)
Trade accounts payable and accrued liabilities	2,276	(62,284)
<b>Cash Used in Operating Activities</b>	<b>(324,849)</b>	<b>(363,049)</b>
<b>Investing Activities</b>		
Proceeds from option payment attributed to exploration and evaluation properties (Note 4a)	238,128	226,939
Exploration and evaluation property expenditures (Note 4)	-	(7,824)
<b>Cash Provided by Investing Activities</b>	<b>238,128</b>	<b>219,115</b>
<b>Financing Activity</b>		
Warrants exercised (Note 5b)	-	10,000
<b>Cash provided by Financing Activity</b>	<b>-</b>	<b>10,000</b>
<b>Effect of Foreign Exchange on Cash</b>	<b>(16,755)</b>	<b>(6,614)</b>
<b>Decrease in Cash</b>	<b>(103,476)</b>	<b>(140,548)</b>
<b>Cash, Beginning of Year</b>	<b>154,705</b>	<b>295,253</b>
<b>Cash, End of Year</b>	<b>\$ 51,229</b>	<b>\$ 154,705</b>
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

**NEW OROPERU RESOURCES INC.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian dollars)**  
**For the years ended December 31, 2017 and 2016**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

New Oroperu Resources Inc. (the “Company”) was incorporated under the laws of British Columbia on October 12, 1994. The Company is in the business of acquiring and exploring mineral properties in Peru and Canada, and has not yet determined whether its properties contain ore reserves that are economically recoverable. The Company is listed on the TSX Venture Exchange and is a reporting issuer in Ontario, Alberta and British Columbia.

The head office and principal address of the Company is situated at Suite 320–800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6.

The Company is not generating any operating revenue, has never paid any dividends, and is unlikely to pay dividends or generate earnings from operations in the immediate or foreseeable future. As at December 31, 2017, the Company has an accumulated deficit of \$34,582,008 (2016-\$34,299,738) and working capital of \$54,351 (2016-\$153,990), and a loss of \$678,540 (2016-\$174,486) for the year ended December 31, 2017. The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain the necessary financing to continue operations, determine the existence and successful exploitation of economically recoverable reserves in its exploration and evaluation properties, confirmation of the Company’s interests in the underlying properties and the attainment of profitable operations, or the realization of proceeds from their sale.

The Company is dependent on raising funds through the issuance of shares and/or obtaining debt financing. Management believes that additional financing is available and may be sourced in time to allow the Company to continue its current planned activities in the normal course. There can, however, be no assurance the Company will be able to raise funds in the future on acceptable terms. These matters indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**2. BASIS OF PRESENTATION**

**a) Statement of compliance**

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. The accounting policies, methods of computation and presentation applied in these consolidated financial statements are consistent with those of the previous financial year.

**b) Approval of consolidated financial statements**

The consolidated financial statements of the Company for the year ended December 31, 2017 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 18, 2018.

**NEW OROPERU RESOURCES INC.**  
**Notes to Consolidated Financial Statements**  
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**3. SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage owned	
		December 31 2017	December 31 2016
S.A. Mining Ventures Ltd.	Canada (BC)	100%	100%
Angelica Mining Inc.	Canada (BC)	100%	100%
T.C. Mining Inc.	Canada (BC)	100%	100%
687211 B.C. Ltd.	Canada (BC)	100%	100%
Aurifera Tres Cruces S.A.	Peru	100%	100%
Minera Angelica S.A.C.	Peru	100%	100%

Intercompany balances and transactions are eliminated on consolidation.

**b) Functional and presentation currency**

The functional and presentation currency of the Company and its subsidiaries are Canadian dollars.

**c) New standards and interpretations not yet adopted**

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

The Company has not early adopted these standards and is currently assessing the impact, if any, these standards will have on its consolidated financial statements.

**IFRS 16 Leases**

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.



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The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard is effective for annual periods beginning on January 1, 2019, with earlier application permitted for entities that also apply *IFRS 15 Revenue from Contracts with Customers*.

**IFRS 9 *Financial Instruments***

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*  
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- *Classification and measurement of financial liabilities:*  
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- *Impairment of financial assets:*  
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- *Hedge accounting:*  
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The final version of this new standard is effective for the Company's annual period beginning on January 1, 2018.

**d) Judgments and estimates**

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Critical accounting estimates*

Critical accounting estimates are estimates and assumptions made by management in the preparation of these consolidated financial statements that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share-based payments

The fair value of share-based payments are subject to the limitations of the Black-Scholes option pricing model, which incorporates market data and involves the input of highly subjective assumptions, including the volatility of share prices, and changes in subjective input assumptions which can materially affect the fair value estimate.

*Critical accounting judgments*

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Functional currency

The Company applied judgment in determining its functional currency and the functional currency of its subsidiaries. Functional currency was determined based on the currency in which funds are sourced and the degree of dependence by the subsidiary on the Company for financial support.

Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property, the future plans with respect to finding commercial reserves, and indicators of impairment. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful and some assets are likely to become impaired in future periods.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

**e) Foreign currency translation**

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency translation differences are recognized in profit or loss.

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**f) Exploration and evaluation properties**

Costs directly related to the exploration and evaluation of resource properties are capitalized once the legal rights to explore the resource properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the unit-of-production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Resource properties are reviewed for impairment at each reporting date.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as exploration and evaluation property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received are recorded as a gain on option or disposition.

**g) Impairment of non-current assets**

The Company's tangible and intangible assets are reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**h) Provision for closure and reclamation**

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of resource properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

**i) Income taxes**

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the

**NEW OROPERU RESOURCES INC.**  
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years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**j) Share-based payments**

The Company has a stock option plan that is described in Note 5c. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to option reserve. Consideration received on the exercise of stock options is recorded as share capital and the related option reserve is transferred to share capital. Charges for options that are forfeited or expired before vesting are reversed to deficit from option reserve.

**k) Loss per share**

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the year. For all years presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share, as the effects of including all outstanding options and warrants would be anti-dilutive.

**l) Financial instruments and comprehensive income**

**(i) Financial assets**

The Company classifies its financial assets in the following categories: held-to-maturity, fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

*Held-to-maturity*

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company has no assets classified as held-to-maturity.

*Financial assets at fair value through profit or loss*

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through profit or loss. Cash is included in this category of financial assets.

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*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. The Company has no assets classified as loans and receivables.

*Available-for-sale financial assets*

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income/loss and classified as a component of equity. The Company has no assets classified as AFS.

Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income/loss are included in profit or loss.

**(ii) Financial liabilities**

The Company classifies its financial liabilities in the following category:

*Borrowings and other financial liabilities*

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include trade payables, accrued liabilities, amounts due to related parties and loans payable.

**(iii) Fair value hierarchy**

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

**m) Share capital**

The Company records proceeds from share issuances, net of issue costs. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded.

**n) Valuation of equity units issued in private placements**

Proceeds received on the issuance of units consisting of common shares and warrants, are allocated first to common shares based on market trading price of the common shares at the time the units are priced, and any excess is allocated to warrant reserves.

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**4. EXPLORATION AND EVALUATION PROPERTIES**

	Tres Cruces (Note 4a)	Estrella (Note 4b)	Other Mineral Properties (Note 4c)	Total
Balance, December 31, 2015	\$ 89,259	\$ 1	\$ 1	\$ 89,261
Administrative costs	7,823	-	-	7,823
Option payment received	(226,939)	-	-	(226,939)
Gain on exploration property	129,857	-	-	129,857
Write-off exploration property	-	(1)	-	(1)
Balance, December 31, 2016	\$ -	\$ -	\$ 1	\$ 1
Balance, December 31, 2017	\$ -	\$ -	\$ 1	\$ 1

**a) Tres Cruces Project, Peru**

In September 2003, the Company entered into an option agreement with Minera Barrick Misquichilca S.A. ("Barrick") for Barrick to acquire up to a 70% interest in Aurifera Tres Cruces S.A. subject to:

- (i) Barrick incurring US\$1,700,000 in exploration expenditures by December 31, 2005 (incurred);
- (ii) Barrick making payment to the Company of: US\$400,000 on execution of the option agreement (paid); US\$200,000 per year until completion of the US\$1,700,000 in exploration expenditures (paid); followed by annual payments of US\$250,000 (US\$175,000, net of Peruvian withholding taxes) per year until a production decision is made; and
- (iii) Barrick making a production decision on or before December 31, 2020.

All exploration expenditures are payable by Barrick until a production decision is made. Upon making a production decision, Barrick must pay the Company a US\$1,000,000 advance royalty and, following such production decision, the Company, through Aurifera, would retain a 30% interest subject to certain payback provisions and would also retain a 2% royalty interest.

The Company received \$226,939 (US\$175,000) from Barrick in May 2016, which had the effect of reducing its net investment in the property to \$nil, and the remaining amount of \$129,856 was recorded as proceeds of option payments in excess of capitalized costs. In May 2017 the Company received \$238,128 (US\$175,000) from Barrick, which was recorded as proceeds of option payments in excess of capitalized cost.

**b) Estrella Project, Peru**

During the year ended December 31, 2017, the Company incurred aggregate expenses of \$10,808 (2016-\$4,165) for property management, administration and taxes on this mineral property.

**c) Other exploration and evaluation properties**

The Company continues to maintain a 100% interest in one mineral property located in Ontario, Canada, which is carried at a nominal value of \$1.

**NEW OROPERU RESOURCES INC.**  
**Notes to Consolidated Financial Statements**  
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**For the years ended December 31, 2017 and 2016**

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**5. SHARE CAPITAL**

**a) Authorized**

Unlimited number of common shares without par value

**b) Issued**

In June 2016, proceeds of \$2,000 were received from the exercise of 10,000 warrants at \$0.20 each, resulting in the issuance of 10,000 shares of the Company.

In July 2016, proceeds of \$8,000 were received from the exercise of 40,000 warrants at \$0.20 each, resulting in the issuance of 40,000 shares of the Company.

As a result, \$2,500 included in warrant reserves was reclassified to share capital.

**c) Stock options**

The Company has a stock option plan that authorizes the Board of Directors to grant options for the purchase of up to 3,279,663 common shares pursuant to a 20% fixed stock option plan. Options granted under the plan vest according to the terms and conditions established by the compensation committee of the Company, subject also to regulatory vesting requirements where applicable in the case of investor relations options. All of the Company's currently outstanding options were issued with vesting periods ranging from zero to eighteen months from the date of issue.

Stock options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of grant.

On December 4, 2017, the Company granted an aggregate amount of 2,500,000 stock options to directors, officers, employees and consultants of the Company, exercisable at a price of \$0.45 per option for the purchase of 2,500,000 common shares of the Company for a period of five years from the date of issue.

A summary of the status of the Company's stock options outstanding as at December 31, 2017 and 2016 and changes during the years are as follows:

	December 31, 2017		December 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	3,100,000	\$ 0.38	3,100,000	\$ 0.38
Granted during the year	2,500,000	\$ 0.45	-	-
Expired during the year	(2,000,000)	\$ 0.50	-	-
Outstanding, end of year	3,600,000	\$ 0.36	3,100,000	\$ 0.38
Options exercisable	3,600,000	\$ 0.36	3,100,000	\$ 0.38

**NEW OROPERU RESOURCES INC.**  
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Stock options outstanding and exercisable as at December 31, 2017 are as follows:

Number of Options		Exercise Price	Expiry Date	Weighted Average Contractual Life of Options Remaining in Years
Outstanding	Exercisable			
1,100,000	1,100,000	\$ 0.17	October 30, 2020	2.83
2,500,000	2,500,000	\$ 0.45	December 4, 2022	4.93
3,600,000	3,600,000			

On December 4, 2017, share-based payment of \$578,901 was recognized in connection with the issuance of 2,500,000 options. The fair value of each option granted to employees was estimated as at the date of grant using the Black-Scholes option pricing model, with the following weighted average assumptions and resulting fair value:

	2017	2016
Risk-free interest rate	1.77%	-
Expected life of the options in years	5 years	-
Annualized volatility	99%	-
Dividend rate	0.00%	-
Grant date fair value	\$0.33	-

**d) Warrants**

On July 20, 2015 the Company issued 2,168,334 non-transferable share purchase warrants in connection with a private placement financing of the same date. Each warrant is exercisable to acquire one common share at an exercise price of \$0.20 for a period of five years from the date of issue. The Company allocated a portion of the proceeds from the financing (\$108,417) to warrants reserve, using the residual method of accounting.

**6. RELATED PARTY TRANSACTIONS**

The president and CFO of the Company provide management, technical consulting, accounting and administrative services to the Company through their consulting services corporations. Two directors also receive or accrue fees for their services as directors.

Key management compensation consists of the following:

The Company paid \$132,523 to NS Star Enterprises Ltd., a company controlled by the president, for technical, management and administration services during the year ended December 31, 2017 (2016-\$135,130). The Company paid Morfopoulos Consulting Associates Ltd., a company 50% owned by the CFO, \$42,000 for accounting, management and administration services during the year ended December 31, 2017 (2016-\$42,000). Director fees totaling \$36,000 (2016-\$36,000) were paid to two directors.

The Company recorded share-based expenses from the issuance of stock option to management totaling \$565,007 for year ended December 31, 2017.



**NEW OROPERU RESOURCES INC.**  
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**7. INCOME TAXES**

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26% (2016-26%) to income before income taxes. The reason for the differences is as follows:

	2017	2016
Loss for the year	\$ (678,540)	\$ (174,486)
Statutory income tax rate	26%	26%
Income tax benefit computed at statutory rates	(176,421)	(45,366)
Items non-deductible for income tax purposes	155,262	(315)
Change in timing difference	-	-
Impact of foreign exchange on tax assets and liabilities	10,972	10,972
Unused tax losses and tax offsets not recognized in tax asset	10,187	34,709
Total income taxes	\$ -	\$ -

The Company recognizes tax benefits or losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets have been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2017	2016
Deferred income tax assets		
Tax value in excess of book value of equipment	\$ 4,208	\$ 4,208
Share-issuance cost	4,054	6,078
Non-capital losses carried forward	2,561,650	2,447,865
	\$ 2,569,912	\$ 2,458,151

As at December 31, 2017, the Company has non-capital losses of approximately \$2,578,000 that may be applied against future income for Canadian and Peruvian income tax purposes. The potential future tax benefit of these losses has not been recorded in these consolidated financial statements. The losses expire as follows:

2026	\$ 238,000
2027	131,000
2028	253,000
2029	220,000
2030	225,000
2031	298,000
2032	187,000
2033	214,000
2034	215,000
2035	340,000
2036	174,000
2037	83,000
	\$ 2,578,000

**NEW OROPERU RESOURCES INC.**  
**Notes to Consolidated Financial Statements**  
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**For the years ended December 31, 2017 and 2016**

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**8. MANAGEMENT OF CAPITAL**

The Company's equity is considered to be capital under management. There has been no change in the nature of the Company's capital structure during the year ended December 31, 2017. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of mineral properties and to maintain a flexible capital structure at an acceptable risk.

The Board of Directors manages the capital structure and makes adjustments to its plan, based on economic and market conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue debt and may acquire or dispose of assets.

In order to facilitate the management of capital, the Company prepares expenditure budgets that are updated as necessary depending on factors determined by the Board of Directors.

The Company is not subject to any external capital restrictions.

**9. FINANCIAL INSTRUMENTS**

The Company has classified its cash, as held-for-trading; and trade payables and accrued liabilities and due to related parties, as other financial liabilities.

The Company's risk exposure and the impact on the Company's financial instruments are as follows:

**a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company is exposed to concentration of credit risk with respect to its cash; however, the risk is minimized as cash is placed with major Canadian financial institutions.

**b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company's approach to managing liquidity risk is to plan that it will have sufficient assets and cash flows to meet liabilities when due. As at December 31, 2017, the Company has working capital of \$54,351 (2016-\$153,990). As at December 31, 2017, the Company has trade payables and accrued liabilities totalling \$20,881 (2016-\$18,605) which are due within the next twelve months.

**c) Market risk**

Market risk is the risk that the fair value of or future cash flows from the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign exchange rates and equity prices. Management closely monitors individual interest rates and foreign currency movements to determine the appropriate course of action to be taken by the Company.

**(i) Interest rate risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to material interest rate risk.

**NEW OROPERU RESOURCES INC.**  
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**(ii) Foreign currency risk**

The Company has certain assets and liabilities denominated in US dollars that expose it to currency risk, as follows:

	December 31 2017	December 31 2016
Cash	\$ 34,710	\$ 93,780
Net foreign exposure to US dollars	\$ 34,710	\$ 93,780

The Company does not utilize derivatives or other techniques to manage foreign currency risk.

Based on the above net foreign currency exposure as at December 31, 2017 and assuming all other variables remain constant, a 15% (2016-15%) strengthening or weakening of the US dollar against the Canadian dollar will result in a increase/decrease of approximately \$5,200 (2016-\$14,000) of foreign exchange gain in the Company's consolidated statements of loss and comprehensive loss.

**(iii) Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to any significant other price risk.

**10. SEGMENTED DISCLOSURE**

The Company has one operating segment, mineral exploration and development. The Company's non-current assets by geographical location are as follows as of the dates shown:

	December 31 2017	December 31 2016
Canada	\$ 1	\$ 1
Peru	-	-
Total	\$ 1	\$ 1

# NEW OROPERU RESOURCES INC.

## MANAGEMENT DISCUSSION & ANALYSIS For the year ended December 31, 2017 (Expressed in Canadian dollars)

### General

The information in this Management's Discussion and Analysis, or MD&A, is intended to assist the reader in the understanding and assessment of the trends and significant changes in the results of operations and financial conditions of New Oroperu Resources Inc. (the "Company" or "New Oroperu"). This MD&A should be read in conjunction with the audited consolidated financial statements of the Company, including the notes thereto, for the years ended December 31, 2017 and 2016, and other information relating to the Company on file with the Canadian provincial securities regulatory authorities on SEDAR at [www.sedar.com](http://www.sedar.com). The Company's annual audited consolidated financial statements for the years ended December 31, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A has taken into account information available up to and including April 18, 2018.

New Oroperu is an exploration stage company engaged in the identification, evaluation, acquisition and exploration primarily of gold properties in Peru. The Company is a reporting issuer in British Columbia, Alberta and Ontario and trades on the TSX Venture Exchange under the symbol ORO.

This MD&A contains forward-looking statements. Please refer to the cautionary language at the end of this document.

### Company Overview

The Company continues to maintain its 100% interest in the Tres Cruces gold project in north central Peru, which has been under an option to purchase agreement with a subsidiary of Barrick Gold Corp. (Minera Barrick Misquichilca S.A.) ("Barrick"). Barrick did not conduct any material amount of field work on the Tres Cruces project in the past year, and the Company is not aware of any plans that Barrick may have for exploration or development work on the Tres Cruces project in 2018.

#### *Tres Cruces Gold Project*

The Tres Cruces project has been under an option to purchase agreement with Barrick since 2003. To maintain its option, Barrick must make a payment to the Company of US\$250,000 a year, which to date has been paid, subject to a 30% Peruvian withholding tax. Under the terms of the agreement, all exploration expenditures deemed necessary by Barrick to make a production decision will be paid by Barrick at no cost to the Company. Following a production decision, the Company would retain a 30% fully financed interest in Aurifera, a 2% royalty interest and receive a US\$1,000,000 advance royalty payment.

In October 2012, the Company announced the completion of an independent technical report which expanded the property's mineral resource estimate, based on Barrick's and the Company's own exploration data and analysis. The technical report was a milestone for the Company and contains an estimate of 2.6 million oz. of gold in the measured and indicated category at a 0.6 g/t gold cut-off (see news release dated October 16, 2012).

This estimate was based on 359 drill holes and nearly 74,000 meters of drilling and represents a substantial increase from an earlier historical resource estimate of 1.7 million oz of gold. There is also an inferred resource in areas immediately adjacent to the deposit and at depth which may be converted to a higher category with additional drilling. The gold mineralized system is open to depth with some drill holes bottoming in mineralization. Further exploration is warranted to define the full extent of mineralization.

# NEW OROPERU RESOURCES INC.

## MANAGEMENT DISCUSSION & ANALYSIS For the year ended December 31, 2017 (Expressed in Canadian dollars)

At present, the development of the Tres Cruces project is dependent on Barrick's plans and decisions relating to its option and ultimately to bringing the project into production. Although there is no certainty that it will continue, Barrick has maintained the option since 2003, and New Oroperu anticipates that Barrick will continue to do so and will eventually advance the project to a production decision.

### The Tres Cruces Gold Project

The Tres Cruces project is under option to Barrick, as discussed in the above Company Overview. Barrick can earn a 70% interest in Aurifera, subject to an underlying 1.5% royalty and 2% royalty to the Company.

Nearby the Tres Cruces project, about 10 km to the north, Barrick has invested an estimated \$340 million in the development of its Lagunas Norte deposit, where production started in June 2005. Since then the Lagunas Norte project has reported several years of production greater than 1 million oz. of gold per year and, most recently in 2015, Barrick reported production of 387,000 oz. gold at an all-in sustaining cost of US\$483/oz. Barrick also reported proven and probable reserves of 4.0 million oz. gold reserves at Lagunas Norte as of December 31, 2017. The 2017 production forecast for the year is 230,000-270,000 oz. gold.

Barrick announced the results of its review for processing sulphidic material unsuited for heap leaching at its Lagunas Norte mining operations. This study, described in a Barrick NI 43-101 technical report (dated March 21, 2016) contemplates using a new grinding-flotation-autoclave processing facility for sulphidic ores. On February 22, 2018, Barrick announced in its Investor Day forum its two-stage plan to initially treat stock-piled carbonaceous oxide ore, containing about 600,000 oz. gold, utilizing a mill and the CIL recovery process (Investment: \$308 million). This facility would then be upgraded with a flotation plant and autoclave to treat sulphidic ores containing an estimated 2.2 million oz. of gold. Barrick stated that its initial stage will start construction in 2019 to begin processing in 2021.

Prior metallurgical test work on Tres Cruces mineralization described in the Company's NI 43-101 Report by Peter A. Lacroix, described below, indicates good recoveries for a CIL flotation process. The Company believes that this potential addition of a grinding-flotation-autoclave circuit to extend the life of Barrick's Lagunas Norte mine could enhance the development opportunity for Tres Cruces because of the proximal advantages of Tres Cruces to Barrick's operations.

New Oroperu has a NI 43-101 technical report on the Tres Cruces project entitled "Technical Report on the Tres Cruces Project, North Central Peru", dated September 28, 2012, by Peter A. Lacroix, P. Eng. of Lacroix & Associates, which updated mineral resource estimates for the Tres Cruces project based on all available information to that date. According to the report, the Tres Cruces mineral resource is estimated to contain 2.6 million oz. of gold at a 0.6 g/t Au cut-off in the measured and indicated category.

A complete copy of the report is available at [www.sedar.com](http://www.sedar.com) or through the Company's website at [www.oroferu.com](http://www.oroferu.com).

The estimates are based on a three dimensional (3D) block model with grade interpolation domains created using lithology and alteration models. Grades were estimated using ordinary kriging. A grade envelope created by indicator kriging at a 0.2 g/t gold cut-off was used to constrain the estimate, which is tabulated in the following table:

# NEW OROPERU RESOURCES INC.

## MANAGEMENT DISCUSSION & ANALYSIS For the year ended December 31, 2017 (Expressed in Canadian dollars)

### MINERAL RESOURCE ESTIMATES, 0.6 G/T AU CUT-OFF New Oroperu Resources Inc. – Tres Cruces Project

	<u>Kt</u>	<u>g/t Au</u>	<u>Koz Au</u>
Measured	4,961	1.52	242
Indicated	61,068	1.20	2,365
Total Measured + Indicated	66,029	1.23	2,608
Inferred	19,552	0.97	611

#### Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are reported at a cut-off grade of 0.6 g/t Au.
3. Mineral Resources are estimated using an average gold price of US\$1,500 per ounce and metallurgical recovery of 82% of the contained gold.
4. Excludes Barrick claims.
5. Totals may not agree due to rounding.

The Tres Cruces project is a grass roots discovery made by the Company. New Oroperu has an agreement with Barrick granting them an option to acquire up to a 70% interest in Aurifera Tres Cruces S.A., the subsidiary that holds the Tres Cruces project.

Barrick has completed certain engineering and piezometric studies and continues to monitor its environmental work required for the permitting process.

#### **Other Mineral Properties**

The Company owns a 100% interest in one mineral property located in Ontario, Canada and it continues to maintain its rights on the property. No field work was conducted on the property in the years ended December 31, 2017 and 2016.

#### **Results of Operations**

The Company's net loss for the year ended December 31, 2017 was \$678,540 (2016-\$174,486). In 2017, the Company maintained its operating expenses at approximately the same level as the preceding year: operating expenses before non-cash share based payments expense for the year ended December 31, 2017 were \$321,012 (2016-\$304,889).

During the year ended December 31, 2017, the Company recorded a \$238,128 gain from the US\$175,000 Tres Cruces property option received from Barrick in May 2017, as the Company's carrying cost of the Tres Cruces project was fully recovered in 2016 through the cumulative option payments received from Barrick over the past fourteen years.

Barrick continued to cover project costs related to exploration and maintenance of the Tres Cruces property in 2017, as per the terms of its exploration and option agreement with the Company.

#### **Selected Annual Information**

The following selected financial data has been prepared in accordance with IFRS. This table should be read in conjunction with the Company's audited consolidated financial statements.

# NEW OROPERU RESOURCES INC.

## MANAGEMENT DISCUSSION & ANALYSIS

For the year ended December 31, 2017

(Expressed in Canadian dollars)

	2017	2016	2015
Loss for the year	(678,540)	(\$174,486)	(\$352,604)
Basic and diluted loss per share	(\$0.03)	(\$0.01)	(\$0.02)
Total assets	\$75,233	\$175,096	\$401,897
Total liabilities	\$20,881	\$17,845	\$83,420
Total shareholders' equity (deficiency)	\$54,352	\$157,251	\$318,477

## Summary of Quarterly Results

Results for the eight most recent quarters ending with the last quarter ending December 31, 2017:

For the quarterly periods ending	December 31 2017	September 30 2017	June 30 2017	March 31 2017
Income (loss) for the quarter	(\$653,319)	(\$87,743)	\$141,200	(\$78,618)
Basic income (loss) per share	(\$0.04)	(\$0.00)	\$0.01	(\$0.00)
For the quarterly periods ending	December 31 2016	September 30 2016	June 30 2016	March 31 2016
Loss for the quarter	(\$66,719)	(\$75,546)	\$44,084	(\$76,305)
Basic loss per share	(\$0.00)	(\$0.00)	\$0.00	(\$0.00)

The Company's net loss for the quarter ended December 31, 2017 was \$653,378 (2016 - \$66,719) and included a non-cash share-based payment expense of \$578,901. Cash operating costs for the quarter were \$74,478, consistent with the previous three quarters of this year. Operating costs are not projected to increase significantly in 2018.

## Financial Condition, Liquidity and Capital Resources

In the year ended December 31, 2017, New Oroperu's cash position decreased by \$103,476 in the past year. The Company's only source of cash during the year was from the US\$175,000 (net of withholding tax) property option payment received from Barrick in regard to the Tres Cruces project option agreement.

The Company's total cash position at December 31, 2017 was \$51,229 (2016 - \$150,735). New Oroperu's working capital position at December 31, 2017 was \$54,351, compared to a working capital of \$153,990 at December 31, 2016.

The Company is dependent on raising funds through the issuance of shares, obtaining debt financing, receiving the annual option payment from Barrick, and/or attracting joint venture partners in order to undertake further exploration and development of its mineral properties. Management believes that additional financing may be available and may be sourced when needed to allow the Company to continue its planned activities in the normal course. There can, however, be no assurance the Company will be able to raise additional funds in the near future.

# NEW OROPERU RESOURCES INC.

## MANAGEMENT DISCUSSION & ANALYSIS For the year ended December 31, 2017 (Expressed in Canadian dollars)

The Company is not in commercial production on any of its mineral properties and accordingly, it does not generate cash from operations.

### Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet financing arrangements.

### Proposed Transactions

There are no proposed transactions.

### Outstanding Share Data

There were 20,924,985 shares of the Company outstanding at December 31, 2017 (see Share Capital note in December 31, 2017 financial statements). There have been no changes to the share capital of the Company from December 31, 2017 up to the date of this MD&A.

The following stock options are outstanding as at December 31, 2017 and as of the date of this report:

No. of Options	Price per Share	Expiry Date
2,500,000	\$0.45	December 4, 2022
1,100,000	\$0.17	October 30, 2020
3,600,000		

### Related Party Transactions

The president and CFO of the Company provide management, technical consulting, accounting and administrative services to the Company through their consulting services corporations. Two directors also receive or accrue fees for their services as directors.

Key management compensation consists of the following:

The Company paid \$132,523 to NS Star Enterprises Ltd., a company controlled by the president, for technical, management and administration services during the year ended December 31, 2017 (2016-\$135,130). The Company paid Morfopoulos Consulting Associates Ltd., a company 50% owned by the CFO, \$42,000 for accounting, management and administration services during the year ended December 31, 2017 (2016-\$42,000). Director fees totaling \$36,000 (2016-\$36,000) were paid to two directors.

The Company recorded share-based expenses from the issuance of stock option to management totaling \$565,007 for year ended December 31, 2017.

### Management of Capital

The Company's equity is considered to be capital under management. There has been no change in the nature of the Company's capital structure during the year ended December 31, 2017. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of mineral properties and to maintain a flexible capital structure at an acceptable risk.

The Board of Directors manages the capital structure and makes adjustments to its plan based on economic and market conditions and the risk characteristics of the underlying assets. To maintain or



# NEW OROPERU RESOURCES INC.

## MANAGEMENT DISCUSSION & ANALYSIS For the year ended December 31, 2017 (Expressed in Canadian dollars)

adjust the capital structure, the Company may issue new shares, issue debt and may acquire or dispose of assets.

In order to facilitate the management of capital, the Company prepares expenditure budgets that are updated as necessary depending on factors determined by the Board of Directors.

The Company is not subject to any external capital restrictions.

The Company does not expect to pay out dividends in the foreseeable future. The Company's investment policy is to keep its cash on deposit in an interest bearing major Canadian chartered bank account.

### Use of Judgments and Estimates

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

#### *Critical accounting estimates*

Critical accounting estimates are estimates and assumptions made by management in the preparation of these consolidated financial statements that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

#### Share-based payments

The fair value of share-based payments are subject to the limitations of the Black-Scholes option pricing model, which incorporates market data and involves the input of highly subjective assumptions, including the volatility of share prices, and changes in subjective input assumptions which can materially affect the fair value estimate.

#### Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

#### *Critical accounting judgments*

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

# NEW OROPERU RESOURCES INC.

## MANAGEMENT DISCUSSION & ANALYSIS For the year ended December 31, 2017 (Expressed in Canadian dollars)

### Functional currency

The Company applied judgment in determining its functional currency and the functional currency of its subsidiaries. Functional currency was determined based on the currency in which funds are sourced and the degree of dependence by the subsidiary on the Company for financial support.

### Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property, the future plans with respect to finding commercial reserves, and indicators of impairment. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful and some assets are likely to become impaired in future periods.

### Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgement based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

## **Financial Instruments**

The Company classifies its financial assets in the following categories: held-to-maturity, fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

### *Held-to-maturity*

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company has no assets classified as held-to-maturity.

### *Financial assets at fair value through profit or loss*

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash is included in this category of financial assets.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment.

### *Borrowings and other financial liabilities*

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of loss over the period to maturity using the effective interest method.

# NEW OROPERU RESOURCES INC.

## MANAGEMENT DISCUSSION & ANALYSIS

For the year ended December 31, 2017

(Expressed in Canadian dollars)

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include trade payables and accrued liabilities, due to related parties and loans payable.

The Company's risk exposure and the impact on the Company's financial instruments are as follows:

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company is exposed to concentration of credit risk with respect to its cash; however, the risk is minimized as cash is placed with major Canadian financial institutions.

b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company's approach to managing liquidity risk is to plan that it will have sufficient assets and cash flows to meet liabilities when due. As at December 31, 2017, the Company has working capital of \$54,351 (2016-\$153,990 deficiency). As at December 31, 2017, the Company has trade payables and accrued liabilities totaling \$20,881 (2016-\$18,605), which are due within the next 12 months.

c) Market Risk

Market risk is the risk that the fair value of or future cash flows from the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign currency rates and equity prices. Management closely monitors individual interest rate and foreign currency movements to determine the appropriate course of action to be taken by the Company.

d) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to significant interest rate risk.

e) Foreign currency risk

As at December 31, 2017, the Company has certain assets and liabilities denominated in United States dollars that expose it to currency risk, as follows:

	December 31 2017	December 31 2016
Cash	\$ 34,710	\$ 93,780
Net foreign exposure	\$ 34,710	\$ 93,780

The Company does not utilize derivatives or other techniques to manage foreign currency risk.

# NEW OROPERU RESOURCES INC.

## MANAGEMENT DISCUSSION & ANALYSIS For the year ended December 31, 2017 (Expressed in Canadian dollars)

Based on the above net foreign currency exposure as at December 31, 2017 and assuming all other variables remain constant, a 15% (2016-15%) strengthening or weakening of the US dollar against the Canadian dollar will result in a increase/decrease of approximately \$5,200 (2016-\$14,000) of foreign exchange gain in the Company's consolidated statements of loss and comprehensive loss.

f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to any significant price risk.

### Risk Factors

Companies operating in the mining industry face many and varied kind of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. Following are the risk factors most applicable to the Company.

#### *Financial*

The Company has not generated any revenue since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. As at December 31, 2017, the Company has incurred losses since inception and has an accumulated operating deficit of \$34,582,008. The continuation and long-term viability of the Company remains dependent upon its ability to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploitation of economically recoverable reserves in its resource properties, confirmation of the Company's interests in the underlying properties, and the attainment of profitable operations.

#### *Industry*

Exploring and developing mineral resource projects bears a high potential for a variety of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is not feasible or practical to proceed.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

#### *Metal Prices*

The principal activity of the Company is the exploration and development of gold resource properties. The feasible development of such properties is highly dependent upon the price of gold. A sustained and substantial decline in commodity gold prices could result in the write-down, termination of exploration and development work or loss of its interests in identified resource properties. Although such prices cannot be forecasted with certainty, the Company carefully monitors factors which could affect gold commodity prices in order to assess the feasibility of its resource projects.

#### *Political Risk*

The resource properties on which the Company is pursuing its exploration and development activities are all located in Peru, South America. While the political climate is considered by the Company to be stable,

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there can be no assurances that this will continue indefinitely. To alleviate such risk, the Company funds its Peru operations on an as-needed basis. The Company does not presently maintain political risk insurance for its foreign exploration projects.

### *Environmental*

Exploration and development projects are subject to the environmental laws and regulations of the country within which the Company is conducting its operations. As such laws are subject to change, the Company carefully monitors proposed and potential changes and management believes the Company remains in compliance with current environmental regulations in the relevant jurisdictions.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

## FORWARD-LOOKING STATEMENTS

Some of the statements in this document constitute "forward looking statements". Where New Oroperu expresses an expectation or belief as to future events or results, management plans and objectives, and projections of exploration results, such expectation or belief is expressed in good faith and is believed to have a reasonable basis. The Company makes no representation that reasonable business people in possession of the same information would reach the same conclusions. While these statements represent our best current judgment, they are subject to risks and uncertainties that could cause actual results to vary, the specifics of which are detailed in disclosures with the heading "Risk Factors" in the Company's periodic filings with securities regulators. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Forward-looking statements in this MD&A are made as of the date of this MD&A or, in the case of documents incorporated by reference herein, as of the date of such documents, and New Oroperu does not assume the obligation to update any forward looking statement.

This MD&A includes, but is not limited to, forward-looking statements regarding the Company's exploration properties in Peru, and the Company's ability to meet its working capital needs for the next year.

### Approvals

Peter A. Lacroix, P. Eng., and a qualified person as defined by Canadian National Instrument 43-101, has reviewed the Tres Cruces property technical information contained in this MD&A.

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

### Additional Information

Additional information about the Company may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).