

**NEW OROPERU RESOURCES INC.**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Expressed in U.S. Dollars)  
FOR THE SIX MONTHS ENDED JUNE 30, 2006**

**(PREPARED BY MANAGEMENT WITHOUT AUDIT)**

Note: These unaudited consolidated financial statements and accompanying notes hereto for the period ended June 30, 2006 have not been reviewed by the Company's auditors.

201 – 15225 Thrift Ave.  
White Rock, British Columbia  
V4B 2K9

Tel: (604) 535-4451  
Fax: (604) 538-6558

**NEW OROPERU RESOURCES INC.  
CONSOLIDATED INTERIM BALANCE SHEETS  
AS AT JUNE 30, 2006 AND DECEMBER 31, 2005  
(PREPARED BY MANAGEMENT WITHOUT AUDIT)  
(Expressed in U.S. dollars)**

	<b>June 30</b>	<b>December 31</b>
	<b>2006</b>	<b>2005</b>
<b>Assets</b>		(audited)
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,845,490	\$ 1,854,508
Accounts receivable	16,324	10,701
Prepaid expenses	11,480	51,967
	1,873,294	1,917,176
<b>Mineral properties (Note 3)</b>	1,712,383	1,816,295
<b>Investment and advances receivable (Note 4)</b>	2	2
	\$ 3,585,679	\$ 3,733,473
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	105,216	106,473
<b>Shareholders' Equity</b>		
<b>Share capital (Note 5)</b>	25,733,946	25,733,946
<b>Stock based compensation</b>	117,032	57,070
<b>Deficit</b>	(22,370,515)	(22,164,016)
	3,480,463	3,627,000
	\$ 3,585,679	\$ 3,733,473

*"K. Wayne Livingstone"*

Director

*"Maynard E. Brown"*

Director

NEW OROPERU RESOURCES INC.  
CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND DEFICIT  
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005  
(PREPARED BY MANAGEMENT WITHOUT AUDIT)  
(Expressed in U.S. dollars)

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	2006	2005	2006	2005
<b>Expenses</b>				
Consulting fees	\$ 18,000	\$ 18,000	\$ 36,000	\$ 36,000
Regulatory fees	3,011	2,457	7,946	4,998
Legal and audit	11,372	16,719	24,338	17,322
Rent	1,800	4,035	3,568	7,401
General and administration	14,750	24,725	31,128	42,745
Foreign exchange	745	(61)	1,884	(143)
Investor Relations	68,041	-	68,904	-
Mineral properties	2,174	36,339	7,819	62,703
Stock based compensation	-	-	59,962	-
	119,893	102,214	241,549	171,026
Interest Income	(21,311)	(7,254)	(35,050)	(15,664)
<b>Net Loss for the Period</b>	\$ 98,582	\$ 94,960	\$206,499	\$ 155,362
<b>Deficit – Beginning of Period</b>	22,271,933	22,064,920	22,164,016	22,004,518
<b>Deficit - End of Period</b>	<b>\$22,370,515</b>	<b>\$22,159,880</b>	<b>\$22,370,515</b>	<b>\$22,159,880</b>
<b>Basic and diluted loss per share</b>	<b>&lt;\$0.01</b>	<b>&lt;\$0.01</b>	<b>&lt;\$0.01</b>	<b>&lt;\$0.01</b>

**NEW OROPERU RESOURCES INC.**  
**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005**  
**(PREPARED BY MANAGEMENT WITHOUT AUDIT)**  
**(Expressed in U.S. dollars)**

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	2006	2005	2006	2005
<b>Cash provided by (used for)</b>				
(Loss) Income for the period	\$ (98,582)	\$ (94,960)	\$ (206,499)	\$ (155,362)
Items not involving cash				
Stock based compensation	-	-	59,962	-
Net changes in non- cash working capital items				
Accounts receivable	(3,129)	(5,155)	(5,623)	(8,256)
Accounts payable	(5,874)	(6,262)	(1,257)	(8,201)
Prepaid expenses	48,183	2,478	40,487	(50,757)
Bank loan	-	-	-	-
	(59,402)	(103,899)	(112,930)	(222,576)
<b>Investing activities</b>				
Payment on Aurifera option (Note 3)	175,000	200,000	175,000	200,000
Mineral Properties Expenditures	(29,378)	-	(71,088)	-
Increase (decrease) in cash	86,220	96,101	(9,018)	(22,576)
Cash and cash equivalents, beginning of period	1,759,270	1,865,512	1,854,508	1,984,189
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,845,490</b>	<b>\$ 1,961,613</b>	<b>\$ 1,845,490</b>	<b>\$ 1,961,613</b>

**NEW OROPERU RESOURCES INC.  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2006  
(PREPARED BY MANAGEMENT WITHOUT AUDIT)  
(Expressed in U.S. dollars)**

**NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION AND NATURE OF OPERATIONS**

The Company is in the business of exploration and development of mineral properties and is considered to be in the exploration stage. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development, and future profitable production from the properties or proceeds of disposition.

Through its wholly-owned subsidiary, S.A. Mining Ventures Limited ("SA Mining"), the Company owns 100% of Minera Angelica S.A.C. and Oromin S.A. ("Oromin"), two companies incorporated in Peru, and Angelica Mining Inc. ("Angelica"), a company incorporated in the Bahamas during 2003.

SA Mining also owns 100% of T.C. Mining Inc. ("TC Mining"), a company incorporated in the Bahamas. TC Mining owns a 100% interest in Aurifera Tres Cruces S.A. ("Aurifera"), a company incorporated in Peru for the purposes of operating the Tres Cruces project (Note 3).

The Company is listed on the TSX Venture Exchange and is a reporting issuer in Ontario, Alberta and British Columbia.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

- S.A. Mining Ventures Limited
- Angelica Mining Inc.
- Oromin S.A.
- Minera Angelica S.A.C.
- T.C. Mining Inc.
- Aurifera Tres Cruces S.A.

**Interim Financial Reporting**

The accompanying unaudited interim consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosures required by Canadian GAAP in the preparation of annual consolidated financial statements. The accounting policies used in the preparation of the accompanying unaudited interim consolidated financial statements are the same as those described in the annual consolidated financial statements and the notes thereto for the year ended December 31, 2005. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2005

## Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 3. MINERAL PROPERTIES

#### Tres Cruces Project

The Company owns the Tres Cruces project through its wholly owned Aurifera subsidiary, whose accounts are consolidated in the accounts of the Company.

On September 16, 2003 the Company finalized an agreement with Minera Barrick Misquichilca S.A. ("Barrick") for an option to acquire up to a 70% interest in Aurifera and received an initial payment of \$400,000 from Barrick. Barrick was obligated to spend \$1,750,000 on the project by September 30, 2005 (done) and pay \$200,000 annually until the exploration obligation was met (paid), and thereafter \$250,000 a year to maintain its option. All exploration expenditures will be payable by Barrick until a production decision is made. Upon making a production decision, Barrick must pay the Company a \$1,000,000 advance royalty payment, and following such production decision the Company would retain a 30% fully financed interest in Aurifera and a 2% royalty interest, subject to payback provisions.

The Aurifera acquisition has been accounted for under the purchase method as a step-by-step purchase as follows:

Original share of net assets held prior to control of Aurifera	\$	179,908
Net identifiable assets acquired		1,551,747
Residual amount assigned to mineral property interest		373,253
Consideration paid by issuance of 3,500,000 shares for other 50% interest		1,925,000
Option payment received from Barrick on June 2, 2004		(200,000)
Option payment received from Barrick on May 31, 2005		(200,000)
Option payment received from Barrick on May 31, 2006 (less withholding taxes)		(175,000)
Carrying value of Tres Cruces property interest	\$	1,529,908

#### Estrella Project, Peru

In January 2006 the Company completed a 100% acquisition of the 1,800 hectare Estrella Project in Peru, by purchase and concession application.

In February 2006 the Company entered into an agreement for an option to purchase an additional 300 hectare mineral claim in the area adjacent to its Estrella property interest.

The terms of the option agreement are:

- \$30,000 on signing the agreement (paid)
- \$30,000 payable on the first anniversary of the agreement
- \$50,000 payable on each anniversary thereafter until the option is exercised

The purchase price for the optioned property is \$600,000, subject to a 3% royalty payable from any production on the claim.

At June 30, 2006 the Company's total expenditures in the project were \$182,471.

### Other Mineral Properties

The Company owns a 100% interest in three separate mineral properties located in various regions of Peru. The properties were acquired as a result of regional exploration programs in prior years. During 2003, due to uncertainty over the Company's future plans for the properties and lack of objective methodology in measuring recoverable value, the Company wrote down the carrying value of these properties by \$1,482,506, to a nominal value of \$1 each.

The Company also owns three mineral leases located in Ontario, Canada, which in fiscal 2002 were written down to a nominal value of \$1.

The aggregate carrying value of the Angelica, Trucha Dorada, El Espigon and Ontario leases is \$4.

## 4. INVESTMENT AND ADVANCES RECEIVABLE

The Company has a 20% interest in Nuevo Condor Inc., a former subsidiary in Bahamas, which investment is recorded at a nominal value of \$2. The Nuevo Condor project is currently inactive.

The Company does not have significant influence or involvement or underlying mineral property interests in Nuevo Condor. Accordingly, the investment is recorded at a nominal carrying value due to uncertainty over recoverable value.

## 5. CAPITAL STOCK

	Number of Shares	Amount
Authorized 100,000,000 common shares without par value		
Issued and outstanding Balance, December 31, 2005	15,503,574	\$ 25,733,946
Balance, June 30, 2006	15,503,574	\$ 25,733,946

### (a) Warrants

At June 30, 2006 the Company had 2,679,240 warrants outstanding to purchase 2,679,240 common shares at a price of \$0.80 per share until their expiry date on October 25, 2006.

### (b) Stock options

The Company has a stock option plan which authorizes the board of directors to grant options for the purchase of up to 2,250,314 common shares. Options granted under the plan vest over a period of 18 months from the date of the grant.

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 the grant.

A summary of the status of the Company's stock options at June 30, 2006 is as follows:

	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2005	734,750	\$0.15
Options granted on February 3, 2006	670,000	\$0.38
Outstanding at June 30, 2006	1,404,750	\$0.26
Options exercisable at June 30, 2006	902,250	\$0.19

The options to acquire 734,750 shares expire on October 25, 2007. The options to acquire 670,000 shares expire on February 3, 2011 and vest over an 18 month period at the rate of 25% every six month starting on the date of grant.

## 6. RELATED PARTY TRANSACTIONS

The following services were provided to the Company by companies with common directors or officers or by the directors or officers themselves:

Consulting	\$	36,000
General and administration		16,544
Professional fees (legal)		<u>3,505</u>
Total	\$	56,049

## 7. SEGMENTED DISCLOSURE

The Company has one operating segment, mineral exploration and development. Of the Company's assets, an amount of assets totaling \$1,712,384 (2005-\$1,704,911) is located in Peru and \$1,873,294 (2005-\$2,030,082) is located in Canada.

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Note: These unaudited consolidated financial statements and accompanying notes hereto for the period ended June 30, 2006 have not been reviewed by the Company's auditors.



# NEW OROPERU RESOURCES INC.

**FORM 51-102F1**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**(expressed in US dollars)**

**JUNE 30, 2006**

This MD&A should be read in conjunction with the audited financial statements and notes for the year ended December 31, 2005, and includes information up to August 24, 2006.

## **Company Overview**

New Oroperu Resources Inc. (the "Company", "New Oroperu") is an exploration stage company engaged in the acquisition and exploration of prospective gold and silver properties. The Company is currently focusing its exploration activities in Peru. It is a reporting issuer in Ontario, British Columbia and Alberta and trades in U.S. dollars on the TSX Venture Exchange under the symbol ORO.U.

Last year we acquired by application a grassroots land package in Peru for a prospective new silver project, which we announced in January 2006 as the Estrella silver property. It consists of a 1,800 hectare property and is 100% owned by New Oroperu. In February 2006 we also acquired an option to purchase an adjoining claim adjacent to this property. Plans are currently underway to begin exploring the property in 2006.

We also own the 900 hectare Angelica property, another prospective grassroots gold project, situated 5 km. from our Tres Cruces resource discovery in central Peru. We are currently making preparation for a geophysics and other surface work program on the Angelica project in 2006.

With the completion of the acquisition of 100% of the Tres Cruces project in 2004, and our option agreement with Minera Barrick Misquichilca S.A. (a subsidiary of Barrick Gold Corp. ("Barrick")), we are well positioned to capitalize on the existing and potential gold resources at Tres Cruces. Barrick continues to make significant progress in the development and exploitation of its nearby Lagunas Norte discovery and mine development, for which Tres Cruces is potential additional feedstock ore for its new \$340 million production facility 10 km. away.

The Company's total cash position at June 30, 2006 was \$1,845,490, and with all the proposed exploration expenditures on the Tres Cruces project being covered by Barrick under its option agreement with the Company, the Company's current cash position is sufficient to meet its project and corporate needs for the year. New Oroperu's working capital position at June 30, 2006 was \$1,768,078.

## **Tres Cruces Project**

Our principal asset is the Tres Cruces mineral project in north central Peru.

The Tres Cruces property is underlain by Tertiary Calipuy volcanics which host gold mineralization in the area. To date over \$6 million has been spent on the property with 38,662 meters of reverse-circulation and diamond drilling completed. This work has outlined a historical measured and indicated resource of 1.7 million oz. gold in the northwest part of the property, as detailed in our NI 43-101 report titled "Summary Report of the Tres Cruces Property dated July 25, 2002" and filed on SEDAR on July 31, 2002. These resources were calculated and reported to the Company by Battle Mountain Gold Company in 1999. The Company's Qualified Person reviewed the data, methodology and interviewed the Battle Mountain personnel responsible for the calculation and determined that it was according to industry standards at the time.

In September 2003 we finalized 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. An initial payment of \$400,000 was received from Barrick in respect of this option during the period. Barrick met its obligation to spend \$1,750,000 on the project by December 31, 2005 and paid us \$200,000 in 2005 and in 2004 to maintain its option. Barrick's cost to maintain its option on the Tres Cruces property now increases to \$250,000 a year. All exploration expenditures will be incurred by Barrick until a production

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**(expressed in US dollars)**

**JUNE 30, 2006**

decision is made. Following a production decision, we would retain a 30% fully financed interest in Aurifera and a 2% royalty interest.

On March 30, 2004 we completed an agreement with Pan American for the purchase of the 50% of Aurifera previously held by Pan American, with the issuance of 3,500,000 common shares of the Company and the granting of a 1½% NSR to Pan American. Of the shares issued, 1,000,000 shares were restricted and held in trust until March 15, 2006.

No further payments are required to be made by us to Pan American and all annual option payments required of Barrick will be payable to the Company, including a \$1,000,000 advance royalty payment that was previously payable to Pan American.

In 2003, under the terms of our agreement, Barrick completed an initial phase program on the Tres Cruces property. The Barrick exploration program was comprised of geological mapping, re-logging of existing drill core, IP and gravity geophysical studies and the drilling of 14 diamond drill holes for a total of 4,029 metres. Barrick's main thrust for this phase of work was to evaluate lateral extensions of known mineralization as defined by prior drilling and IP targets immediately outside the known resource to the west and to a lesser degree, the east, with limited success. This leaves the southwest extension of the mineralization open towards Cerro Colorado. Barrick hole DTC202 intersected 186 metres of 1.20 g/t Au on the east margin of the south zone deposit. The waste boundaries in these areas had been generally defined by prior drilling.

Barrick's 2004 drilling exploration program completed 5 drill holes on wide spaced centers along the SW extension of the mineralized zone. The altered sinter/sediment basin was intercepted several times but no mineralization was encountered underneath similar to the earlier found deposits. Barrick also twinned several holes in the known deposits for metallurgical testing. In June 2005 Barrick completed construction on the Alta Chicama project and produced 550,000 oz. gold in the first year. Meanwhile Barrick has moved the development of the Tres Cruces project from its exploration department to its technical services group in Peru.

## **Estrella Project, Peru**

In January 2006 we completed the acquisition of the 1800 hectare Estrella Project in central Peru, by purchase and concession application at a cost of \$15,000 for a 100% interest.

In February 2006 we entered into an agreement for an option to purchase an additional 300 hectare mineral claim in the area adjacent to its Estrella property interest. The terms of the option agreement are:

- \$30,000 on signing of the agreement (paid);
- \$30,000 payable on the first anniversary of the agreement;
- \$50,000 payable on each anniversary thereafter, until the option is exercised;
- The purchase price for the property is \$600,000, subject to a 3% royalty payable from any production on the claim.

In the first six months of this year we spent \$71,088 on mineral exploration work which has been added to deferred costs for the Estrella project in the Mineral Properties section of the balance sheet.

We are planning a two-phase, 20 hole drilling program this year to test the Estrella property, at an initial-phase budget of \$150,000. Permits for drilling at Estrella were approved in August 2006 and we are presently commencing a 9 hole Phase One drill program with a planned total of 1500 meters of drilling.

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(expressed in US dollars)

JUNE 30, 2006

## Angelica Project, Peru

We are currently making plans for a geophysics and surface work program on the 900 Ha. Angelica property this year. A budget will be prepared once proposals for the work program have been received by the Company.

## Other Mineral Properties

We also have three mineral leases located in Ontario, Canada, which in fiscal 2002 were written down to a nominal value of \$1. We will maintain our rights on these properties in 2006, but do not plan any exploration activities there this year.

We will continue to evaluate other precious metals properties in Peru and elsewhere.

## Investment

We continue to have a 20% interest in Nueva Condor S.A., a former subsidiary in Peru, which investment has been written down to a nominal value of \$2.

## Results of Operations

The Company's operating and net loss for the 6 months ended June 30, 2006 of \$206,499 was higher than for the same period last year of \$171,026, primarily due to non-cash stock option compensation expense of \$59,962 (2005-Nil). For the period ended June 30, 2006, general and administrative costs of \$31,128 remained low and continued to decrease in comparison to the previous year (2005 - \$42,745).

In 2006 the Company continued to invest its cash in low-risk bankers' acceptance note securities, earning \$35,050 in interest during the period.

## Summary of Quarterly Results

In the second quarter the Company's operating loss of \$98,582 (2005-\$94,960) was consistent with the previous period loss of \$107,916. The Company incurred \$68,904 of investor relations expense in this quarter (2005-Nil), of which \$50,000 was a non-cash expense in the period, resulting from application of a deposit for investor relations work which had been previously booked as a prepaid expense.

General and administrative expenses during the quarter were nominal at \$14,750 (2005-\$24,725). We spent \$29,378 on the Estrella silver project during this quarter, on administrative costs and in preparations for the summer's drilling program now underway.

During the second quarter Barrick paid a \$250,000 option payment to maintain their option on the Tres Cruces gold project. Less of Peruvian withholding taxes, we received an amount of \$175,000. We also earned \$21,311 of interest income in the quarter.

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JUNE 30, 2006

Results for the eight most recent quarters ending with the last quarter ending June 30, 2006.

For the quarterly periods ending on	June 30 2006	Mar. 31 2006	Dec. 31 2005	Sept. 30 2005
Loss (income) before adjustments	\$ 98,582	\$ (107,916)	\$(32,132)	\$ (61,455)
Loss (income) for the period	98,582	(107,916)	(32,132)	(61,455)
Basic loss (earnings) per share	0.01	0.01	(0.01)	0.01
For the quarterly periods ending on	June 30 2005	Mar. 31 2005	Dec. 31 2004	Sept. 30 2004
Loss before adjustments	\$ (94,960)	\$ 60,402	\$(105,513)	\$ 34,033
Loss (income) for the period	(94,960)	60,402	(105,513)	34,033
Basic loss (earnings) per share	0.01	0.01	(0.01)	0.01

## Liquidity

The Company's cash and cash equivalents decreased by a net amount of \$116,613 since June 30, 2005. The Company's sources of cash in the last 12 months were:

- \$175,000 option payment from Barrick (net of withholding taxes), received in May 2006
- \$72,192 in interest income

The Company's total cash position at June 30, 2006 was \$1,845,490, sufficient to meet its project and corporate needs for the ensuing year. The Company's total working capital position at June 30, 2006 was \$1,768,078 (2005 - \$1,926,222).

## Capital Resources

The Company has no material commitments for capital expenditures at this time. All holding costs and exploration expenditures planned for the Tres Cruces project this year are being covered by Barrick under its option agreement with the Company. Holding costs for the Company's other mineral properties are anticipated to be approximately \$18,000 this year.

## Off-Balance Sheet Arrangements

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

## Related Party Transactions

N.S. Star Enterprises, a company owned by K. Wayne Livingstone, president of New Oroperu, provided technical management services and administrative services to the Company in the period totaling in the aggregate \$42,000 (2005-\$42,000).

Morfopoulos Consulting Associates Ltd., a company 50% owned by Aris Morfopoulos, C.F.O. of New

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Oroperu, provided accounting and administration services to the Company during the period totaling \$10,544 (2005-\$8,105).

During the period, legal fees aggregating \$2,966 were incurred to a firm controlled by director Maynard Brown and accounting fees totaling \$539 were incurred to a firm of which director James Carr-Hilton is a partner.

## **Critical Accounting Estimates**

The most significant accounting estimate for the Company relates to the carrying value of its mineral property assets. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment of value.

Management's estimates of mineral prices, recoverable proven and probable reserves, and operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its properties.

## **Financial Instruments**

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short term to maturity of these instruments.

## **Forward-Looking Statements**

Certain statements contained in this Management Discussion and Analysis and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

## **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.

### *Industry*

Exploring and developing mineral resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be

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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. The Company closely monitors its risk based activities and employs experienced consulting, engineering, insurance and legal advisors to assist in its risk management reviews.

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 actively 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, 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.

## **Other**

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