

**NEW OROPERU RESOURCES INC.**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Expressed in U.S. Dollars)  
FOR THE SIX MONTHS ENDED JUNE 30, 2003**

**(PREPARED BY MANAGEMENT WITHOUT AUDIT)**

203 – 15521 Marine Drive  
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**British Columbia  
Securities Commission**

**QUARTERLY AND YEAR END REPORT  
BC FORM 51-901F (previously Form 61)**

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INCORPORATED AS PART OF:

Schedule A

Schedules B and C

(Place X in appropriate category.)

ISSUER DETAILS

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
New Oroperu Resources Inc.	June 30, 2003	03/08/27

ISSUER'S ADDRESS

15521 Marine Drive, Suite 203

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
White Rock,	British Columbia	V4B 1C9	604-538-6558	604-535-4451
CONTACT PERSON		CONTACT'S POSITION		CONTACT TELEPHONE NO.
Aris Morfopoulos		Chief Financial Officer		604-721-2650
CONTACT EMAIL ADDRESS			WEB SITE ADDRESS	
"aris@oroperu.com"			"www.oroperu.com"	

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
"K. Wayne Livingstone"	K. Wayne Livingstone	03/08/27
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
"Maynard E. Brown"	Maynard E. Brown	03/08/27

**NEW OROPERU RESOURCES INC.  
CONSOLIDATED INTERIM BALANCE SHEETS  
AS AT JUNE 30, 2003 AND DECEMBER 31, 2002  
(PREPARED BY MANAGEMENT WITHOUT AUDIT)  
(Expressed in U.S. dollars)**

	<b>June 30</b>	<b>December 31</b>
	<b>2003</b>	<b>2002</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,175,634	\$ 1,474,948
Accounts receivable	40,889	30,780
Prepaid expenses	1,405	6,380
	1,217,928	1,512,108
<b>Investment in Aurifera (Note 3)</b>	562,600	550,000
<b>Investment and Advances Receivable (Note 4)</b>	2	2
<b>Mineral Properties (Note 5)</b>	1,482,510	1,482,510
	\$ 3,263,040	\$ 3,544,620
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	142,972	142,806
Bank loan (Note 6)	-	272,006
	142,972	414,812
<b>Shareholders' Equity</b>		
<b>Share Capital (Note 7)</b>	23,472,736	23,437,683
<b>Stock Based Compensation (Note 7(e))</b>	52,849	24,363
<b>Deficit</b>	(20,405,517)	(20,332,238)
	3,120,068	3,139,808
	\$ 3,263,040	\$ 3,544,620

"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, 2003 AND 2002**  
**(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>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Expenses</b>				
Consulting	\$ 18,000	\$ 7,500	\$ 67,500	\$ 15,000
General and administration	24,354	35,291	83,327	48,138
Interest	-	8,348	9,520	16,998
Investor relations	-	-	30,000	-
Mineral properties	33,881	-	33,881	-
Stock based compensation	33,612	-	37,983	-
	108,847	50,561	262,211	80,136
Interest Income	(3,375)	-	(6,270)	-
Operating Loss for the Period	105,472	50,561	255,941	80,136
Gain on settlement of bank loan	(178,758)	-	(178,758)	-
Gain on write-off of accounts payable	(5,530)	-	(5,530)	-
Loss on write-off of accounts receivable	1,626	-	1,626	-
<b>Net Loss (Gain) for the Period</b>	<b>\$ (77,190)</b>	<b>\$ 50,561</b>	<b>\$ 73,279</b>	<b>\$ 80,136</b>
<b>Deficit – Beginning of Period</b>	<b>20,482,711</b>	<b>20,096,742</b>	<b>20,332,238</b>	<b>20,067,167</b>
<b>Deficit - End of Period</b>	<b>\$20,405,517</b>	<b>\$20,147,303</b>	<b>\$20,405,517</b>	<b>\$20,147,303</b>
<b>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, 2003 AND 2002**  
**(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>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Cash provided by (used for)</b>				
Gain (Loss) for the period	\$ 77,190	\$ (50,561)	\$ (73,279)	\$ (80,136)
Items not involving cash				
Write-off of accounts receivable	1,626	-	1,626	-
Write-off of accounts payable	(5,530)	-	(5,530)	-
Write-off bank loan	(176,526)	-	(176,526)	-
Stock based compensation	32,612	-	37,983	-
Expenses settled by issuance of Special warrants	-	12,906	-	12,906
	(70,628)	(37,655)	(215,726)	(67,230)
Net changes in non- cash working capital items				
Accounts receivable	4,763	(3,399)	(11,735)	(3,465)
Accounts payable	10,747	(3,535)	5,696	17,887
Prepaid expenses	3,206	-	4,975	-
Bank loan	(105,000)	8,851	(95,480)	17,070
	(156,912)	(35,738)	(312,270)	(35,738)
<b>Investing activities</b>				
Payment on Aurifera option	(12,600)	-	(12,600)	-
<b>Financing activities</b>				
Private placement	-	120,000	-	120,000
Stock options and warrants exercised	3,750	-	25,556	-
Increase (decrease) in cash	(165,762)	84,262	(299,314)	84,262
Cash, beginning of period	1,341,396	-	1,474,948	-
<b>Cash, end of period</b>	<b>\$ 1,175,634</b>	<b>\$ 84,262</b>	<b>\$ 1,175,634</b>	<b>\$ 84,262</b>

**NEW OROPERU RESOURCES INC.  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2003  
(PREPARED BY MANAGEMENT WITHOUT AUDIT)  
(Expressed in U.S. dollars)**

**NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION AND NATURE OF OPERATIONS**

The Company was originally formed in 1995 through an amalgamation of a private issuer, Oroperu Resources Inc., a company incorporated under the Company Act (British Columbia), and an Ontario reporting issuer, Canlorm Resources Inc. In 1997, the Company's articles of incorporation were continued to the jurisdiction of the Business Corporations Act (Yukon). On June 6, 2001 the Company changed its name to New Oroperu Resources Inc. and consolidated its outstanding share capital on a 1 for 10 basis. On June 11, 2002, the Company discontinued in the Yukon and continued back to the jurisdiction of British Columbia.

The Company was listed on the TSX Venture Exchange on October 25, 2002 and is a reporting issuer in Ontario, Alberta and British Columbia.

The Company is in the business of exploration and development of mineral properties and is considered to be in the exploration stage. Through its wholly-owned subsidiary, S.A. Mining Ventures Limited ("SA Mining"), the Company owns 100% of Oromin S.A. ("Oromin"), a company incorporated in Peru and which owns mineral properties in Peru.

SA Mining also owns 100% of T.C. Mining Inc. ("TC Mining"), a company incorporated in the Bahamas. TC Mining owns a 50% interest in Aurifera Tres Cruces S.A. ("Aurifera"), a company incorporated in Peru for the purposes of operating the Tres Cruces project (Note 3).

**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,  
Oromin S.A.,  
T.C. Mining Inc.

All intercompany transactions and balances have been eliminated on consolidation.

**Basis of Presentation**

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, 2002. 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, 2002.

## **Exploration and development properties**

The Company capitalizes all costs related to investments in mineral property interests on a property by property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

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, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

## **Foreign currency translation**

All accounts are reported in United States dollars. Accounts denominated in currencies other than the U.S. dollar are translated into their U.S. dollar equivalents. Revenues and expenses are translated using the exchange rates on the transaction dates. Monetary assets and liabilities are remeasured at the balance sheet dates using the exchange rates on that date. Any exchange differences are charged to the statement of loss during the year.

## **Stock based compensation**

Effective January 1, 2002, the Company adopted the new accounting standard of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" for accounting for stock-based compensation expense. Under this standard, stock-based payments to non-employees, and employee awards that are direct awards of stock, call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after January 1, 2002, are accounted for using the fair value based method, and are recorded as an expense in the period the stock-based payments are vested or the awards or rights are granted.

### **3. INVESTMENT IN AURIFERA**

In October 1998, the Company entered into a joint venture agreement with Pan American Silver Corp. ("Pan American"), to pool their interests in certain mineral properties in Peru. The Company contributed its interest in the Tres Cruces property which consisted of an option to purchase the Geomin 701 and Tres Cruces 1 concessions. Pan American contributed its interest in the Negro 1, 2 and 3 concessions. After each company had earned its interest in the other's property, Aurifera was formed to hold and develop the properties.

On May 22, 2002 the Company obtained an option from Pan American to acquire Pan American's 50% interest in the shares of Aurifera in consideration as follows:

- (a) issuing 1,500,000 common shares (500,000 shares were issued upon execution of the agreement valued at \$0.10 per share (Note 8), 500,000 share are due on or before November 22, 2003 and 500,000 shares are due on or before November 22, 2004);

- (b) issuing such number of additional shares as are equal to 20% of the issued capital of the Company at the date of exercise of the option (after deducting the initial 1,500,000 shares);
- (c) cause \$1,750,000 in cumulative exploration work to be completed (\$250,000 on or before November 22, 2003, an additional \$500,000 on or before November 22, 2004 and the balance of \$1,000,000 on or before November 22, 2005); and
- (d) reimbursing to Pan American, on or before May 22, 2003, one-half of expenditures incurred by Pan American in the years 2000 and 2001 in connection with the Tres Cruces property, estimated to be \$12,600 (paid in May, 2003).

On completion of the share issuances and cumulative expenditures above, the Company has the right to exercise the option and acquire the 50% interest held by Pan American in Aurifera, subject to the obligation of the Company to pay Pan American a 2% net smelter return royalty on all production from the mineral claims now forming a part of the Tres Cruces project. Commencing November 22, 2006, minimum advance royalties of \$100,000 shall be paid annually. Under the agreement, the Company has the right to buy back 25% of the afore-mentioned 2% net smelter return royalty by making a payment to Pan American of \$500,000 cash.

Pan American shall also be entitled to receive 30% of the value of any consideration in excess of \$1,000,000 received by the Company prior to a production decision being made. In addition, if the Tres Cruces property is placed into commercial production, the Company shall make an advance royalty payment to Pan American of \$1,000,000 and Pan American shall be vested with a 30% interest in the interest then held by the Company in Aurifera, or in any other entity in which the Company holds its interest in the Tres Cruces property.

On May 31, 2002 the Company entered into a letter agreement with Barrick Gold Corp. for the sale of up to a 70% interest in Aurifera in exchange for cash payments, exploration expenditures, and a carried interest in the project. The letter agreement is subject to the preparation and execution of a formal agreement, which is currently being finalized. Management anticipates that the formal agreement will be signed in the next quarter.

#### **4. INVESTMENT AND ADVANCES RECEIVABLE**

On June 21, 2000 the Company sold an 80% interest in its wholly owned subsidiaries Nuevo Condor Inc. and Nueva Condor S.A., which owned the Nueva Condor mine and property in Peru, in consideration of \$1 and advances receivable of \$4,300,000. The receivable will be converted into an equity interest in Nueva Condor if that company is successfully re-capitalized by its new owners. The Company also has the right to participate in up to 30% of any future equity financings of Nueva Condor up to an aggregate limit of \$6 million. The Company's 20% interest in Nuevo Condor, recorded at a nominal value of \$1, may be diluted in the event of a future equity public financing in that company.

During 2001, management assessed the recoverability of the advances receivable from Nueva Condor of \$4,300,000 and the collectibility of certain advances receivable from Nueva Condor in the amount of \$308,566, which are owed to Oromin S.A. Due to the uncertainty of recoverability, the amounts were written down to \$1 as at December 31, 2001. As at June 30, 2003 the Nueva Condor mine has not been refinanced. Management has reassessed its interest in Nueva Condor and will continue to maintain these assets at a nominal value.

#### **5. MINERAL PROPERTIES**

The Company owns a 100% interest in three separate mineral properties located in various regions of Peru. The Angelica and Trucha Dorada properties are located in Libertad province, 5 km and 25 km from the Company's Tres Cruces project, respectively (Note 3). These two properties are grassroots epithermal gold projects. The El Espigon property is a copper gold prospect located near Huancavalica, Peru.



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

Expenditures on the Company's mineral properties, consisting of property acquisition and holding costs, are as follows:

	Angelica	Trucha Dorado	EI Espigon	Ontario Leases	Total
Balance, December 31, 2002	\$ 494,170	\$ 494,170	\$ 494,169	\$ 1	\$ 1,482,510
Balance, June 30, 2003	\$ 494,170	\$ 494,170	\$ 494,169	\$ 1	\$ 1,482,510

## 6. BANK LOAN

Loan from Banco Financiero, bearing interest at 14% per annum, balance at December 31, 2002	\$ 272,006
Interest accrued to March 31, 2003	9,520
Cash settlement amount, June 24, 2003	(105,000)
Write-off balance owing, as per settlement agreement	(176,526)
Balance at June 30, 2003	\$ 0

## 7. CAPITAL STOCK

	Number of Shares	Amount
Authorized 100,000,000 common shares without par value		
Issued and outstanding		
Balance, December 31, 2002	10,051,171	\$ 23,437,683
Issued during the period		
For cash		
Exercise of warrants	10,760	6,994
Exercise of options (Note 7(e))	123,750	18,562
Exercise of options		
Transfer of fair value (Note 7(e))	-	9,497
Exercise of special warrants	1,200,000	-
Balance, June 30, 2003	11,385,681	\$ 23,472,736

### (b) Special Warrants

The Company completed a private placement on May 31, 2002, for the issue of 1,200,000 non-transferable special warrants at a price of \$0.10 per special warrant. Each special warrant was converted into one common share at no additional cost on May 31, 2003.

### (d) Warrants

At June 30, 2003 the Company had 3,139,240 warrants outstanding to purchase 3,139,240

common shares at a price of \$0.65 per share until October 25, 2003 and at a price of \$0.80 per share until their expiry date on October 25, 2004.

(e) 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. The options granted during fiscal 2002 were not granted under the Company's stock options plan but were granted pursuant to the policies of the TSX Venture Exchange. The options vest in varying stages to April 25, 2004.

A summary of the status of the Company's stock options at June 30, 2003 and changes during the year to date is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2002	1,025,000	\$0.15
Exercised during the period	123,750	\$0.15
Outstanding at June 30, 2003	901,250	\$0.15
Options exercisable at June 30, 2003	476,250	\$0.15

The options to acquire 901,250 shares expire on October 25, 2007.

Pursuant to the CICA standard of accounting for stock-based compensation (Note 2), the fair value of stock options granted, and which had vested, in 2003, in the amount of \$37,983, has been recorded as an expense in the period. Charges for future vestings, subject to actual vestings and cancellations, are estimated to be \$30,694 for the rest of 2003 and \$16,306 in 2004. The fair value of options vested during the period, in the amount of \$9,497 has been transferred to share capital.

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Risk-free interest rate	3.9%
Expected dividend yield	-
Expected stock price volatility	162%
Expected option life in years	2.5

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a

reliable single measure of the fair value of the Company's stock options.

**8. RELATED PARTY TRANSACTIONS**

In the period ended June 30, 2003 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	12,000
Legal	<u>4,440</u>
	\$ 52,440

**9. SEGMENTED DISCLOSURE**

The Company has one operating segment, mineral exploration and development. Of the Company's assets, an amount of assets totaling \$2,045,112 is located in Peru and \$1,217,928 is located in Canada.