FORTUNA SILVER MINES INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2007

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

UNAUDITED FINANCIAL STATEMENTS: In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the six month period ended June 30, 2007.

FORTUNA SILVER MINES INC.
INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	June 30, 2007	December 31, 2006 (Audited)
ASSETS		
CURRENT		
Cash and cash equivalents (Note 4)	$ 35,280,155	$ 1,641,264
Accounts receivable and prepaid expenses (Note 5)	6,891,163	4,084,609
Inventories (Note 6)	935,494	826,165
	43,106,812	6,552,038
LONG TERM INVESTMENTS (Note 7)	1,630,750	741,250
PLANT & EQUIPMENT (Note 8)	11,549,874	7,807,030
MINERAL PROPERTIES (Note 9)	47,112,867	44,093,936
	$ 103,400,303	$ 59,194,254
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 4,907,003	$ 2,193,086
Due to related parties, net (Note 10)	26,409	27,278
Current portion of obligation under capital lease (Note 11)	34,469	44,945
Loans (Note 11)	-	5,730,105
	4,967,881	7,995,414
OBLIGATIONS UNDER CAPITAL LEASE (Note 11)	74,369	97,100
ASSET RETIREMENT OBLIGATION (Note 12)	1,615,497	1,757,970
FUTURE INCOME TAX LIABILITY	5,935,501	4,910,377
NON-CONTROLLING INTEREST (Note 9)	5,164,257	3,226,631
	17,757,505	17,987,492
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 13)	86,141,393	43,341,404
CONTRIBUTED CAPITAL	7,640,278	6,084,540
DEFICIT	(9,028,373)	(8,219,182)
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 14)	889,500	-
	85,642,798	41,206,762
	$ 103,400,303	$ 59,194,254

Nature of operations (Note 1)
Commitments (Note 17)
Subsequent events (Note 18)

APPROVED BY THE DIRECTORS:

"signed", Director
Jorge Ganoza Durant

"signed", Director
Simon Ridgway

(See accompanying Notes)

FORTUNA SILVER MINES INC.
INTERIM CONSOLIDATED STATEMENTS OF DEFICIT

(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
DEFICIT – BEGINNING OF PERIOD	$ (9,975,512)	$ (6,857,921)	$ (8,219,182)	$ (4,487,209)
Net gain (loss) for the period	947,139	362,879	(809,191)	(2,007,833)
DEFICIT – END OF PERIOD	$ (9,028,373)	$ (6,495,042)	$ (9,028,373)	$ (6,495,042)

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
NET INCOME (LOSS)	$ 947,139	$ 362,879	$ (809,191)	$ (2,007,833)
Other comprehensive (loss) income				
Unrealized (loss) gain on available for sale long-term investment (Note 14)	(407,688)	-	370,625	-
COMPREHENSIVE INCOME (LOSS)	$ 539,451	$ 362,879	$ (438,566)	$ (2,007,833)

(See accompanying Notes)

FORTUNA SILVER MINES INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Sales	$ 8,796,964	$ -	$ 14,536,028	$ -
Cost of sales including depletion, depreciation and accretion of $2,988,641	4,785,310	-	8,810,369	-
MINE OPERATING INCOME	4,011,654	-	5,725,659	-
Selling, general and administrative expenses (includes depreciation of $10,547)	1,459,724	37,607	2,660,315	314,933
Stock-based compensation (Note 13)	113,350	(19,925)	2,422,387	2,111,100
	1,573,074	17,682	5,082,702	2,426,033
OPERATING INCOME (LOSS)	2,438,580	(17,682)	642,957	(2,426,033)
Interest and other income and expenses	335,682	126,393	616,093	172,207
Interest and finance expenses	(41,271)	-	(101,148)	-
Foreign exchange (loss) gain	(709,429)	254,168	(552,891)	245,993
	(415,018)	380,561	(37,946)	418,200
INCOME (LOSS) BEFORE INCOME TAXES	2,023,562	362,879	605,011	(2,007,833)
Income tax provision	1,076,423	-	1,414,202	-
NET INCOME (LOSS) FOR THE PERIOD	$ 947,139	$ 362,879	$ (809,191)	$ (2,007,833)
Basic income (loss) per share	$ 0.01	$ 0.01	$ (0.01)	$ (0.06)
Diluted income per share	0.01	0.01	-	-
Weighted average number of shares outstanding				
Basic	70,023,703	42,115,162	66,959,041	34,982,441
Diluted	83,260,090	50,112,277	-	-

(See accompanying Notes)

FORTUNA SILVER MINES INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
OPERATING ACTIVITIES				
Net income (loss) for the period	$ 947,139	$ 362,879	$ (809,191)	$ (2,007,833)
Items not involving cash				
Depletion and depreciation	1,524,770	1,686	2,925,177	3,321
Accretion expense	36,976	-	74,011	-
Future income tax	1,076,423	-	1,414,202	-
Stock based compensation charge	113,350	(19,925)	2,422,387	2,111,100
Foreign exchange (loss)	(651,518)	-	(579,287)	-
Changes in non-cash working capital items				
Accounts receivable and prepaid expenses	(1,137,227)	(1,453,118)	(2,806,554)	(2,097,369)
Inventories	37,181	(393,231)	(87,931)	(393,231)
Accounts payable	(454,756)	269,239	769,725	130,347
Net cash provided by (used in) operating activities	1,492,338	(1,232,470)	3,322,539	(2,253,665)
FINANCING ACTIVITIES				
Proceeds on issuance of common shares	4,768,227	1,683,211	41,933,340	22,622,928
Capital lease obligations	(22,431)	-	(33,207)	-
Payments from (to) related parties (Note 6)	9,695	12,182	(869)	(18,153)
Repayment of debt (Note 5)	-	(5,270,850)	(5,730,105)	(5,270,850)
	4,755,491	(3,575,457)	36,169,159	17,333,925
INVESTING ACTIVITIES				
Mineral property expenditures	(1,306,902)	(2,846,041)	(3,289,063)	(4,432,723)
Temporary investment	-	(4,732,277)	-	(4,732,277)
Plant & equipment expenditures	(1,166,179)	(1,268,660)	(2,563,744)	(1,389,700)
	(2,473,081)	(8,846,978)	(5,852,807)	(10,554,700)
INCREASE (DECREASE) IN CASH	3,774,748	(13,654,905)	33,638,891	4,525,560
Cash – beginning of period	31,505,407	22,346,247	1,641,264	4,165,782
CASH – END OF PERIOD	$ 35,280,155	$ 8,691,342	$ 35,280,155	$ 8,691,342
Supplementary disclosure of cash flow information:				
Cash (received) for interest	$ (364,660)	$ (126,394)	$ (615,584)	$ (172,207)
Cash paid for income taxes	$ -	$ -	$ -	$ -

Non-cash transactions – Note 16

(See accompanying Notes)

1. Nature and Continuance of Operations

Fortuna Silver Mines Inc. (the “Company”) is engaged in silver mining and related activities, including exploration, extraction, and processing. The Company operates the Caylloma zinc/lead/silver mine in southern Peru and is currently developing the San Jose silver/gold project in Mexico.

The Company’s continuing operations and the recoverability of amounts shown for its exploration stage mineral properties are dependent upon the availability of the necessary financing to complete the exploration and development of such mineral property interests, and upon future profitable production or proceeds from the disposition of its mineral property interests. Future profitable production is primarily dependent on the quality of ore resources, ability to obtain permits, future metal prices, operating and environmental costs, fluctuations in currency exchange rates, political risks and varying levels of taxation.

2. Basis of Presentation

The Company changed its year end from September 30, to December 31, and therefore the comparative figures reflect the 6 month period ended June 30, 2006.

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods as our most recent annual financial statements except as indicated in note 3 below. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at December 31, 2006.

The interim consolidated financial statements include the accounts of the Company’s wholly owned subsidiaries, Minera Bateas SAC (Beateas) and Fortuna Silver (Barbados) Inc. and of the Company’s 76% interest in Compania Minera Cuzcatlan SA, a variable interest entity for which a non-controlling interest has been recorded to reflect the 24% interest of the Company’s partner. All significant intercompany balances and transactions have been eliminated on consolidation

3. Change in Accounting Policies

On January 1, 2007, the Company adopted the provisions of the Canadian Institute of Chartered Accountants Handbook (“CICA HB”) Sections 1530 “Comprehensive Income”, 3251 “Equity”, 3855 “Financial Instruments – Recognition and Measurement”, 3861 “Financial Instruments – Presentation and Disclosure”, and 3865 “Hedges”. These sections address the classification, recognition and measurement of financial instruments and hedges in the financial statements and inclusion of other comprehensive income. These standards have been applied prospectively and therefore comparative amounts for prior periods have not been restated.

3. Change in Accounting Policies (continued)

a) Comprehensive income

Section 1530 introduces comprehensive income, which consists of net income and other comprehensive income. Other comprehensive income represents changes in shareholders' equity during a period arising from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale. The components of comprehensive income are disclosed on the interim consolidated statements of comprehensive income.

b) Financial instruments

Section 3861 establishes standards for the presentation and disclosure of financial instruments. Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be measured at fair value on initial recognition and recorded on the balance sheet. Measurement in subsequent period depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

Financial assets and liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income. Financial assets and financial liabilities considered held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized costs using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

Derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in net income with the exception of derivatives designated as effective cash flow hedges. Section 3865 establishes the standards for hedge accounting.

c) Impact upon adoption of CICA HB Section 1530, 3251, 3855, 3861 and 3865

As a result of adopting these new standards at January 1, 2007, the Company recorded an unrealized gain of $518,875 for the change in accounting for financial assets classified as "available-for-sale" and measured at fair value instead of cost. This increase is reported as a one-time cumulative effect to other comprehensive income (Note 14).

4. Cash and cash-equivalents

Cash and cash-equivalents at June 30, 2007 and December 31, 2006 include a term deposit of $140,297 securing a Stand By Letter of Credit issued on behalf of one of the Company's subsidiaries which expired on August 7, 2007. These funds were restricted until the expiry of the Stand By Letter of Credit.

5. Accounts receivable and prepaid expenses

	June 30, 2007	December 31, 2006
GST and value added taxes *	$ 1,924,799	$ 2,183,847
Accounts receivable	3,977,383	1,561,785
Advances and other receivables	883,003	279,376
Prepaid expenses and deposits	105,978	59,601
	$ 6,891,163	$ 4,084,609

* The Mexico portion of the VAT receivable of $2,081,897 (December 31, 2006 - $1,554,002) has been reclassified to mineral properties from accounts receivable as it is not expected to be recovered in the next twelve months.

6. Inventories

Inventories consist of the following:

	June 30, 2007	December 31, 2006
Ore stock piles	$ 293,303	$ 77,664
Concentrate stock piles	50,578	165,551
Materials and supplies	591,613	582,950
	$ 935,494	$ 826,165

7. Long term investments

At June 30, 2007 and December 31, 2006 the Company owned 3,706,250 shares of Continuum Resources Ltd. The fair market value and the cost are as follows:

	June 30, 2007	December 31, 2006
Fair market value	$ 1,630,750	$ 1,260,125
Cost	741,250	741,250
Unrealized gain (cumulative)	$ 889,500	$ 518,875

On January 1, 2007, the Company adopted CICA HB 3861 and 3855 (note 3), which is a change in accounting policy with respect to financial instruments. Section 3855 requires that financial assets be measured at fair value on initial recognition and recorded on the balance sheet. As a result, a transition adjustment of $518,875 has been recorded in opening accumulated other comprehensive loss as at January 1, 2007 and long term investments were increased to their fair market value of $1,260,125. The Company has classified its long term investments as available-for-sale and, therefore, the change in fair value of $370,625 arising during the 6 months ended June 30, 2007 has been recognized in other comprehensive gain for the period. (Note 14)

8. Plant & Equipment

Plant and Equipment are comprised of the following:

	Cost	Accumulated Depreciation	June 30, 2007 Net book value	December 31, 2006 Net book value
Machinery & equipment	$ 7,516,651	$ 605,703	$ 6,910,948	$ 4,526,814
Buildings	2,583,373	217,246	2,366,127	2,456,662
Furniture & other equipment	454,753	55,326	399,427	174,125
Transport units	229,826	24,734	205,092	372,054
Equipment under capital lease	172,505	32,582	139,923	169,630
Work in progress	1,528,357	-	1,528,357	107,745
	$ 12,485,465	$ 935,591	$ 11,549,874	$ 7,807,030

9. Mineral Properties

Mineral Properties are located in Peru and Mexico and are comprised of the following:

	June 30, 2007			December 31, 2006
	Cost	Depletion	Net	Net
Peru - Caylloma	$ 26,971,076	$ 2,779,386	$ 24,191,690	$ 23,965,250
Mexico – San Jose	22,910,934	-	22,910,934	20,118,443
Other	10,243	-	10,243	10,243
	$ 49,892,253	$ 2,779,386	$ 47,112,867	$ 44,093,936

The carrying amount for San Jose includes $336,493 of capitalized interest on loans (Note 11). In addition, the Mexico portion of VAT receivable of $2,081,897 (December 31, 2006 - $1,554,002) has been reclassified to mineral properties (Note 5). Additions for development and capitalized exploration for the 6 month period ended June 30, 2007 consist of $2,362,154 at Caylloma and $2,792,491 including VAT at San Jose.

San Jose Project, Mexico

The San Jose Project is owned and operated by Compañia Minera Cuzcatlan, a company owned 76% by the Company and 24% by Continuum Resources Ltd. The Company is the operator of the work programs and the Company and Continuum must contribute to the costs thereof in proportion to its ownership percentage in Cuzcatlan.

Cuzcatlan has been accounted for as a variable interest entity, as defined in CICA Accounting Guideline 15 Consolidation of Variable Interest Entities and has been consolidated from the date of acquisition. A non-controlling interest of $5,164,257 has been recorded as at June 30, 2007 (December 31, 2006 - $3,226,631).

10. Related Party Transactions

The Company incurred charges with directors, officers, and companies having a common director or officer as follows:

		Six months ended June 30, 2007		Six months ended June 30, 2006
Mineral property costs – geological fees	$	45,072	$	78,250
Consulting fees	$	49,534	$	37,693
Salaries and wages	$	39,753	$	2,672
Management fees	$	115,343	$	40,521

These charges were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

At June 30, 2007, accounts payable and accrued liabilities included $1,382 (December 31, 2006 - $395) to an officer of the Company.

At June 30, 2007, due to related parties consists of $26,491 (December 31, 2006 - $41,147) owing to an officer and to companies with a common director. These amounts were incurred as a result of shared administrative costs. These amounts are unsecured, non-interest bearing and payable in the normal course of business.

At June 30, 2007, due from related parties consists of $82 (December 31, 2006 - $13,869) owed from companies with a common director which were incurred as a result of shared administrative costs. This amount is unsecured, non-interest bearing and will be collected in the normal course of business.

11. Loans

On November 21, 2006 the Company borrowed $4,600,000 at an interest rate of 12% from Quest Capital Corporation in connection with the acquisition of the San Jose property. The loan was due on May 30, 2007 but was paid back on January 15, 2007. As additional consideration for the facility, 153,333 shares of the Company were issued to the lender in the prior year as payment of a bonus in the amount of $275,999.

On October 30, 2006 a revolving credit line of US$ 950,000, with a CDN value of $1,078,915 as of December 31, 2006 and an interest rate of Libor + 1.5% plus a variable utilization fee, was taken for working capital purposes from Traxys North America. This credit was paid back on February 8, 2007.

At June 30, 2007 the Company has capital lease obligations of $108,838 (December 31, 2006 - $142,045) with a current portion of $34,469 (December 31, 2006 - $44,945). These are related to the acquisition of mining equipment, have a 3 year term, and bear interest at a fixed rate of 8.5%.

12. Asset Retirement Obligation

The Company has recorded an Asset Retirement Obligation of $1,615,497 (4,832,478 Nuevos Soles) as of June 30, 2007. This is the result of having accreted the previously reported Asset Retirement Obligation of $1,757,970 (4,628,674 Nuevos Soles) as of December 31, 2006 by $74,972 (203,804 Nuevos Soles) and recording a foreign exchange adjustment of $188,933 to reflect the exchange rate in effect at June 30, 2007. The accretion expense was calculated over the six month period using a rate of 9%. The initial amount was based on an estimate prepared by an independent third party at the time of acquisition as to the cost of reclamation associated with the Caylloma property. The Company is currently reviewing its reclamation obligations at the property in light of changing regulations and on the basis of further data in respect of the mine life.

In view of the uncertainties concerning environmental reclamation, the ultimate cost of reclamation activities could differ materially from the estimated amount recorded. The estimate of the Company's asset retirement obligation relating to the Caylloma mine is subject to change based on amendments to laws and regulations and as new information regarding the Company's operations becomes available.

Future changes, if any, to the estimated liability as a result of amended requirements, laws, regulations and operating assumptions may be significant and would be recognized prospectively as a change in accounting estimate. Any such change would result in an increase or decrease to the liability and a corresponding increase or decrease to the mineral property, plant and equipment balance.

13. Share Capital

Authorized: Unlimited common shares without par value

	Number of shares	Amount
Balance, September 30, 2005	20,083,465	$ 12,163,851
Exercise of options	650,000	423,775
Exercise of warrants	6,124,631	5,600,546
Private placement for cash	16,700,000	22,050,000
Private placement commission non-cash transaction (Note 16)	760,261	1,140,392
Property acquisition non-cash transaction	1,897,621	2,713,598
Property finders fee non-cash transaction (Note 16)	50,000	68,000
Property acquisition non-cash transaction	168,417	284,625
Loan fee	153,333	275,999
Transfer of contributed surplus on exercise of options	-	215,256
Less issue costs (non-cash amount $1,140,392)	-	(1,594,638)
Balance, December 31, 2006	46,587,728	$ 43,341,404
Exercise of options	986,200	1,354,175
Exercise of warrants	5,049,638	8,063,957
Private placement for cash	18,000,000	34,200,000
Private placement commission non-cash transaction (Note 16)	422,300	802,370
Transfer of contributed surplus on exercise of options	-	866,649
Less issue costs (non-cash amount $802,370)	-	(2,487,162)
Balance, June 30, 2007	71,045,866	$ 86,141,393

13. Share Capital (cont'd)

Stock Options

A summary of stock options granted and exercised under the Company's stock option plan is as follows:

	Six months ended June 30, 2007		Fifteen months ended December 31, 2006	
	Number of Options	Weighted Average Exercised Price	Number of Options	Weighted Average Exercised Price
Outstanding, beginning of period	3,765,000	$ 1.62	860,000	$ 0.56
Granted	1,755,000	2.33	3,555,000	1.70
Exercised	(986,200)	1.37	(650,000)	0.65
Expired	(75,000)	2.29	-	-
Outstanding, end of period	4,458,800	$ 1.91	3,765,000	$ 1.62

The following stock options were outstanding and exercisable at June 30, 2007:

Number of shares	Exercise Price $	Expiry Date
39,000	0.37	December 2, 2009
30,000	0.80	July 24, 2010
383,800	1.35	February 5, 2016
451,000	2.29	March 30, 2016
130,000	1.75	May 8, 2016
200,000	1.75	May 22, 2016
315,000	1.55	July 5, 2016
860,000	1.66	July 10, 2016
225,000	1.61	September 13, 2016
50,000	1.90	November 20, 2016
50,000	1.96	November 23, 2016
1,480,000	2.22	January 11, 2017
80,000	2.75	February 6, 2017
50,000	3.09	August 9, 2007
15,000	3.09	April 22, 2017
50,000	3.10	May 31, 2017
50,000	3.05	June 27, 2017
4,458,800		

4,421,300 options have vested as at June 30, 2007.

13. Share Capital (cont'd)

Warrants

A summary of share purchase warrants issued and exercised is as follows:

	Six months ended June 30, 2007		Fifteen months ended December 31, 2006	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	20,566,185	$ 1.23	13,114,117	$ 0.91
Issued	10,559,725	2.30	13,576,699	1.40
Exercised	(5,049,638)	1.60	(6,124,631)	0.91
Outstanding, end of period	26,076,272	$ 1.69	20,566,185	$ 1.23

The following share purchase warrants were outstanding at June 30, 2007:

Number of warrants	Exercise Price $	Expiry Date
593,356	1.85	September 23, 2007
6,570,000	1.25	September 26, 2007
270,085	0.80	September 26, 2007
1,096,833	1.25	October 6, 2007
72,056	0.80	October 6, 2007
4,878,046	1.85	March 23, 2008
862,117	0.345	June 27, 2010
1,613,238	0.345	November 17, 2010
994,073	2.30	July 8, 2011
9,126,468	2.30	July 8, 2011
26,076,272		

13. Share Capital (cont'd)

Stock-Based Compensation

The Company uses the fair value based method of accounting for share options granted to consultants, directors, officers and employees. The non-cash compensation charge of $2,422,387 recognized for the six months ended June 30, 2007 is associated with the granting of options to a consultant, directors and employees. These compensation charges have been determined under the fair value method using the Black-Scholes option pricing model with the following assumptions:

	Six months ended June 30, 2007	Six months ended June 30, 2006
Risk-free interest rate	4.04% - 4.67%	4.01% - 4.46%
Expected stock price volatility	59% - 68%	92% - 104%
Expected term in years	5 & 10	1, 5 &10
Expected dividend yield	0%	0%

Option pricing models require the input of highly subjective assumptions including the estimate of the share 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.

14. Accumulated other comprehensive income

	June 30, 2007
Balance at December 31, 2006	$ -
Cumulative impact of accounting changes (Note 3)	518,875
Adjusted balance January 1, 2007	518,875
Unrealized gain on available-for-sale long term investment	370,625
Balance at June 30, 2007	$ 889,500

15. Segmented Information

Details of identifiable assets by geographic segments are as follows:

	June 30, 2007	December 31, 2006
Canada		
Current assets	$ 27,966,781	$ 1,838,910
Investments	1,630,750	741,250
Equipment	8,059	9,326
	$ 29,605,590	$ 2,589,486
Peru		
Current assets	$ 8,916,654	$ 5,020,408
Plant and equipment	8,006,564	7,792,780
Mineral properties	24,191,690	23,965,250
	$ 41,114,908	$ 36,778,438
Mexico		
Current assets	$ 2,562,664	$ 1,246,722
Plant and equipment	3,532,341	2,014
Mineral properties	22,910,934	18,564,441
	$ 29,005,939	$ 19,813,177
Barbados		
Current assets	$ 3,660,713	$ -
Other		
Equipment	$ 2,910	$ 2,910
Mineral properties	10,243	10,243
	$ 13,153	$ 13,153
	$ 103,400,303	$ 59,194,254

All revenues are generated in Peru.

16. Supplementary Disclosure of Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

The following non-cash transactions occurred:

		Six months ended June 30, 2007	
	Number of shares		Amount
Shares issued for commission on private placement	422,300	$	802,370
Purchase of equipment on a deferred payment plan	-	$	1,827,293

		Six months ended June 30, 2006	
	Number of shares		Amount
Shares issued for property finders fees	50,000	$	68,000
Shares issued for commission on private placement	760,261	$	1,140,392

17. Commitments

A processing plant was purchased in the first quarter of 2007 for US$2,250,000 to be paid in three installments of US$750,000. The first installment was made on February 1, 2007. The second installment was required to be paid on August 1, 2007 (completed) and the final installment is required to be paid on February 1, 2008.

18. Subsequent Events

Subsequent to June 30, 2007 the Company received $122,380 from the exercise of 78,800 options and $119,653 from the exercise of 87,349 warrants.

On August 1, 2007, the second installment of US$750,000 owing on the processing plant purchased was paid.

19. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.