TECHNICAL REPORT

on the

PINAYA COPPER-GOLD PROPERTY

Departments of Puno and Arequipa
Caylloma and Lampa Provinces
Callalli and Santa Lucia Districts, Southcentral Peru

Mineral Concessions

Antaña, La Porfia, Fiorella 2003, Don Pedro 2000, Volcanilla, Volcanilla 2, Volcanilla 3, Volcanilla 4, Panchito, Panchito 2, Panchito 3, Panchito 4, Manuelito 4, Taco 1, Taco 2, Taco 3, Tesalia, Tesalia 1, Tico 1 and Tuco 1

Latitude: 15^{o} 35’ South Longitude: 70^{o} 58’ West
Peruvian Map Area Lagunillas 32-U

- Prepared For -

ACERO-MARTIN EXPLORATION INC.

Suite 1600, 700 West Pender Street
Vancouver, British Columbia, Canada V6C 1G8
Tel: (604) 646-0067

- Prepared By -

MINOREX CONSULTING LTD.

25856 – 28th Avenue
Aldergrove, British Columbia, Canada V4W 2Z8

October 27, 2006

J. Douglas Blanchflower, P. Geo.
Consulting Geologist

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SUMMARY

The Pinaya copper-gold property is located within the Western Cordillera of the Peruvian Andes in the Districts of Callalli and Santa Lucia, Departments of Puno and Arequipa, southcentral Peru. It is approximately 775 km southeast of the city of Lima, or 110 km northeast of the city of Arequipa.

The property is comprised of twenty non-contiguous mineral concessions, totalling 11,100.77 hectares or approximately 111 square kilometres. Compañia Minera Aurifera Los Andes de Pinaya S.A.C. holds the rights to three of the twenty mineral concessions; subject to an option agreement with Acero-Martin Exploration Inc. ("Acero-Martin"). Minera Pinaya owns the 'Don Pedro' mineral concession; subject to an option agreement with Acero-Martin. Canper Exploration S.A.C. ("Canper") originally held the rights to thirteen of the twenty mineral concessions. Acero-Martin acquired CANPER in April 2004 and Canper is now a wholly-owned subsidiary of Acero-Martin. The remaining mineral concessions were recently acquired by Canper, on behalf of Acero-Martin; subject to approval by the Peruvian government.

Access to the property is possible by driving northeastwardly from the city of Arequipa, via paved Peruvian Highway Number 30B, for 142 km to the Tintaya Copper Mine access road, and then northward on a well-maintained gravel road for 22 km to the small community of Occopaica. At Occopaica, there is a gravel access road that leads 7 km eastwardly to the property. Road access within the property is good via a number of historic and recent drill site access roads.

The Pinaya property has been the subject of intermittent exploration for over 40 years. Artisanal miners excavated an underground drift and open-cut, plus numerous test pits and hand trenches. Visible gold was extracted on-site by grinding and panning. Minsur S.A. optioned mineral concessions from the artisanal miners in 1998 and conducted mapping, trenching and drilling until 2001 when they terminated their option agreement.

After Canper optioned mineral concessions in April 2004, Acero-Martin acquired Canper and began their exploration work in November 2004. Acero-Martin conducted an integrated exploration program comprising: soil geochemical sampling, rock geochemical sampling, ground magnetics and induced polarization geophysical surveying and diamond drilling. By July 2006, Acer-Martin had drilled 61 diamond drill holes totalling 13,243 m and excavated and sampled 81 backhoe trenches, totalling 7,289 m. In July 2006, Mr. James McCrea, P. Geo., prepared a 43-101 technical report, including a Quality Assurance and Quality Control report documenting all of the exploration work to June 2006.

The Pinaya property is situated on the Peruvian Altiplano, a high-elevation plateau that developed due to successive eastward-younging mountain building events which commenced in Middle Eocene time. The Lagunillas Fault Zone, a major northwestwardly trending fault zone, regionally transects the Altiplano close to the Pinaya property. The property is dominantly underlain by steeply to near vertically dipping clastic sedimentary rocks of the Late Cretaceous to early Tertiary Puno Group, comprised of quartz arenite, quartz arenite breccia, coarse quartz arenite conglomerate and sandstone. Basaltic to andesitic amygdaloidal lava flows of the Oligocene or later Tacaza Group occur in fault contact west of the Puno Group sedimentary rocks.

A number of stocks, dykes, sills and several phases of intrusive breccia, indicative of a barely unroofed multiphase intrusive complex, have been identified on the property. This complex has been exposed and intersected by drilling for a distance of 1,500 m or more in a northwesterly direction. The plutonic rocks include a variety of aphanitic and porphyritic alkaline dykes, dioritic intrusions and late-stage dacitic dykes locally occupy a northwesterly trending shear and fault zone (Caira, 2005).

The Pinaya property covers three occurrences of copper- and gold-bearing mineralization, including the Western Porphyry, Gold Oxide Skarn and Montana de Cobre Gold zones, and several geological, geochemical and/or geophysical exploration targets. Recent diamond drilling has focused on delineating the mineralization within the Western Porphyry and Gold Oxide Skarn zones.

Copper- and gold-bearing mineralization appears to be hosted by two dominant lithologies, variably fractured and altered quartz arenite country rocks and alkaline intrusions, within and adjacent to northwesterly trending fracture zones. Chalcocite, covellite, digenite, and gold-bearing mineralization commonly occur as fracture infillings, or associated with structurally-controlled chalcedonic quartz veinlets. Surficial sulphide mineralization has been leached but there has been significant supergene copper enrichment at depth. Copper and gold values are commonly, but not exclusively, associated.

Current diamond drilling by Acero-Martin within the Western Porphyry, Gold Oxide Skarn and Montana de Cobre Gold zones now totals seventy drill holes (15,632 metres). The two main zones have a known lateral extent of 1,500 by 450 metres of which approximately 50 percent of the area has been drill tested to a vertical depth commonly less than 200 metres.

The Western Porphyry zone has indicated mineral resources of 10.96 million tonnes grading 0.716 % copper and 0.65 gpt gold, and inferred mineral resources of 3.75 million tonnes grading 0.828 % copper and 0.55 gpt gold at a cut-off grade of 0.20 % copper. The Gold Oxide Skarn zone has indicated mineral resources estimated at 7.03 million tonnes grading 0.433 % copper and 0.29 gpt gold, and inferred mineral resources of 3.83 million tonnes grading 0.386 % copper and 0.23 gpt gold at the same cut-off grade of 0.20 % copper.

A gross metal value for the copper- and gold-bearing mineralization was calculated to account for significant near-surface gold values associated with copper values that are below the 0.2 percent copper modelling limit and volumetrics cut-off grade. Long-term metal prices of US $1.25 per pound copper and US $450.00 per troy ounce gold were utilized for gross metal value calculations.

Estimates for the Western Porphyry zone, using a common US $5.50 gross metal value cut-off, returned indicated mineral resources of 15.26 million tonnes grading 0.542 % copper and 0.63 gpt gold, and inferred mineral resources of 5.54 million tonnes grading 0.595 % copper and 0.55 gpt gold. The Gold Oxide Skarn zone, using the same US $5.50 gross metal value cut-off, has indicated mineral resources estimated at 13.87 million tonnes grading 0.286 % copper and 0.42 gpt gold, and inferred mineral resources of 7.18 million tonnes grading 0.267 % copper and 0.31 gpt gold.

Volumetric differences between mineral resources estimated with a 0.2 percent copper grade cut-off grade versus a US $5.50 gross metal value cut-off indicate that there are significant near-surface leached resources with low copper values but significant gold contents. These resources may be amenable to heap leach extraction for gold.

The property has the potential of hosting a bulk-tonnage copper-gold deposit that may be amenable to both conventional milling and heap leaching. Both the Western Porphyry and Gold Oxide Skarn zones are open laterally to the northwest and southeast and downdip to the northeast. Anomalous ground magnetic highs and gold-in-soil geochemistry results indicate that the Montana de Cobre Gold zone may occur on a separate parallel northwesterly trending structure with possibly mineralized buried intrusions and/or skarn zones.

The Pinaya property is a property of merit and worthy of continued exploration. Accordingly, a two-stage program of trenching, diamond drilling, metallurgical testing, environmental monitoring, geotechnical and petrographic studies and continued reconnaissance mapping and sampling has been recommended. The total estimated cost of the two-stage exploration program is CDN $3 million with the second stage work program being contingent upon a thorough review of the first stage results.

INTRODUCTION

The Pinaya property is situated within the Departments of Puno and Arequipa in southcentral Peru; approximately 775 kilometres southeast of the city of Lima. It is comprised of twenty non-contiguous mineral concessions that are currently being explored by Acero-Martin Exploration Inc.

Acero-Martin Exploration Inc. (“Acero-Martin”) retained the author in August 2006 to review the results of their recent exploration work, estimate any 43-101-compliant mineral resources, and prepare an independent technical report with recommendations, if warranted, for future exploration of the property.

This report has been prepared in accordance with the formatting requirements of National Policy 43-101F1 to provide technical support for other documentation that might be filed with appropriate regulatory authorities, and is intended to be read in its entirety.

RELIANCE ON OTHER EXPERTS

The author conducted a property examination on August 19 to 20, 2006. He examined and sampled known mineral showings, inspected mineral concession records and reviewed the ongoing exploration work with Acero-Martin field personnel. The author relies on over 35 years of field experience with copper-gold deposits similar to that within the subject property.

This report is based largely upon published and unpublished data supplied to the author by Acero-Martin. Such data includes: a 43-101F1-compliant report prepared by Mr. James A. McCrea, P. Geo., dated July 14, 2006; various unpublished geological reports by Ms. Nadia Caira, P. Geo., Dr. William X. Chavez and Dr. Tim Coughlin, geological consultants to the project, and a verified geological database with all drill hole logging and core sampling results.

The information provided by Acero-Martin is considered to be of a very high quality. Personnel experienced in geology or related fields prepared the various reports and data. Jeff Reeder, a director of Acero-Martin and a registered Professional Geoscientist in British Columbia, reviewed the information. Nadia Caira and Cary Pothorin, both registered Professional Geoscientists in British Columbia, manage the daily exploration activities on the project.

Disclaimer

This report is for the sole use of Acero-Martin Exploration Inc. It is not intended to be a guarantee of mineral title, nor is it intended to be a thorough description of past, existing, or future option, sale, or title agreements, nor is it intended to include a thorough description of possible liabilities, environmental or otherwise, of assessment, access, land claims, and exploration requirements and programs completed, planned, or contemplated.

The author was not involved in any prior exploration programs on the subject property, and therefore this report has made extensive reference to the work and reports undertaken by other qualified field personnel. Their work has been referenced whenever possible.

ACERO-MARTIN EXPLORATION INC.
Vancouver, British Columbia

LOCAL GEOLOGY MAP

Pinaya Property

Department of Puno and Arequipa, Peru

Drawn By: JDB	Scale: As Shown
Date: October, 2006	Figure No. 1

To Accompany Report By J. D. Blanchflower, P. Geo., 2006

PROPERTY DESCRIPTION and LOCATION

Property Description and Location

The Pinaya property is located approximately 775 km southeast of the city of Lima, 110 km northeast of the city of Arequipa, or 35 km west of the community of Pinaya in the eastern part of the Andean Western Cordillera in southcentral Peru. It is located within the political boundaries of the Departments of Puno and Arequipa, within the Provinces of Caylloma and Lampa in the Districts of Callalli and Santa Lucia. The geographic coordinates at the centre of the property are 15°35' South latitude and 70°58' West longitude; within Peruvian National Topographic System (NTS) map area, Lagunillas 32-U. See Figures 1 and 2 accompanying this report for the location and configuration of the property.

The property is comprised of twenty non-contiguous mineral concessions, totalling 11,100.77 hectares or approximately 111 square kilometres. The configuration of the mineral concessions and their pertinent record data are summarized in Figure 2 and Table I of this report respectively.

Property Ownership and Option Agreement Terms

Compañia Minera Aurifera Los Andes de Pinaya S.A.C. (“COMAPI”) owns three of the twenty-one mineral concessions. Acero-Martin has an option agreement with COMAPI to earn a 100 percent interest in these three concessions by paying COMAPI US $2,500,000 over a three-year period. To date, US $1,400,000 has been paid to COMAPI by Acero-Martin. Upon fulfillment of the option terms, title to the three mineral concessions will be transferred to Acero-Martin[1].

The Don Pedro mineral concession is owned by Minera Pinaya; subject to an option agreement with Acero-Martin. To earn 100 percent interest in the Don Pedro concession, Acero-Martin must make staged payments to Minera Pinaya totalling US $250,000 over three years. To date, Acero-Martin has paid Minera Pinaya a total of US $90,000[1].

Canper Exploration S.A.C. (“Canper”) originally held rights to thirteen of the twenty mineral concessions. Acero-Martin acquired CANPER in April 2004 for a total of 3 million shares over a 3-year period. An additional 1 million shares of the company may be issued as follows:

a) If a probable reserve of 750,000 ounces of gold is outlined at Pinaya, then 500,000 shares will be issued; and
b) If a probable reserve of 2,500,000 ounces of gold is outlined at Pinaya, then a further 500,000 shares will be issued.

The TSX Venture Exchange accepted the agreement between Acero-Martin and CANPER on November 2, 2004; thus, CANPER is now a wholly owned subsidiary of Acero-Martin; subject only to the aforementioned terms (Reeder, 2006).

The remaining mineral concessions have been acquired quite recently by Acero-Martin and await approval by the Peruvian Ministry of Mines.

Peruvian mineral rights are acquired by applying for concessions at the Ministry of Mines, and those rights being granted by the national government. The boundaries of a concession are specified on the application by indicating the locations of its corners to the nearest 1,000-metre UTM coordinate with all boundaries oriented north-south and east-west. Prior to 1992, mineral concessions may have irregular boundary coordinates, such as the Antaña mineral concession. These concessions have specific corners legally surveyed in the field, and must be registered at the Ministry of Mines.

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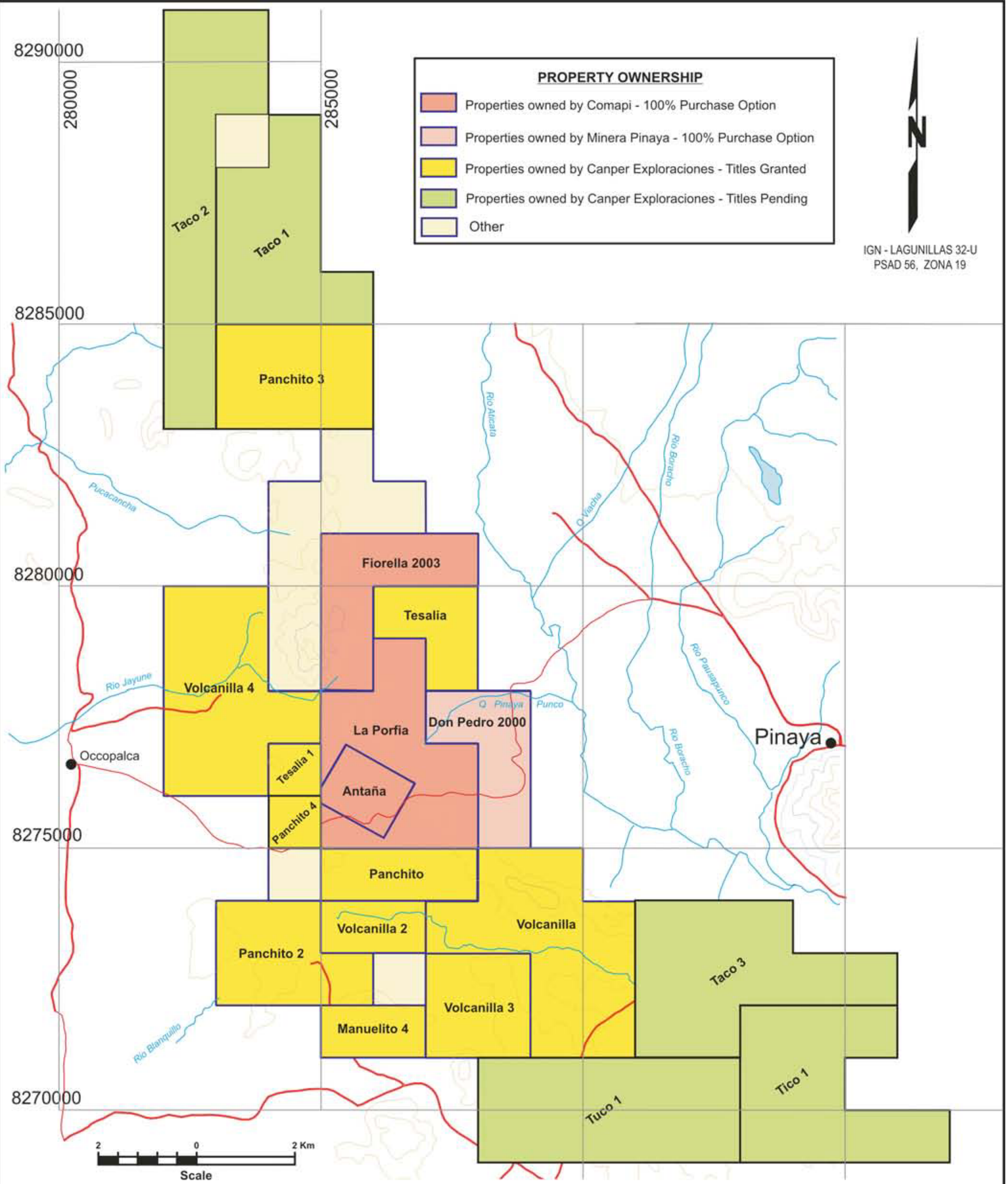
[1] This report is not intended to be a guarantee of mineral title, nor does it provide an opinion on the suitability of underlying option agreements.



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Vancouver, British Columbia

MINERAL CONCESSIONS MAP

Pinaya Property
Departments of Puno and Arequipa, Peru

Drawn By: JDB	Scale: As Shown
Date: October, 2006	Figure No. 2

To Accompany Report By J. D. Blanchflower, P. Geo., 2006

All mineral concessions are reportedly in good standing until June 30th, 2007. Mineral concessions are kept in good standing by paying an annual concession payment of US $ 3 per hectare by June 30th.

Peru established a sliding scale mining royalty in late 2004. Calculation of the royalty payable is done monthly and is based on the value of the concentrate sold (or its equivalent) using international metal prices as the base for establishing the value of metal. The sliding scale is applied as follows: first stage - up to US$60 million annual value equals 1.0%; second stage - in excess of US$60 million up to US$120 million annual value equals 2.0%; and third stage - in excess of US$120 million annual value equals 3.0%. Article 4 of the regulation establishes the base for the application of the royalty in the following manner: 1) the gross metal value of concentrate or metal component when the products are commercialized or alternatively the gross metal value declared by the owner, or 2) in the case of integrated companies transforming their concentrate, the costs of treatment will be deducted. In both cases, fees, indirect taxes, insurance, transportation costs, warehousing, port fees as well as other costs for exportation and general agreements along international commerce (INCOTERM) will be deducted from the calculation of the royalty.

Table I: Mineral Concessions Data

Concession Name	Code	Hectares	Owner	Titled
Antaña	13008065X01	179.00	Optioned from COMAPI	Nov, 1996
La Porfia	01-00191-92	721.77	Optioned from COMAPI	Mar, 1999
Fiorella 2003	08-00014-03	500.00	Optioned from COMAPI	Aug, 2003
Don Pedro 2000	08-00012-00	400.00	Optioned from Pinaya	Aug, 2000
Volcanilla	01-03652-03	1,000.00	Canper Exploration	Mar, 2004
Volcanilla 2	01-00218-04	200.00	Canper Exploration	May, 2004
Volcanilla 3	01-00640-04	400.00	Canper Exploration	Jun, 2004
Volcanilla 4	01-00641-04	900.00	Canper Exploration	Jun, 2004
Panchito	01-01173-04	300.00	Canper Exploration	May, 2004
Panchito 2	01-03345-04	500.00	Canper Exploration	Jan, 2005
Panchito 3	01-00127-05	600.00	Canper Exploration	May, 2005
Panchito 4	01-00709-06	100.00	Canper Exploration	Apr, 2006
Manuelito 4	01-03763-04	200.00	Canper Exploration	May, 2005
Tesalia	01-01631-04	300.00	Canper Exploration	Mar, 2005
Tesalia 1	01-01632-04	100.00	Canper Exploration	Mar, 2005
Taco 1	01-03859-06	800.00	Canper Exploration	Pending approval
Taco 2	01-03860-06	1,000.00	Canper Exploration	Pending approval
Taco 3	01-04438-06	1,000.00	Canper Exploration	Pending approval
Tuco 1	01-03861-06	1,000.00	Canper Exploration	Pending approval
Tico 1	01-03862-06	900.00	Canper Exploration	Pending approval

Reclamation and Permitting

Reconnaissance exploration work does not require permitting. However, permits for roadwork and drilling must be obtained from the Peru Ministry of Mines. Acero-Martin holds a Category 'C' permit, allowing the company to build 132 drill pads on the property. This permit was obtained on October 31st, 2005 and is valid for one year. Further diamond drilling will require the Company to seek an extension to the existing Category 'C' permit, or apply for a more extensive permit in accordance with the scope of such work. Companies are required to submit a summary of annual exploration expenditures to the Ministry of Mines.

Future environmental concerns do exist on the property because of past artisanal mining and processing on site resulting in 400- by 100-metre tailings piles. Mercury may also have been used during some of the artisanal mineral processing (McCrea, 2006). There will also be some reclamation requirements attached to the recent diamond drilling and trenching work, but the author is not aware of the Peruvian remediation requirements for such work.

ACCESSIBILITY, INFRASTRUCTURE, PHYSIOGRAPHY, CLIMATE, VEGETATION, and LOCAL RESOURCES

Accessibility and Infrastructure

The property is readily accessible by driving northeastwardly from the city of Arequipa, via paved Peruvian Highway Number 30B, for 142 km (approximately 1.75 hours) to the Tintaya Copper Mine access road, and then northward on the well-maintained gravel access road for 22 km. At the small community of Occopaica, there is a gravel access road that leads 7 km eastwardly to the subject property, approximately 70 km southeast of the Tintaya Mine.

Arequipa is the second largest city in Peru. It has an international airport with daily flights from the capital city of Lima, and highway access to the Pacific Ocean port of Matarani, approximately 90 kilometres to the south. Furthermore, the Peruvian cities of Juliaca, Arequipa and Matarani are joined by a railroad, and one can also drive from Lima to Arequipa via the Pan-American Highway and Highway 30.

The community of Pinaya is located 35 kilometres to the east of the property, and is accessible by a rough gravel road. Juliaca, the largest city in the Puno District, can be accessed from Pinaya via a rough gravel road (approximately 0.75 hour) and the paved Peruvian Highway Numbers 30B and 30A (approximately 1.25 hours). Any future development work on the property will require improving both the access from the Tintaya Mine Road, and the gravel road to the community of Pinaya.

Road access within the property is good via historic and recent drill site access roads. Two-wheel drive vehicles can access most of the property; however, four-wheel drive vehicles are necessary for steeper areas.

Physiography, Climate and Vegetation

The physiography of the region is mountainous with high-elevation rolling hills and valleys surrounding higher craggy snow-capped mountains; typical of the western front of the Peruvian Andes. Elevations within the property range from 4,450 to 4,760 m A.M.S.L. with moderate relief. Snow covers many of the surrounding peaks which are in excess of 5,100 metres in elevation.

The local climate is typical of a western Andes environment with cold winters and mild to warm summers. Temperatures of -20^{o} C are not uncommon in the winters while summer temperatures range up to over 25^{o} C. The rainy season in this part of the Andes is from December to April. There are no detailed precipitation records, but dense fog is common throughout the rainy season and precipitation may include snow and hail accompanying intense and dangerous lightning storms (McCrea, 2006).

Grasses cover most of the lower hills and valleys while at higher elevations the talus slopes are unvegetated. Bedrock exposures are common along ridgelines and steeper slopes.

Ranching is the primary source of income for the community of Pinaya. Thus, alpaca, llama, sheep, or cattle herds commonly graze on the grasses within the property. Indigenous species include fox, rabbit, wild chicken and small lizards which are rarely seen.

Local Resources

Local resources include fresh water, and a local workforce from the community of Pinaya. Water for drilling is readily available from shallow marshes and springs and the flooded southern section of the historic open-cut within the mineralized zone. During the author's property visit, he observed that the Company was employing a number of local workmen to help with the ongoing field work and camp construction. Other exploration requirements may be readily obtained from Arequipa or Juliaca.

There is a 138-kilovolt electric transmission line crossing Highway Number 30A, approximately 50 km west of the property. Future development of the property may require accessing this transmission line.

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Vancouver, British Columbia

PROPERTY ACCESS MAP

Pinaya Property
Departments of Puno and Arequipa, Peru

Drawn By: JDB	Scale: As Shown
Date: October, 2006	Figure No. 3

History

Peru is Latin America's largest gold producer, largely a result of revised mining laws instituted in the 1990's and the subsequent exploration attention by several international mining companies. According to McCrea (2006), Newmont Mining Corporation's Minera Yanacocha, Latin America's largest gold mining operation, commenced production in the early 1990's and is now producing over 2 million ounces of gold annually. In 1998, Barrick Gold Corporation's Pierina mine started production and now yields approximately 900,000 ounces of gold annually, and more recently Barrick has put their Laguna Norte mine into production with reported reserves in excess of 10 million ounces of gold.

Base metal exploration also increased in the 1990's with the privatization of the Antamina copper-zinc skarn deposit in north central Peru resulting in over US $ 2 billion of investment by the owners, Noranda and Teck-Cominco. In addition, the Tintaya copper mine, one of the largest copper producers in Peru and situated 70 km north of the subject property, was privatized in late 1994. Australian based Xstrata has recently purchased the Tintaya mine from BHP-Billiton for US $750 million. Figure 3 of this report shows the location of several gold and base metal mines in southern Peru.

The Pinaya property has been the subject of intermittent exploration over the last 40 years with much of the work being done in the last 12 years. The following table summarizes past exploration work after McCrea (2006).

Table II: Summary of Exploration History

1960's	Small-scale workings by artisanal miners include underground drifting and a 300- by 50-metre open-cut to a depth of up to 20 metres; situated entirely within the Antaña mineral concession. The underground workings, that have since been cleaned and sampled for a distance of 206 metres, follow steeply-dipping shear zones with hematite, malachite and azurite mineralization hosted by brecciated quartz arenite conglomerate that has been intruded by small dykes of altered porphyritic diorite. Elsewhere, there are numerous small pits and excavations where early workers exposed copper oxides, specular hematite, barite, pyrite and/or chalcopyrite associated with quartz veins, or shear and/or strongly altered zones. See Figure 7 for the locations of these workings. Artisanal workings were hand-excavated and the extracted hand-picked mineralization was milled using large round grinding stones and then gold was separated by panning. This processing was all done on site, resulting in tailings piles near the valley bottom that cover an area measuring 400 by 100 metres. Mercury may also have been used during some of the artisanal mineral processing (McCrea, 2006).
1998	Minsur S.A. ("Minsur"), Peru's largest tin producer, optioned mineral concessions from the artisanal miners, and conducted mapping, trenching and drilling. Results of this exploration work are not readily available but, based on field evidence, at least 40 drill holes were completed, oriented commonly at 230° with dips of -50° to -90°, and trenches were excavated at an east-northeasterly to west-southwesterly direction (McCrea, 2006).
2001	Minsur terminates their property option due to unknown miscommunications with the local miners (McCrea, 2006).
2003	The mineral concessions were transferred from Minsur to COMAPI, a company controlled by the community of Pinaya.

2004 Mar	Canper entered into an option agreement on March 15, 2004 with COMAPI to acquire a 100 percent interest in those concessions. The public deed for these properties was duly registered at the Ministry of Mines on May 26, 2004.
2004 Apr	Acero-Martin acquires Canper (see Property Ownership section above).
2004 Jun	Acero-Martin begins exploration of the Pinaya property.
2004 Jul	Acero-Martin completes successful negotiations with artisanal miners working on the property at the time. According to McCrea (2006), *"The artisanal miners lived on the property site for approximately 12 years. In July 2004, the miners and Acero-Martin reached an agreement whereby all of the miners left the property and mining of the open cut permanently ceased. This accomplishment was achieved through careful negotiations that honoured the miners' source of income, namely mining the concession, the ownership of the claims by COMAPI, and the intentions of Acero-Martin. The miners, their families, and their belongings were relocated to nearby communities of their choice. Each miner was set up with a severance package equivalent to one year of income that would have been gained by their continued mining of the concession. Following the relocation of the miners, their shacks and buildings were dismantled and bulldozed, with the exception of a few structures that would later house security."*
2004 Nov	Acero-Martin conducted an integrated exploration program comprising: soil geochemical sampling, rock geochemical sampling with all existing trenches and open-cuts, ground magnetics and induced polarization geophysical surveying, and the drilling of eight holes in the vicinity of the mined open-cut.
2005 Mar	Drilling resumed with the completion of twelve diamond drill holes by the end of July 2005 with additional ground geophysical surveying, geological mapping and trenching. In July 2005 the Company applied for a Category 'C' drilling permit which was approved and received in October 2005. Four drill holes were subsequently completed in late 2005.
2006	Twenty-four diamond drill holes, totalling 5,030 metres, were completed by Acero-Martin to June 2006, and a 43-101 report, dated July 14, 2006, was prepared by Mr. J. McCrea, P. Geo. documenting the 2004 to June 2006 exploration work on the property.

Geological Setting

Peru has a long and complicated geological history dominated by the Andean Cordillera that extends both north and south along the western margins of South America. Much of the following text is summarized from the most recent report by McCrea (2006) in which he referenced both regional- and property-scale geological works by: Benavides-Caceres (1999), Quang *et al* (2005), Petersen (1999), Clark *et al* (1990), Perello *et al* (2003), Carlotto *et al* (2005), Camus (2003), Bradley (2004), Coughlin (2005), Caira (2005, 2006) and others.

Regional Geology

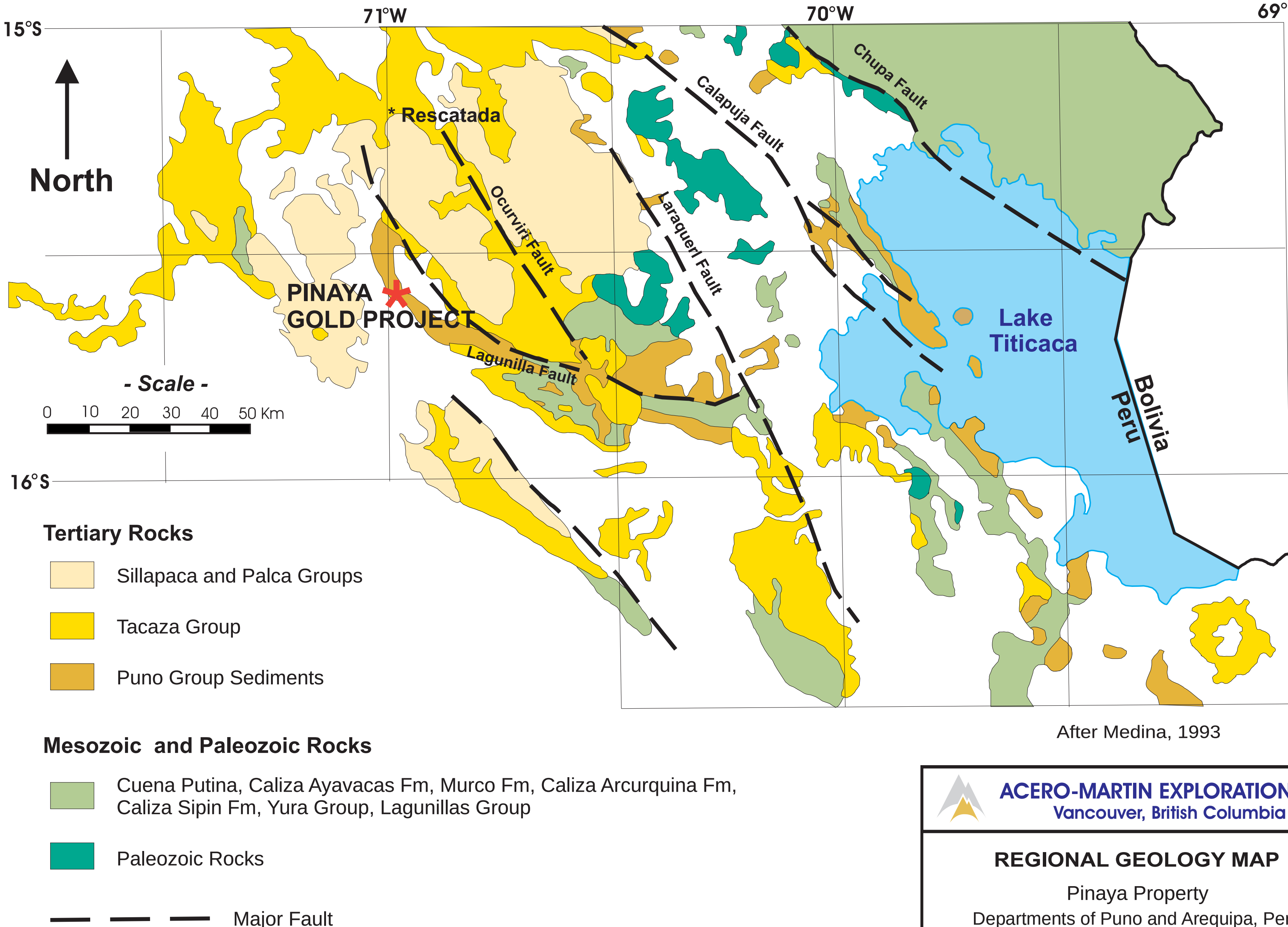
Most of the stratigraphy, structure, magmatism, volcanism and mineralization in Peru is spatially- and genetically-related to the tectonic evolution of the Andean Cordillera which is situated along a major convergent subduction zone where the oceanic crust, the Nazca Plate, slips beneath the overriding South American continental plate. The Andean Cordillera has a metamorphic rock basement of Proterozoic age on which Hercynian Paleozoic sedimentary rocks accumulated and were in turn deformed by plutonism and volcanism to Upper Paleozoic time. Beginning in the Late Triassic time, following Atlantic Ocean rifting, two periods of subduction along the western margins of South America have resulted in the formation of the present Andes; the Mariana-type subduction from the Late Triassic to Late Cretaceous and Andean-style subduction from the Late Cretaceous to the present (Benavides-Caceres, 1999).

According to McCrea (2006), Peru can be divided into physiographic regions which correspond to tectonic elements of the Andean Cordillera. In southern Peru there are, from west to east, the Coastal Belt, Western Cordillera, Altiplano, Eastern Cordillera, and sub-Andean zones. Heterogeneous Precambrian basement lithologies, underlying the Coastal Belt and comprising part of the Western Cordillera in southern Peru, are called the ‘Arequipa Massif’. The northern extent of the Precambrian basement corresponds to the termination of the Altiplano and the start of the Nazca Ridge. There is an intervening northeasterly trending tectonic element, called the ‘Arica’ deflection or ‘Bolivian Orocline’, that is underlain by basement lithologies where the Andes widen and bend easterly.

Late Triassic to Late Cretaceous Mariana-type subduction resulted in an environment of extension and crustal attenuation producing an oceanic trench, island arcs, and back arc basin from west to east (Benavides-Caceres, 1999). The back arc basin reportedly has two basinal components, the Western Basin and Eastern Basin, which are separated by the Cusco - Puno high, probably part of the Maranon Arch. The basins are largely comprised of marine clastic and minor carbonate lithologies of the Yura and Mara Groups overlain by carbonates of the Ferrobamba Formation. The western back-arc basin, called the ‘Arequipa Basin’, is the present Western Andean Cordillera of Peru; the site of a Holocene magmatic belt that spans the Andes and was emplaced from Late Oligocene to 25 Ma (James and Sacks, 1999).

The Western Andean Cordillera is famous for its world-class base- and precious-metal deposits; many of which have been intermittently mined since Incan time. Most of the metal deposits in Peru are spatially and genetically associated with metal-rich hydrothermal fluids generated along magmatic belts that were emplaced along convergent plate tectonic lineaments. Furthermore, many of these primary base-metal deposits have undergone significant secondary enrichment over the last 30 Ma as a result of periodic continental uplift and leaching followed by volcanic cover preservation (Quang *et al*, 2005).

Radiometric studies by Petersen (1999) correlated the igneous host rocks and attendant hydrothermal alteration for some of the largest and richest porphyry copper deposits in the world along the Western Andean Cordillera from 6 degrees to 32 degrees south, including the Chalcobamba - Tintaya iron-gold-copper skarn and porphyry belt (30-35 Ma) in the main magmatic arc, southward through the Santa Lucia district (25-30 Ma) and into Chile. The Andahuaylas - Yauri Porphyry Copper Belt, a well known 300-kilometre long porphyry copper belt related to middle Eocene to early Oligocene calc-alkaline plutonism, is situated along the northeastern edge of the Western Andean Cordillera. The subject property is situated near the south-southeastern end of this belt. See Figures 3 and 4 accompanying this report.



To Accompany Report By J. D. Blanchflower, P. Geo., 2006

ACERO-MARTIN EXPLORATION INC.
Vancouver, British Columbia

REGIONAL GEOLOGY MAP

Pinaya Property
Departments of Puno and Arequipa, Peru

Drawn By: JDB	Scale: As Shown
Date: October, 2006	Figure No. 4

Property Geology

The local geological setting is dominated by an 800-metre thick sequence of shallow marine and continental clastic sediments with intercalated volcaniclastics belonging to the Late Cretaceous to early Tertiary Puno Group. Sedimentation has been controlled by intermittent displacement along the Lagunillas Fault system during periods of structural extension. This stratigraphy has been intruded by stocks of dioritic and monzonitic composition, and subsequently overlain by the Tertiary volcanic Tacaza Group (McCrea, 2006). In a private company report, Coughlin (2005) described the geological setting of the Pinaya area as follows:

"The Pinaya Prospect is located on the Peruvian Altiplano, a high plateau that developed due to successive eastward-younging mountain building events which commenced in the Middle Eocene.
A major northwest trending fault zone, the Lagunillas Fault Zone (LFZ), transects the Altiplano in this region and passes close to the Pinaya prospect. The LFZ is characterized by a parallel alignment of high-energy coarse-grained sedimentary rocks of Upper Cretaceous age (including those at Pinaya) suggesting that it may have imparted some control on their distribution. These sequences have been tightly folded at-least once (likely twice in some places) by subsequent fault-controlled Andean (Tertiary age) deformation, which, as suggested by chronostratigraphy and cooling ages[1], commenced in the Pinaya region during the middle Eocene (approx 34-30 Ma).
The Pinaya prospect is located at the apex of a major northeast-convex curved and apparently westward verging fault-zone reflected in stratigraphy and in regional fold trends. The fault itself is marked by a dip/facies change in the Upper Cretaceous clastic sequence and is obvious as a zone of locally higher brittle strain in 'hanging wall' rocks. This apparent curvature may represent a northward bend in the LFZ itself (on published 1:100k scale maps the LFZ does not appear to continue further westward of this point) or may have developed due to the linkage and interaction of the LFZ with subsidiary north-south fault zones at this locality.
Northwest to north-south linkage points or curves along Andean-age fault zones in Peru are considered to be important regional-scale structural sites for the focusing of magmatic centres, strain, uplift and mineralizing fluids resulting in the emplacement of porphyry and epithermal styles of mineralization. Notable examples worth reviewing on 1:100k geological maps and digital elevation data include the nearby La Rescatada project, Toquepala, Tintaya, Morococha-Toromocho, Cerro de Pasco, Mina Raura and Magistral."

[1] *Information derived from HCA-geochronological database*

Lithology

Detailed geological mapping and sampling work by Caira (2005 and 2006) reported the following geological setting for the property (see Figure 5 of this report).

The Pinaya property is dominantly underlain by steeply to near vertical dipping clastic sedimentary rocks of the Late Cretaceous to early Tertiary Puno Group, comprised of quartz arenite, quartz arenite breccia, coarse quartz arenite conglomerate and sandstone. Caira (2005) reports that within this sedimentary sequence there are 'conglomerate/fault scarp debris flows' spatially related to the Lagunillas Fault and its intermittent displacement. These debris flows are comprised of rounded quartz arenite clasts to 40 cm in diameter with lesser clasts of locally derived stratigraphy, including: coarse-grained megacrystic feldspar porphyry, andesite feldspar porphyry, diorite porphyry and arkose. Tectonic breccias of monolithic quartz arenite with varying textures are proximally associated with major faults.

Basaltic to andesitic amygdaloidal lava flows of the Oligocene or later Tacaza Group occur in fault contact west of the Puno Group sedimentary rocks. According to Caira (2005),

"These lavas are intruded by an andesite pyroxene porphyry subvolcanic (APP) phase. The andesite pyroxene porphyry is seen as narrow dykes intruding the Puno Group sediments and as more extensive subvolcanic bodies hosting brecciated rafts of amygdaloidal andesite. In addition, the presence of shallow dipping extrusive lavas of similar composition also exists. An emerald green copper clay (?) with hematite occurs parallel to the faulted contact in a well defined sheeted fracture

network, along the contacts between the amygdaloidal lava and the andesite pyroxene porphyry phase. Further west of the volcanics, recent mapping has suggested that a fault bound, shallow southwest dipping calcareous sedimentary sequence unconformably overlies the Tacaza Group volcanics and is comprised of dirty limestone (LST), green medium to coarse grained sandstone interbedded with a red shale-mudstone. West of this sedimentary sequence a moderate east dipping extrusive volcanic sequence occurs (Bradley 2004) and is likely part of the Tacaza Group volcanics as well.

East of the Puno Group sediments a steep northeast dipping sedimentary sequence is comprised of arkosic sandstone, gritstone, greywacke, pebble conglomerate interbedded with calcareous limey horizons (GRT). This grit unit hosts the Pedro Dos Mil megacrystic tonalite porphyry. Further east and south of the Pedro Dos Mil porphyry copper-gold target, more extensive limestone horizons also occur (U-LST).

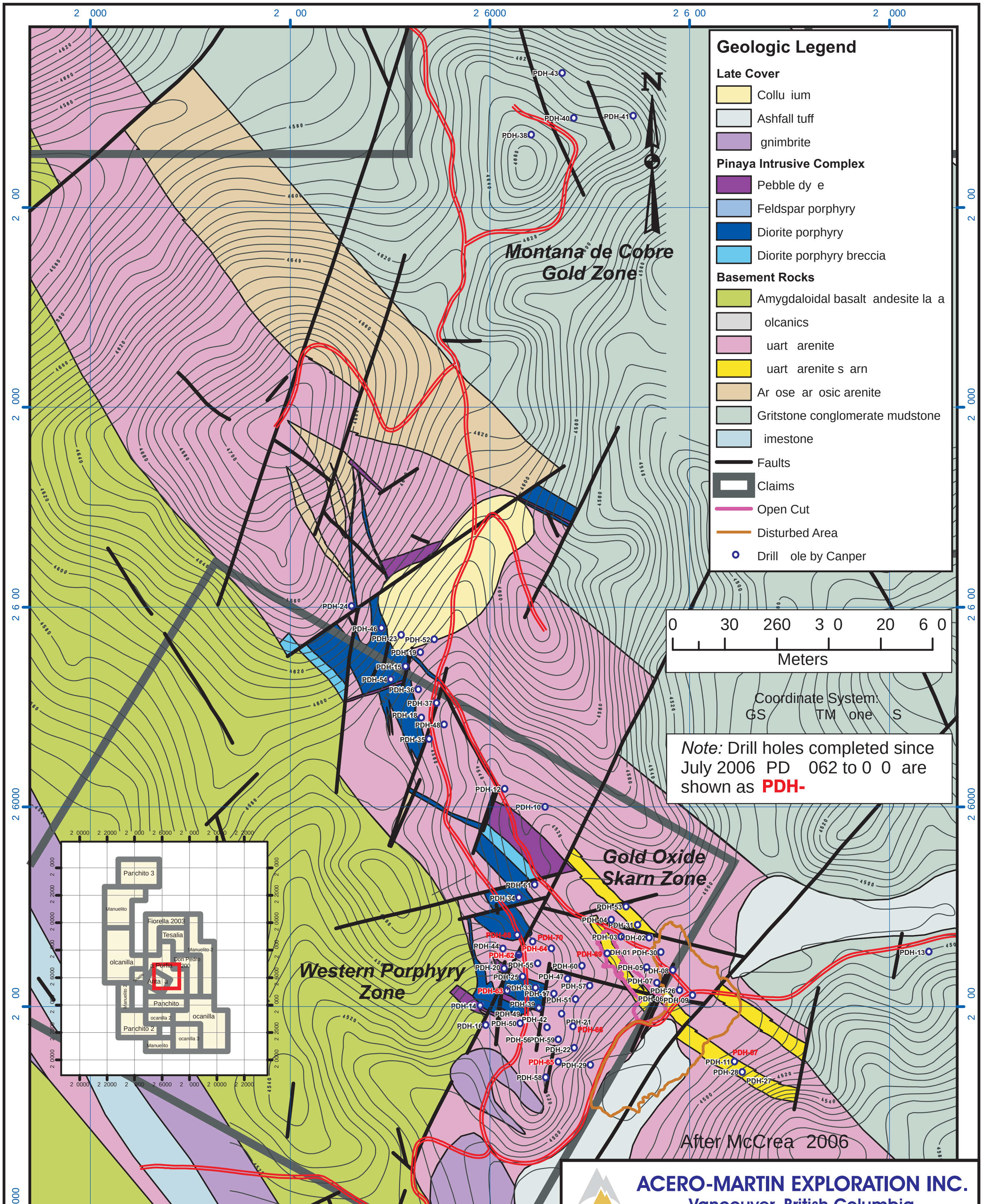
A series of ignimbrite/ash flow tuffs (IGN) blanket the porphyry mineralization and dominate the south and south-eastern portions of the study area. Multiple pulses of ignimbrite blanketing have occurred in southern Peru from 22.8 Ma to as late as 8Ma (Quang et. al).”

Based upon drill core logging and surface mapping results, Caira (2005) identified a number of stocks, dykes and sills plus several phases of intrusive breccia that comprise the ‘Pinaya Intrusive Complex’. This complex reportedly forms “a body that is elongated primarily along a NNW-SSE axis for a distance of up to 1500m and secondarily along an ENE-WSW axis and extends to a known depth of 200m” (Caira, 2005). The plutonic rocks include: fine-grained crowded diorite porphyry, coarse-grained diorite porphyry, megacrystic feldspar porphyry tonalite, pyroxene-hornblende porphyry, feldspar hornblende porphyry, a fine-grained contact phase, and late-stage dykes. Post-mineral biotite phyric dacitic porphyry locally occupy fault zones (Caira, 2005).

The various intrusive and possible tectonic breccias have been subdivided compositionally and texturally by Caira (2005) as follows.

“A series of breccias include both contact/igneous breccias (IBX 1 and IBX 2) that have an igneous matrix with predominantly wall rock derived clasts; post mineral intrusive breccia (BDP/INBX) or tuffisite that has a variably milled dacite matrix with a monolithologic clasts, the results of magma degassing in the felsic conduit with some evidence for mixing and upward transport of fragments. In general clasts are similar in composition to the matrix. In addition, narrow vein breccias or hematite cemented hydrothermal breccias (HBX) crosscut both igneous and host rock. Terminal breccia events are recognized as pebble breccia dykes (PBX) and more extensive phreatomagmatic/hydrothermal breccias (DIA). This latter breccia occurs in the vicinity of the cut area and is matrix supported, poorly sorted and hosts well rounded, heterolithologic, altered mega-fragments > 60cm in a sand-sized clastic material with numerous well rounded pebble size fragments. The former (PBX) is more linear in nature, commonly 10-50cm in width, is matrix supported and hosts smaller well rounded pebble size, and locally altered clasts in a sand-size clay altered matrix. Locally, this breccia hosts altered clasts and clasts with reaction rims implying that the matrix has seen fluid flow.

Igneous related breccias are common in the upper parts or immediately above roof rocks of plutons or stocks or can be distributed along sloping margins. The small volumes of fine grained porphyritic intrusive rocks (e.g. AFP, APP) can be temporally and spatially and likely genetically associated with the brecciation process (Sillitoe, 1985). The pebble breccia phase occurs proximal and post dates the APP igneous phase and may be genetically related. Most igneous related breccias carry anomalous copper, molybdenum, tungsten, gold and locally bismuth values.”



ACERO-MARTIN EXPLORATION INC.
Vancouver, British Columbia

PROPERTY GEOLOGY MAP

Pinaya Property

Departments of Puno and Arequipa, Peru

Drawn By: JDB	Scale: As Shown
Date: October, 2006	Figure No.

To Accompany Report By J. D. Blanchflower, P. Geo., 2006

Structure

Bradley (2004), Coughlin (2005) and Caira (2005) have completed property-scale structural mapping, and Murphy (2006) has recently completed an ASTER image interpretation. According to these workers, folding is not obvious except on a regional scale; although there is some minor folding near fault structures.

The country rocks strike northwesterly with moderate to steep dips in the northern part of the property and strikes vary to west-northwesterly with steeper dips towards the southern part of the property. Faulting has been repetitively active throughout the local geologic history, cutting all lithologies except the overlying young ignimbritic rocks, and pre-dates and post-dates the known mineralization.

Based upon the results of recent drilling and geomodelling, it is the writer's opinion that the known mineralization is spatially associated with a series of prominent and wide, northwest-southeasterly trending fault and shear structures that dip moderately northeastward, and may be tectonically related to the Lagunillas fault that cuts the altiplano to the east or a similarly oriented subsidiary fault.

DEPOSIT TYPES

The porphyry copper-gold mineralization within the property is similar to other such deposits within southeastern Peru and northern Chile. There are three main mineralized zones on the property, namely the 'Gold Oxide Skarn Zone' ('GOSZ'), 'Western Porphyry Zone' ('WPZ'), and 'Montana de Cobre Gold Zone' ('MCOZ'), that have been drill tested after various surface exploration work (see Figures 5 and 8). In addition, there are several other coincident geological, geochemical, and/or geophysical exploration targets worthy of detailed evaluation, including the 'Pedro Dos Mil' zone. Copper-gold mineralization appears to be spatially related to a series of northwesterly trending fault and shear zones, and genetically associated with metal-bearing hydrothermal fluids related to the emplacement of alkaline intrusions and their alteration zones. A discussion of the identified mineralization follows.

Gold-Copper Mineralization Associated with Skarn Zones

Gold-copper mineralization within the Gold Oxide Skarn Zone ('GOSZ') is hosted by faulted and sheared quartz arenite and thermally metamorphosed conglomerate along a northwesterly trending fault zone that dips moderately to steeply northeastward. The mineralization is preferentially oriented along bedding planes, fractures and shears, and cut by narrow, post-mineral diorite porphyry dykes and sills (McCrea, 2006). Secondary supergene copper mineralization, including chalcocite and covellite, commonly occurs associated with sheared, phyllically-altered host rocks while the gold values appear to be preferentially associated with metamorphosed country rocks with local andradite garnet to vesuvianite skarn mineralogy.

The drill-tested portion of the Gold Oxide Skarn Zone ('GOSZ') is situated between local grid coordinates 19700 to 21300 North by 9750 to 10250 East. It is open to expansion both along strike and downdip. Near the southern end of this zone, artisanal miners have excavated an open cut, measuring 300 metres long, 30 to 40 metres wide and up to 20 metres deep, where they extracted visible free gold (see History section of this report). According to McCrea (2006), "Historic rock chip/channel samples have returned 1.47 grams per tonne gold over a 27 metre interval. Higher grade structures within the cut have returned 2 to 6 grams per tonne gold across widths of 1-3 metres."

Copper-Gold Mineralization Associated with a Multiphase Intrusive Complex

Porphyry-style copper-gold mineralization is spatially- and genetically-associated with a multiphase intrusive complex that Caira (2006) called the 'Pinaya Intrusive Complex'. This mineralization was described by Caira (2005 and 2006) as follows.

> *"Late to post mineral breccia and pebble dyke emplacement occur throughout the area in addition to a variably preserved ignimbrite blanket that post dates both the skarn and porphyry style*

mineralization. Mineralization is well defined by copper and gold in rock (>100ppm Cu and 100ppb Au) and follows a primary NNW-SSE trending corridor and a secondary ENE-WSW and ESE-WNW trending mineralized corridors. Soil anomalism in copper, gold, bismuth, tungsten, zinc, lead, arsenic, antimony, mercury, iron and manganese defines a much more extensive area measuring 4000 by 1500 metres in width.

The Pinaya intrusive complex is defined by multiphase diorite porphyry to tonalite porphyry and a series of late stage andesite porphyry dykes. At least six igneous phases and multiple breccias including contact igneous (intrusion) breccia, intrusive breccia, hydrothermal breccia and pebble dykes/diatreme (?) have been identified to date. Locally, the diorite porphyry phases are truncated by faults locally exploited by post mineral biotite phyric dacite porphyry plug, a possible intrusive equivalent of the locally preserved biotite dacite ignimbrite blanket or a late intrusive phase of the Pinaya Intrusive Complex. Weathering of the Pinaya porphyry Cu-Au and skarn center has overlapped with the ignimbrite blanket deposition.

The Pedro Dos Mil mineralization is a second porphyry copper centre located 2.0 kilometres to the east of the skarn target along this secondary ENE trending corridor. The area is dominated by potassic alteration with coextensive copper mineralization in hypogene chalcopyrite-covellite mineralization in megacrystic tonalite porphyry. Sheeted quartz-magnetite-orthoclase veins are common in this area coincident with two bulls-eye magnetic susceptibility anomalies that measure several 100's of metres."

Gold-Copper Mineralization Associated with Sheared and Oxidized Country Rocks

Fracture-filling gold-bearing mineralization with associated tetrahedrite-tennantite and argentiferous galena is apparently controlled by the intersection north-northwesterly trending and steeply dipping faults and shears with steeply dipping bedding planes and east-northeasterly trending, steeply dipping dextral cross faults (Caira, 2006). According to Caira (2006), "The geochemical footprint is defined in rock by gold greater than 500 ppb to as high as 18,560 ppb (18.56 gpt Au) in addition to tungsten, bismuth and barium and covers an area measuring 650 x 300 metres. This area of anomalism is flanked by strong arsenic, antimony, lead, zinc and locally silver anomalism in an area that measures 1000 x 500 metres. Historic workings in the form of trenches and workings in this area are up to 50 metres in depth and free gold can easily be panned from veins that commonly grade between 1-5 gpt Au as high as 18.56 gpt Au."

MINERALIZATION

The copper–gold mineralization within the property is described by Caira (2005), after McCrea (2006), as:

- *The Pinaya property is underlain by a well preserved pyrite-rich porphyry and skarn target that hosts a well developed and well preserved phyllic and intermediate argillic alteration zone with a well developed supergene and hypogene enrichment zone.*
- *The copper and gold tenor is intimately related to the various alteration overprints and shows strong structural control. The copper and gold mineralization in the porphyry target is hosted within a multiphase diorite porphyry complex. The gold-rich copper skarn mineralization is hosted within variably tectonized quartz arenite and skarned conglomerate that exploit bedding and fault intersections and are intruded by narrow diorite porphyry dykes and sills. These generally strike NW-SE and dip moderately to the northeast.*
- *The study area has seen both compressional and extensional tectonics. NW-SE and NE-SW dominant faults have formed as conjugate sets related to a common theme along the Cordillera of approximately ENE-WSW (080Az) directed principal stress. Controls on dilation seem to be NNW-SSE, NNE-SSW, and WNW-ESE based on shapes of intrusions and related copper-gold mineralization.*

- *Compressional faults, in the form of extensive stylolite with crush zones strike NW-SE and commonly dip moderately to the northeast (?) and are early in the tectonic history of the area. These faults are commonly exploited by diorite bodies. Extensional faults are late, high angle and commonly offset the low angle faults. These later faults are locally exploited by late stage breccias, and related dykes and locally form higher grade corridors, commonly in areas where a series of parallel NW-SE faults exist.*
- *NNE-SSW trending faults are post-porphyry mineralization and may control at least some of the enrichment zones as well.*
- *At least three igneous phases host differing intensities of mineralization, quartz veining and resultant Cu grades; the earliest phase crowded diorite porphyry (CDP) and diorite porphyry (DIP) and megacrystic feldspar porphyry tonalite (MFP) contain the most intense quartz veining. The late stages including andesite feldspar porphyry (AFP) host copper oxides and locally native copper while the ultimate stage biotite dacite porphyry (BDP) lacks in copper and gold mineralization and seems to exploit the western fault zone (herein called the Pinaya fault) mineralization that separates the Tertiary volcanics in the west from the Cretaceous to Tertiary Puno Group sediments. The Pinaya Intrusive complex exploits NW-SE trending low angle faults and higher angle extensional hanging wall faults.*
- *The AFP porphyry phase and the related igneous breccia phase 2 (IBX2) igneous units are interpreted to be a series of subvolcanic bodies that are potentially bleeding off of a roof zone at depth. The Montana de Cobre Gold Zone hosts a magnetite destructive zone with specularite-pyrite-chalcopyrite mineralization in phyllic alteration related to a series of these andesite feldspar porphyry dykes above a roof zone.*
- *The latest phases in the Pinaya intrusive complex are (IBX2, PBX, and DIA). These are generally weakly mineralized. Locally these breccias host altered clasts of locally derived wall rock.*
- *Late stage, structurally controlled phyllic alteration post dates the main skarn mineralization and is likely responsible for most of the supergene copper and gold enrichment zones.*
- *Early potassic alteration is severely overprinted by both an intermediate argillic (illite/smectite) and phyllic (sericite-quartz-pyrite-tourmaline) assemblage. Both of these events have aided in the supergene and hypogene enrichment mineralization transition from "chalcopyrite-pyrite" to "pyrite-chalcocite-covellite-digenite" assemblage.*
- *Pedro dos mil area hosts sheeted quartz-magnetite-chalcopyrite-malachite veins and stockwork in strong potassic alteration. This area is more deeply eroded than the western porphyry target.*
- *The various overprint events resulted in the leaching of early "chalcopyrite-pyrite" and the introduction of an assemblage of "pyrite-chalcocite-covellite-digenite". This event resulted in enriched zones up to 200 metres in depth. These zones appear to be both lithologically and structurally controlled. Locally, an incomplete development of pyrite >>chalcocite dominates; where chalcocite>>pyrite, higher copper grades occur.*
- *Primary mineralization controls are firstly shattered contact zones, permeable lithologic units, dilational fault zones where there are changes in the shape of intrusions and low pressure zones (Low P) that become zones of high fluid flow as well as specific fault zone intersections.*
- *The chalcocite/covellite/pyrite mineralization enrichment blanket is both supergene and hypogene enriched, is locally fault related and is both horizontal and subvertical in areas where controls are along subvertical fault zones. The chalcocite has formed at the expense of the pyrite, covellite at the expense of chalcocite, digenite at the expense of covellite although more petrology is needed to confirm these field observations.*
- *The enriched hypogene copper mineralization, in the range of 0.65-8.37 % copper and locally higher might result in a series of ore bodies that are likely amenable to SX-EW treatment for Cu recovery. Given the gold content of the mineralization defined to date conventional milling may be more appropriate for the recovery of both copper and gold*

- *The Gold Oxide Skarn Zone (GOSZ): This is an oxidized skarn replacement target that occurs to the east of the Western Porphyry Zone. This zone measures 300-500 metres in length by 20-60 metres in width by 140 metres in depth. Mineralization is hosted by an outer cooler temperature assemblage of specularite-pyrite transitioning with higher temperatures to andradite garnet skarn (SKR-red skarn) with sphalerite-galena-chalcopyrite-chalcocite and finally a deeper vesuvianite assemblage (SKG-green skarn) assemblage below which narrow intermediate argillic altered dykes/sills host chalcocite veins to 1 centimetre. The mineralized body strikes NW-SE and dips steeply to the northeast and is highest in grade where easterly dextral cross fault cross cut earlier NW-SE low angle compressional faults where oxidation is the highest.*
- *The Montana de Cobre Gold Zone (MCOZ): This target area appears to be part of the upper distal portions of an oxidized magma chamber. The known "Gold Oxide Target" in the cut area to the south represents oxidized skarn mineralization more proximal to a magma source and finally the "Western Porphyry Target" is the nearest to the causative magma chamber with mineralized diorite dykes and sills exposed on surface. The Pinaya property that has been drilled to date seems to have a NE dip to the mineralized block, resulting in porphyry targets along the western edge, skarn targets to the east and oxidized gold targets at the higher elevations to the northeast. This area lies in a relative low magnetic susceptibility coincident with the replacement of magnetite by specularite along bedding planes. Most of the higher gold grades in this area are near fault zones, lithologic contacts and at phyllic/propylitic transition zones.*

Alteration

Hydrothermal alteration, typical of porphyry copper-gold mineralization, is common within the known mineralized zones. Caira (2005) has provided the following descriptions of the six most common alteration facies associated with the known mineralization. These facies include: potassic ('K'), intermediate argillic ('IA'), phyllic ('PHY'), argillic ('ARG'), propylitic ('PRO') and calc-silicate ('SKN'). According to Caira (2005), "the intermediate argillic facies was previously termed SCC (sericite-clay-chlorite) by Sillitoe and Gappe (1984) and is now referred to as intermediate argillic alteration by Sillitoe (2000)." Caira (2005) describes the alteration facies as follows (after McCrea, 2006).

"An early stage, unmineralized barren hornfelsing has resulted in pervasive biotite alteration in basement andesite volcanics that is seen in xenoliths in an igneous breccia phase. Classic potassic alteration is characterized by biotite +/- quartz +/- magnetite +/- orthoclase alteration. This alteration type generally coincides with the most intense copper mineralization, particularly along igneous contacts and where multiple vein events occur. In addition, isolated areas of albite-quartz alteration occur and may be a subset of the potassic alteration.

"Intermediate argillic alteration" comprised of sericite-illite/smectite-hematite overprints the potassic alteration in most of the drill holes where igneous phases predominate. Locally, isolated remnant islands of darker biotite bearing potassic alteration can be seen in an overall softer, lighter coloured, texture enhanced intermediate argillic alteration. In addition, this alteration type is seen in some igneous clasts and in narrow injections of diorite in the cut area where gold-copper skarn mineralization is hosted by the Puno Group sediments.

An extensive "phyllic alteration" overprint is dominant along structural corridors and at structural intersections (e.g. ENE-WSW and NNW-SSE) and is generally coincident with elevated induced polarization chargeability. In general, the phyllic/chargeability highs, trend NNW-SSE and ENE-WSW. This alteration type occurs in the gold-copper skarn mineralization and is comprised of pervasive quartz-(sericite)–clay–pyrite-tourmaline assemblage with coincident chalcocite –covellite -digenite mineralization. In addition, "D veins" or phyllic veins up to 4 centimetres in width host pervasive quartz-sericite-pyrite alteration envelopes locally throughout the property.
"Argillic alteration" occurs in fault zones and variably in the upper leached part of the system intermixed with the phyllic overprint assemblage and is comprised of a clay-pyrite-goethite-limonite assemblage.

"Propylitic alteration" is comprised of chlorite-+/- epidote – pyrite-calcite assemblage and occurs in the late stage andesite pyroxene porphyry (APP) phase and in veins in the late stage fine grained igneous phases (AFP) most common at the Montana de Cobre Gold Zone. In addition, epidote-pyrite-calcite occurs in close proximity and overlaps with the calc-silicate alteration and mineralization in the skarn target area. Locally cuprite and/or native copper are seen within these late stage 'propylitic veins'.

"Calc-silicate skarn" coincides with strongly calcareous quartz arenite conglomerate in the vicinity of a series of low angle (NW-SE) and high angle (ENE and ESE) fault intersections near narrow diorite porphyry sills and dykes (NW-SE). Elsewhere, calcareous cemented conglomerate intervals are unmineralized. Skarn minerals include: garnet (andradite an iron-aluminium garnet), an apple green mineral (Ca-Mg-Fe-Al silicate) that is likely vesuvianite as well as epidote, chlorite, calcite, manganocalcite, iron oxide, wollastonite, actinolite, tremolite, quartz with variable sulphides including sphalerite, chalcopyrite, pyrite coated with chalcocite, fine grained galena (steel silver-rich galena) and tetrahedrite-tennantite.

A series of low angle compressional faults that show both reverse and strike slip characteristics were intersected from surface to various depths in many of the drill holes. The low angle faults show a strong stylolite development that has structurally prepared the Puno Group sediments. These faults are generally exploited by diorite porphyries (DIP) and mill breccia zones (MBX) and coincide with gold +/- copper mineralization in the vicinity of favourable lithologies and specific intersections. These structures appear to dip to the northeast and strike north-westerly (?) and are offset by later high angle faults that may coincide with surface exposures of easterly striking cross faults or tear faults that show dextral movement."

View of Pinaya exploration camp.

View of Pinaya core storage facility.

View of PDH 14 and 15 diamond drill core showing skarn with fracture-filling chalcocite and malachite.

View of PDH 39 diamond drill core showing altered diorite with chalcocite, azurite and malachite.

View of open-cut looking northward.

View looking southward to GOSZ & WPZ zones.

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Vancouver, British Columbia

PROPERTY EXAMINATION PHOTOGRAPHS
Pinaya Property
Departments of Puno and Arequipa, Peru

Drawn By: JDB	Scale: As Shown
Date: October, 2006	Figure No. 6

To Accompany Report By J. D. Blanchflower, P. Geo., 2006

EXPLORATION

In this report the author will briefly summarize past exploration work, prior to June 2006, and describe in detail the work recently undertaken by Acero-Martin. Past exploration work by various operators, including Acero-Martin to June 2006, is documented in the 'Technical Report on the Pinaya Gold-Copper Property, South Central Peru' by Mr. James McCrea, P. Geo., dated July 14, 2006. This report has been filed with Exchange and is available for online viewing through the facilities of SEDAR.

Pre-2004 Exploration Work

Artisanal miners have excavated a number of trenches, pits, plus the underground drift and open-cut that were described previously in the 'History' section of this report. The workings appear to have been located on mineral showings spatially-associated with bedding plane veins and argillically-altered shear structures ranging in width from a few centimetres to tens of metres. No production records are available but from the size and number of workings it is apparent that some of their efforts were rewarded.

In 1998, Minsur S.A. conducted mapping, trenching and drilling. Results of this work are not readily available but, based on field evidence, at least 40 drill holes were completed, oriented commonly at 230^{o} with dips of -50^{o} to -90^{o}, and trenches were excavated at an east-northeasterly to west-southwesterly direction across known stratigraphy (McCrea, 2006).

In late 2003 and early 2004, Canper Exploraciones S.A.C. completed a surface sampling program to test for gold mineralization in the open cut and along possible parallel structures. Sampling included: sixty-two, 2- by 2-metre panel grab samples from the open-cut; seven random grab and seven tailings samples; and sixty-three rock geochemical chip samples collected from 750 metres south to 1,750 metres north of the open cut.

June 2004 to June 2006 Exploration Work

Acero-Martin has managed the exploration of the subject property through its wholly-owned subsidiary, CANPER, which is based in Lima, Peru. An integrated program of geological, geochemical and geophysical surveying, trenching, road construction and diamond drilling has been ongoing intermittently since September 2004. A summary of past exploration work follows.

- Geological Mapping – several geological surveys have been conducted including both reconnaissance mapping with rock geochemical sampling and detailed mapping in the vicinity of recent drilling. The results of this work are documented by Bradley (2004), Coughlin (2005) and Caira (2005 and 2006), and are summarized in the 'Property Geology', 'Deposit Types' and 'Mineralogy' sections of this report (see Figure 5).

- Soil Geochemical Surveying – two soil geochemical sampling surveys have been carried out during October to December 2004 and June to July 2005, covering most of the La Porfia, Antaña, San Pedro and Panchito concessions and parts of the Fiorella 2003 and Tesalia concession areas. According to McCrea (2006), a total of 2,324 B-horizon soil samples were collected and analysed. The results of this work are well-documented by McCrea (2006) showing a number of coincident copper- and gold-in-soil anomalies apparently spatially related to major northwesterly and northeasterly faulting along which the known mineralization occurs.

- Geophysical Surveying – four ground geophysical surveys have been undertaken since August 2004. According to McCrea (2006), ground magnetics was the first survey followed by two induced polarization surveys, and finally a limited induced polarization survey to test the hypogene zone at depth. The results of the ground magnetics survey showed a main northwesterly-striking magnetic trend with isolated anomalies in the central portion of the survey area caused by the presence of narrow intrusive sills and dykes (McCrea, 2006). According to McCrea (2006), "Eleven IP anomalies were outlined along the surveyed lines. The deep Induced Polarization survey detected an additional five new chargeability anomalies three of which extend below depths of 200 metres below the surface, over the detection limit of the previous IP coverage. The three deep IP anomalies are believed to represent sulphide occurrences, and constitute excellent drill targets."

- Trenching and Rock Geochemical Sampling – an extensive program of trenching and rock geochemical sampling has been undertaken. Acero-Martin (2006) reports that thirty-seven trenches, totalling 2,981 m, which were originally excavated by Minsur S.A. were rehabilitated and sampled, and a further forty-four new trenches, totalling 7,289 m, were excavated and sampled between the March 2005 and July 2006. This work successfully identified porphyry-style copper-gold mineralization and the results which are documented by McCrea (2006) were utilized for later drill hole testing (see Figure 7).

- Diamond Drilling – in 1999, Minsur S.A. completed a minimum of 41 NQ diameter diamond drill holes on the property, oriented at 230^{o} to 235^{o} azimuth with dips of between –50^{o} to –90^{o} (McCrea, 2006). Since that time, Acero-Martin completed 20 HQ-size diamond drill holes (PDH-1 to PDH-20) in two programs, totalling 3,969 metres, between November 2004 to July 2005; completed 4 HQ-size diamond drill holes (PDH-21 to PDH-24) from November to December 2005; and drilled an additional 37 HQ-size diamond drill holes, PDH-25 to PDH-061, by late June 2006 when McCrea prepared his 2006 report on the property. Thus, as of July 2006 Acero-Martin had completed a total of 61 diamond holes, totalling 13,243.25 metres, which are documented by McCrea (2006).

- According to McCrea (2006), Geodrill S.A. of Arequipa (Geodrill) was the drilling contractor for all of the recent drilling by Acero-Martin, and McCrea designed and monitored the Quality Assurance and Quality Control programs. Furthermore, all drill holes were surveyed by a registered surveyor, Wenceslao Huarilloc, from Arequipa, Peru using a Leica TC 305 Total Station survey instrument.

June to August 2006 Exploration Work

Between June and August 2006, Acero-Martin excavated and sampled 12 trenches and completed 9 HQ-size diamond drill holes. The recent trenching results will be discussed in the following text, and the latest drilling results will be documented in the following 'Diamond Drilling' section of this report.

Trenching

Since June 2006 Acero-Martin has excavated 12 trenches, totalling 2,234 metres. The locations and configurations of these trenches are shown on Figure 7 of this report.

A backhoe was utilized to excavate the trenches to the bedrock surface. When the bedrock surface was exposed hand tools were used to clean the surface prior to sampling, afterwhich a 10 cm wide channel was then cut along the centre of the floor of each trench. The channels were measured and then 2.5-metre samples were collected. The loose material was transferred on to a square of polyester sacking, thoroughly mixed by repeatedly folding the material at the outside to the centre, and then divided into four parts with one of these parts becoming the sample. Most trench samples typically weigh 1 to 2 kilograms.

Where trench depths exceeded 1.5 metres the backhoe operator was instructed to pile the overburden on one side of the trench and the bedrock on the opposite side of the trench. The bedrock pile was then sampled from 15 to 20 places resulting in a representative sample of each interval.

All trench samples were placed in polyester sacks, 10 samples to a sack, with the sample numbers printed on the outside of each sack. The Sample Submission form was completed by the Canper geologist supervising the work, and then the samples and forms were transported by vehicle to the SGS Mineral Services' sample depository in Arequipa, Peru. The SGS representative then checked the form against the numbering on the bags, and shipped them directly to the SGS assay laboratory in Callao, Peru. All of the samples were assayed for gold (30 gram Fire Assay) and analysed for 35-element ICP with total digestion. Any samples that returned more than 1 % copper were re-analyzed by atomic absorption methods utilizing a four-acid digestion. See Appendix II of this report for the assay/analytical procedures utilized by SGS Mineral Services laboratories in Callao, Peru.

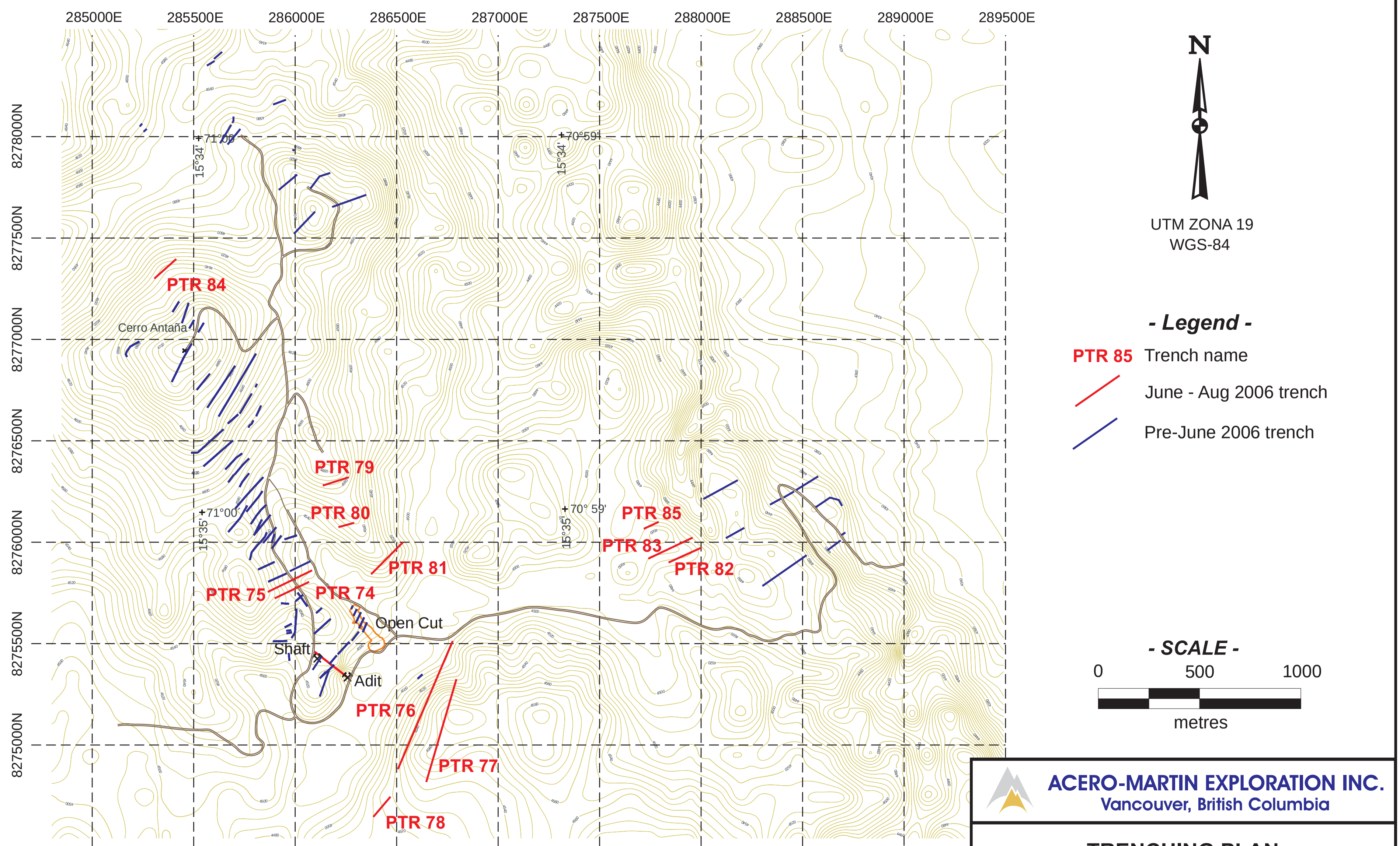
The results of the latest trenching work continue to discover porphyry-style copper-gold mineralization and provide the necessary information for drill hole location. Composited intercepts of the trench sampling results have been tabulated in Table III of this report, and Figure 7 shows the locations of all recent trenches. The technical report by McCrea (2006) documents all previous trenching results and their sampling results.

TABLE III: Trench Sample Results

Trench No.	Interval (m)	Au (gpt)	Cu (%)
PTR-74	95.99	0.15	0.02
PTR-75	29.43	0.30	0.03
PTR-75	18.39	0.10	0.01
PTR-76	95.23	0.04	0.02
PTR-77	55.37	0.03	0.03
PTR-77	90.83	0.03	0.02
PTR-77	61.49	0.03	0.02
PTR-78	125.31	0.44	0.09
PTR-79	24.01	0.01	0.01
PTR-79	54.31	0.01	0.01
PTR-80		No Significant Values	
PTR-81		No Significant Values	
PTR-82	122.28	0.21	0.03
PTR-83	134.64	0.14	0.01
PTR-84		No Significant Values	
PTR-85	48.70	0.05	0.01

Diamond Drilling

Acero-Martin has completed nine HQ-size diamond drill holes (i.e. PDH-062 to PDH-070), totalling 2,389 m, since the technical report by McCrea (2006). The locations of these drill holes are shown on Figure 8 of this report, the pertinent drill hole data and mineralized intercepts have been tabulated in Tables IV and V, and a detailed description of the drilling, logging and sampling procedures follows in the 'Drilling' section. A detailed description of pre-June 2006 diamond drilling (i.e. PDH-001 to PDH-061) is documented by McCrea (2006).



To Accompany Report By J. D. Blanchflower, P. Geo., 2006

ACERO-MARTIN EXPLORATION INC.
Vancouver, British Columbia

TRENCHING PLAN

Pinaya Property

Departments of Puno and Arequipa, Peru

Drawn By: JDB	Scale: As Shown
Date: October, 2006	Figure No.

Drilling

The property has been tested by an estimated 110 diamond drill holes to August, 2006. These holes have been completed by two operators, namely Minsur S.A. and Canper (Acero-Martin), during a minimum of six drilling campaigns. There is no estimate for the total footage drilled by Minsur S.A. but Canper has competed 70 holes totalling 15,632 m of HQ-size core diamond drilling.

In 1999, Minsur S.A. completed a minimum of 41 NQ-diameter diamond drill holes on the property, oriented at 230° to 235° azimuth with dips of between –50° to –90° (McCrea, 2006). Canper field personnel have located and surveyed 37 drill collars with the highest drill number of DDH-41. The drill core from this work was reportedly stored in Juliaca, Peru but is unavailable for review (McCrea, 2006).

Since November 2004 Acero-Martin has completed five drilling campaigns, including:

- 20 HQ-size diamond drill holes (PDH-001 to PDH-020) in two programs, totalling 3,969 metres, between November 2004 to July 2005;
- 4 HQ-size diamond drill holes (PDH-021 to PDH-024) from November to December 2005;
- 37 HQ-size diamond drill holes, PDH-025 to PDH-061, from February to late June 2006, and
- the latest campaign comprised of 9 HQ-size diamond drill holes, PDH-062 to PDH-070, from late June to August 2006 when the author visited the property.

The technical report on the property by McCrea (2006), dated July 2006, included a detailed description of the drilling, drill core logging and assay results up to and including drill hole PDH-061.

Acero-Martin employed Geodrill S.A. of Arequipa (‘Geodrill’) as the diamond drilling contractor for the drilling of holes PDH-062 to PDH-070, the same contractor that Acero-Martin utilized for the previous drilling. Geodrill provided two truck-mounted Long Year P-38 diamond drills during most of the 2006 drilling campaigns which were also used during portions of the 2005 drilling program. A Caterpillar D-6 bulldozer and a small backhoe were also present during the drilling programs to support the rigs and rehabilitate drill sites.

The Quality Assurance and Quality Control program was monitored by J. McCrea, P. Geo. All drill hole collars were surveyed by a registered surveyor, Wenceslao Huarilloc, from Arequipa, Peru using a Leica TC 305 Total Station survey instrument.

The locations of the 2006 drill holes were based largely on positive results from previous trenching and coincident chargeability and magnetic susceptibility anomalies. The majority of drilling has been directed along an azimuth of 225° with dips of -50° to -60° since this orientation largely cross-cuts both the stratigraphy and the majority faulting with which the known mineralization is spatially associated.

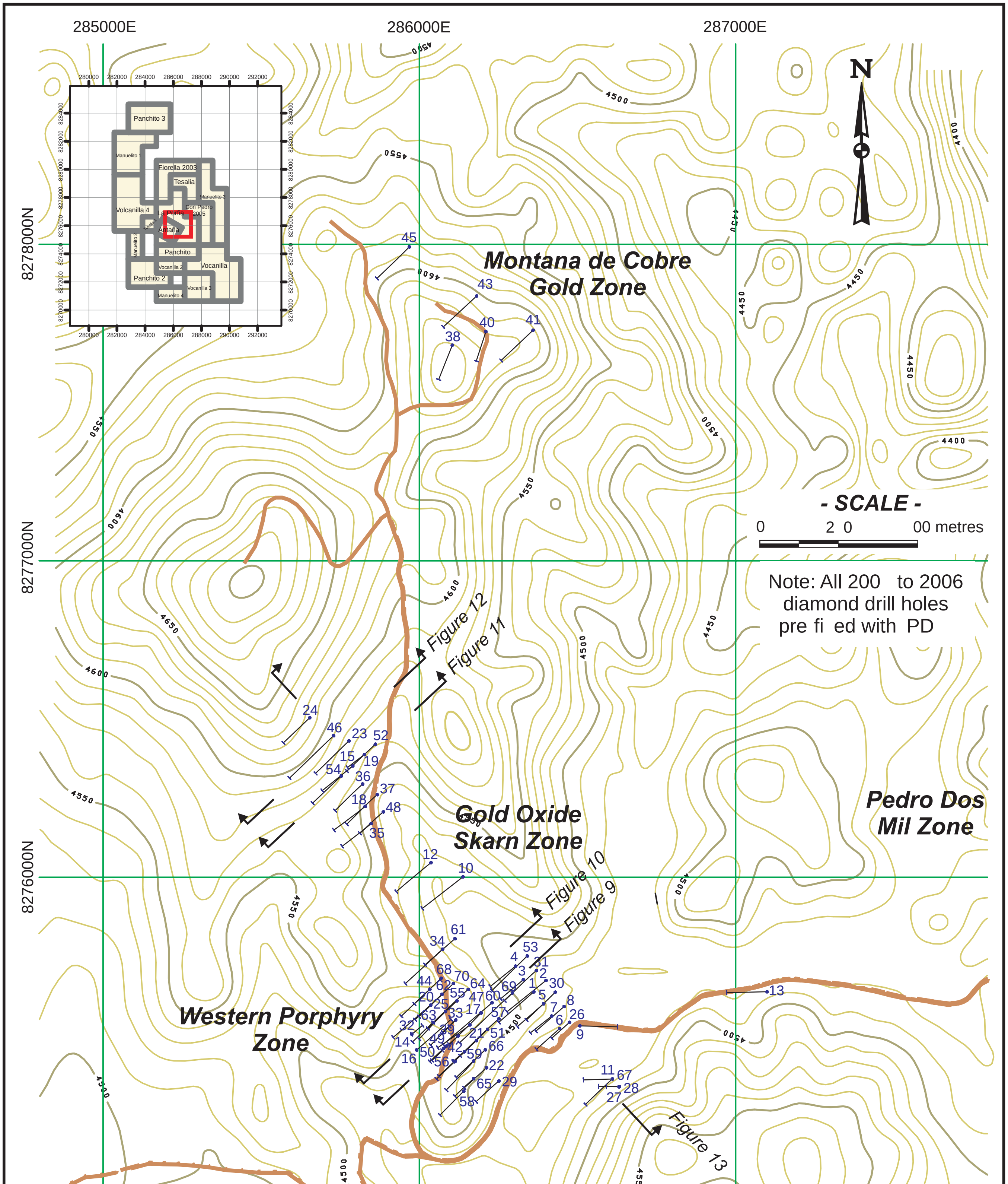
Pertinent drill hole data and significant mineralized intercepts for drill holes PDH-062 to PDH-070 have been tabulated as Tables IV and V accompanying this report. Figure 8 shows the locations of all diamond drill holes completed by Acero-Martin since November 2004 with the latest nine drill holes distinguished from those previously reported by McCrea (2006). Figures 9 to 12 are cross-sections at various locations along the lengths of the known Western Porphyry and Gold Oxide Skarn Zones. Figure 13 is a long-section along the trend of the Gold Oxide Skarn Zone. Appendix IV contains the significant drill hole intercepts for all of the 2004 to 2006 drilling.

Table IV: Diamond Drill Hole Data

Drill Hole No.	UTM Easting	UTM Northing	Elevation (m)	Azimuth (UTM)	Dip (Survey)	Azimuth (TN)	Dip (Field)	Length (m)
PDH-062	286072.10	8275630.47	4530.91	228.29	-61.99	225.00	-60.00	242.45
PDH-063	286043.65	8275541.05	4518.01	230.18	-59.37	225.00	-60.00	176.30
PDH-064	286154.38	8275645.74	4527.97	228.93	-59.79	225.00	-60.00	315.70
PDH-065	286171.62	8275363.44	4500.98	230.15	-60.03	225.00	-60.00	166.20
PDH-066	286208.23	8275454.90	4498.27	226.66	-59.58	225.00	-60.00	252.10
PDH-067	286610.25	8275362.74	4476.92	228.08	-59.09	225.00	-60.00	232.10
PDH-068	286068.77	8275681.05	4531.80	225.73	-60.11	225.00	-60.00	240.10
PDH-069	286293.95	8275634.37	4502.40	228.37	-60.66	225.00	-60.00	461.50
PDH-070	286107.75	8275664.60	4528.61	226.26	-60.26	225.00	-60.00	302.70

Table V: Diamond Drill Hole Intercepts

Drill Hole	From (m)	To (m)	Width (m)	Width (ft)	Gold (gpt)	Copper (%)	Zone
PDH-062	108.50	230.60	122.10	400.49	0.51	0.41	WPZ
includes	169.00	184.20	15.20	49.86	0.15	1.30	
includes	215.50	230.60	15.10	49.53	1.75	1.33	
PDH-063	73.75	140.20	66.45	217.96	0.39	0.57	WPZ
PDH-064	175.30	300.50	125.20	410.66	0.54	0.26	WPZ
PDH-065	0.00	26.00	26.00	85.28	0.06	0.90	WPZ
	26.00	36.00	10.00	32.80	0.27	0.11	
PDH-066	3.70	48.25	44.55	146.12	0.73	0.36	WPZ
PDH-067	19.60	52.50	32.60	106.93	0.13	1.22	GOSZ
	81.40	93.90	12.50	41.00	0.05	0.36	
	133.30	140.80	7.50	24.60	0.55	0.01	
PDH-068	147.00	195.50	48.50	159.08	0.59	0.48	WPZ
PDH-069	208.50	344.50	136.00	446.08	0.79	0.55	WPZ
PDH-070	171.40	277.50	105.70	346.70	0.34	0.23	WPZ



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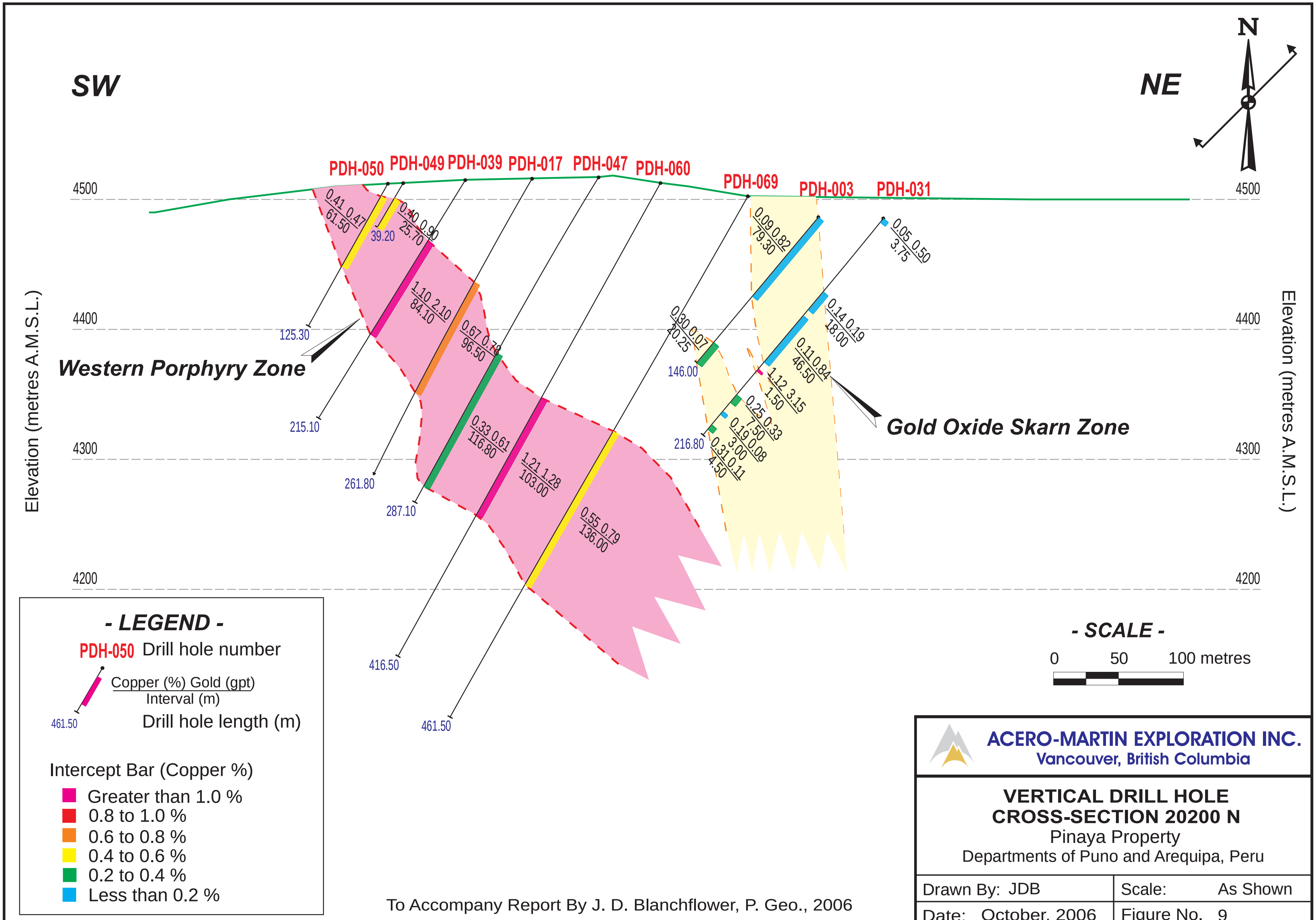
DRILL HOLE PLAN

Pinaya Property

Departments of Puno and Arequipa, Peru

Drawn By: JDB	Scale: As Shown
Date: October, 2006	Figure No.

To Accompany Report By J. D. Blanchflower, P. Geo., 2006


SW
NE
N
PDH-050
PDH-049
PDH-039
PDH-017
PDH-047
PDH-060
PDH-069
PDH-003
PDH-031
4500
4400
4300
4200
Elevation (metres A.M.S.L.)
0.41 0.47
61.50
0.40 0.90
25.70
39.20
1.10 2.10
84.10
0.67 0.78
96.50
0.33 0.61
116.80
1.21 1.28
103.00
0.55 0.79
136.00
0.09 0.82
79.30
0.30 0.07
20.25
0.14 0.19
18.00
0.11 0.84
46.50
1.12 3.15
1.50
0.25 0.33
7.50
0.19 0.08
3.00
0.31 0.11
4.50
0.05 0.50
3.75
125.30
215.10
261.80
287.10
416.50
461.50
146.00
216.80
Western Porphyry Zone
Gold Oxide Skarn Zone
- LEGEND -
PDH-050 Drill hole number
Copper (%) Gold (gpt)
Interval (m)
461.50
Drill hole length (m)
Intercept Bar (Copper %)
Greater than 1.0 %
0.8 to 1.0 %
0.6 to 0.8 %
0.4 to 0.6 %
0.2 to 0.4 %
Less than 0.2 %
- SCALE -
0
50
100 metres
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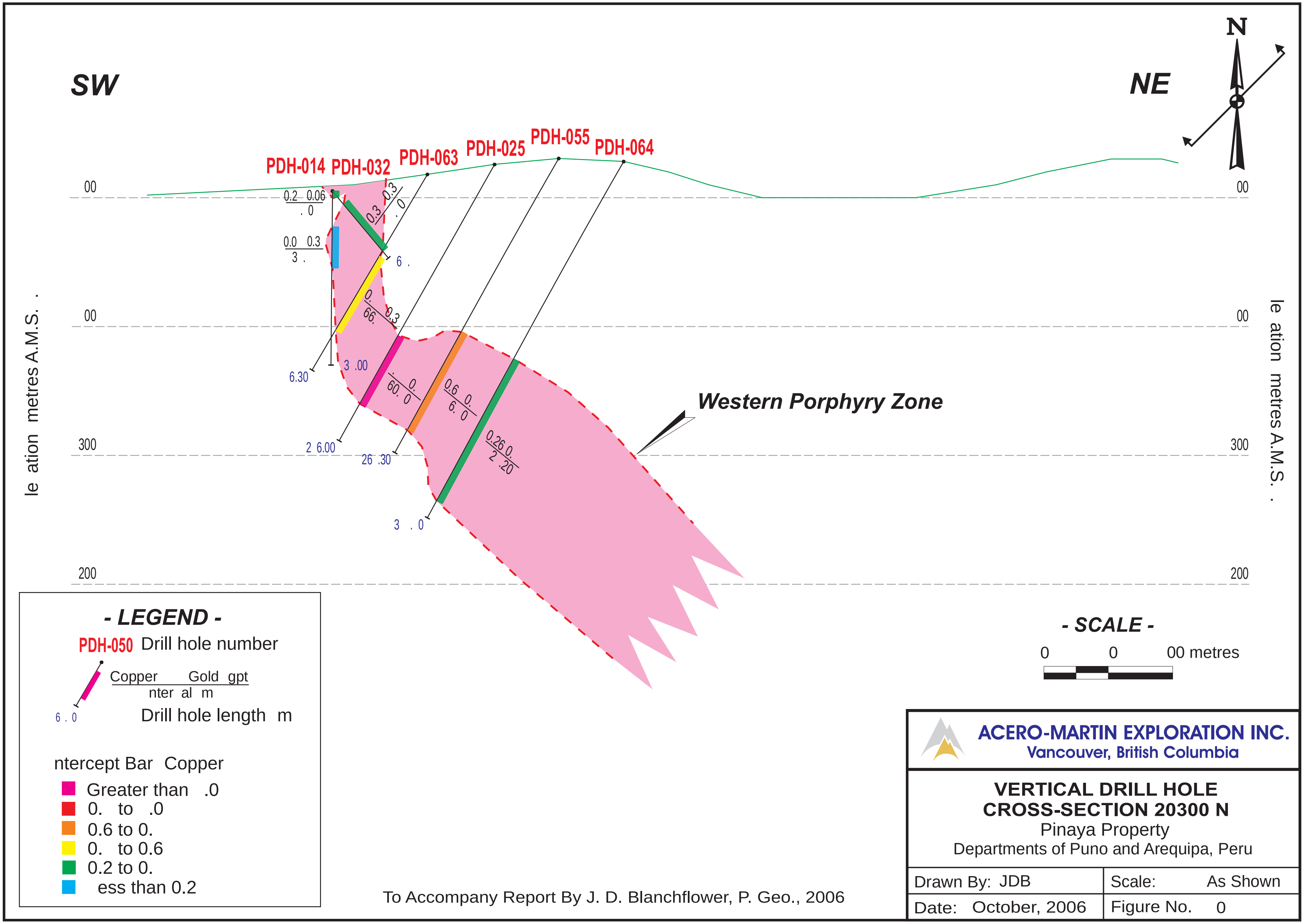
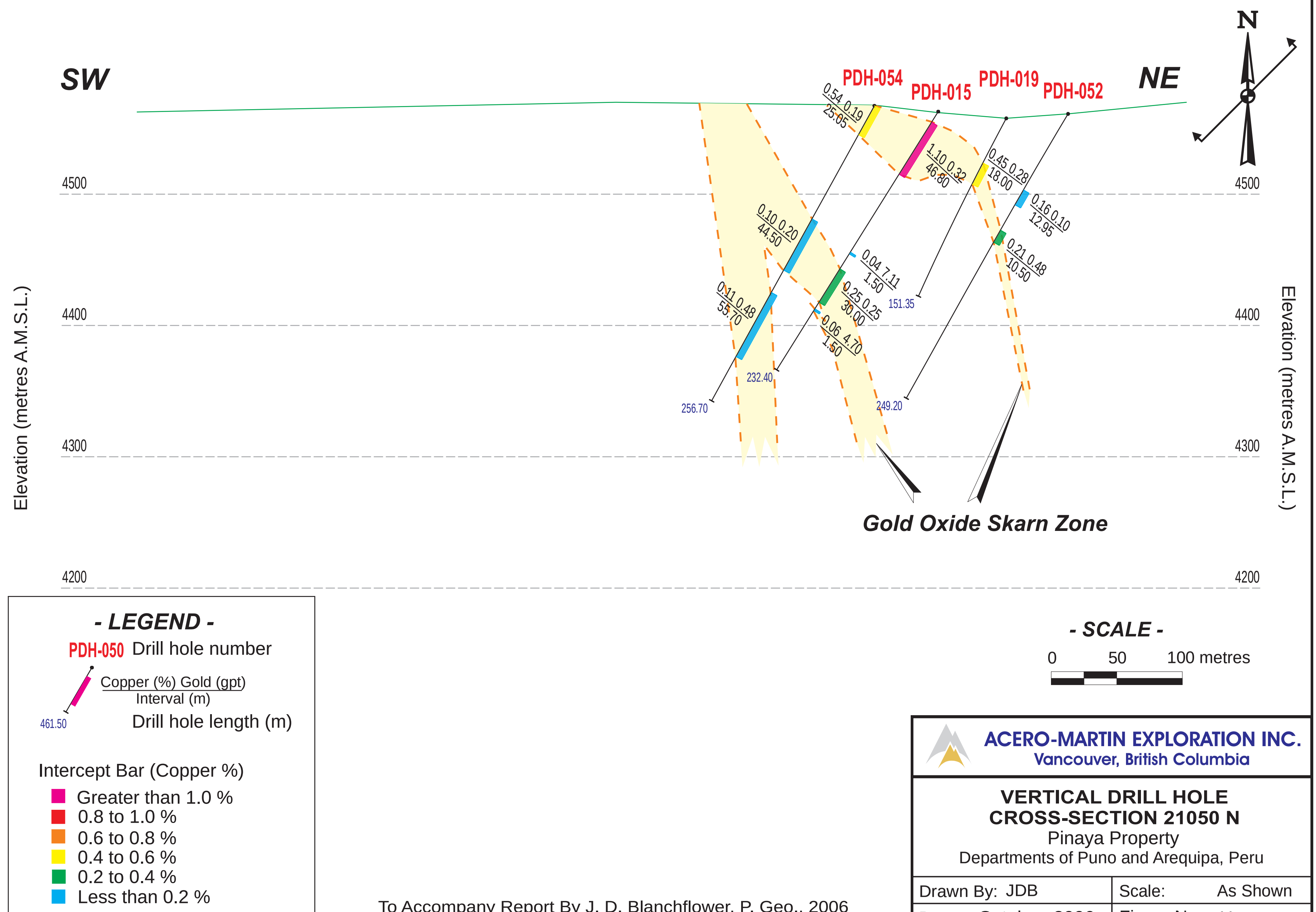
ACERO-MARTIN EXPLORATION INC.
Vancouver, British Columbia
VERTICAL DRILL HOLE
CROSS-SECTION 20200 N
Pinaya Property
Departments of Puno and Arequipa, Peru
Drawn By: JDB
Scale: As Shown
Date: October, 2006
Figure No. 9



SW
NE
N
PDH-014
PDH-032
PDH-063
PDH-025
PDH-055
PDH-064
Western Porphyry Zone
le ation metres A.M.S. .
00
00
300
200
- LEGEND -
PDH-050 Drill hole number
Copper Gold gpt
nter al m
Drill hole length m
ntercept Bar Copper
Greater than .0
0. to .0
0.6 to 0.
0. to 0.6
0.2 to 0.
ess than 0.2
- SCALE -
0 0 00 metres
ACERO-MARTIN EXPLORATION INC.
Vancouver, British Columbia
VERTICAL DRILL HOLE
CROSS-SECTION 20300 N
Pinaya Property
Departments of Puno and Arequipa, Peru
Drawn By: JDB
Scale: As Shown
Date: October, 2006
Figure No. 0
To Accompany Report By J. D. Blanchflower, P. Geo., 2006



To Accompany Report By J. D. Blanchflower, P. Geo., 2006

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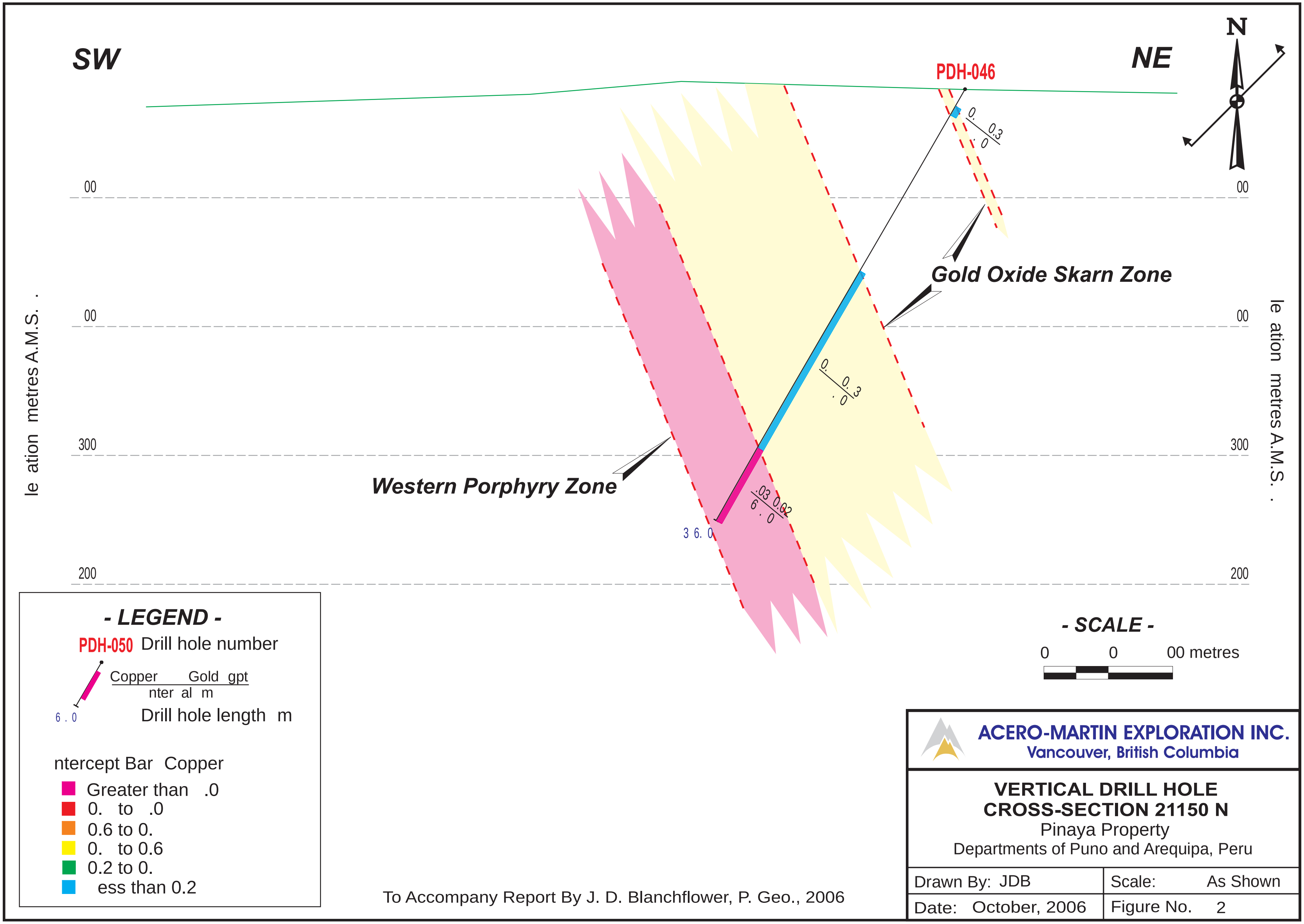
VERTICAL DRILL HOLE
CROSS-SECTION 21050 N
Pinaya Property
Departments of Puno and Arequipa, Peru

Drawn By: JDB	Scale: As Shown
Date: October, 2006	Figure No. 11



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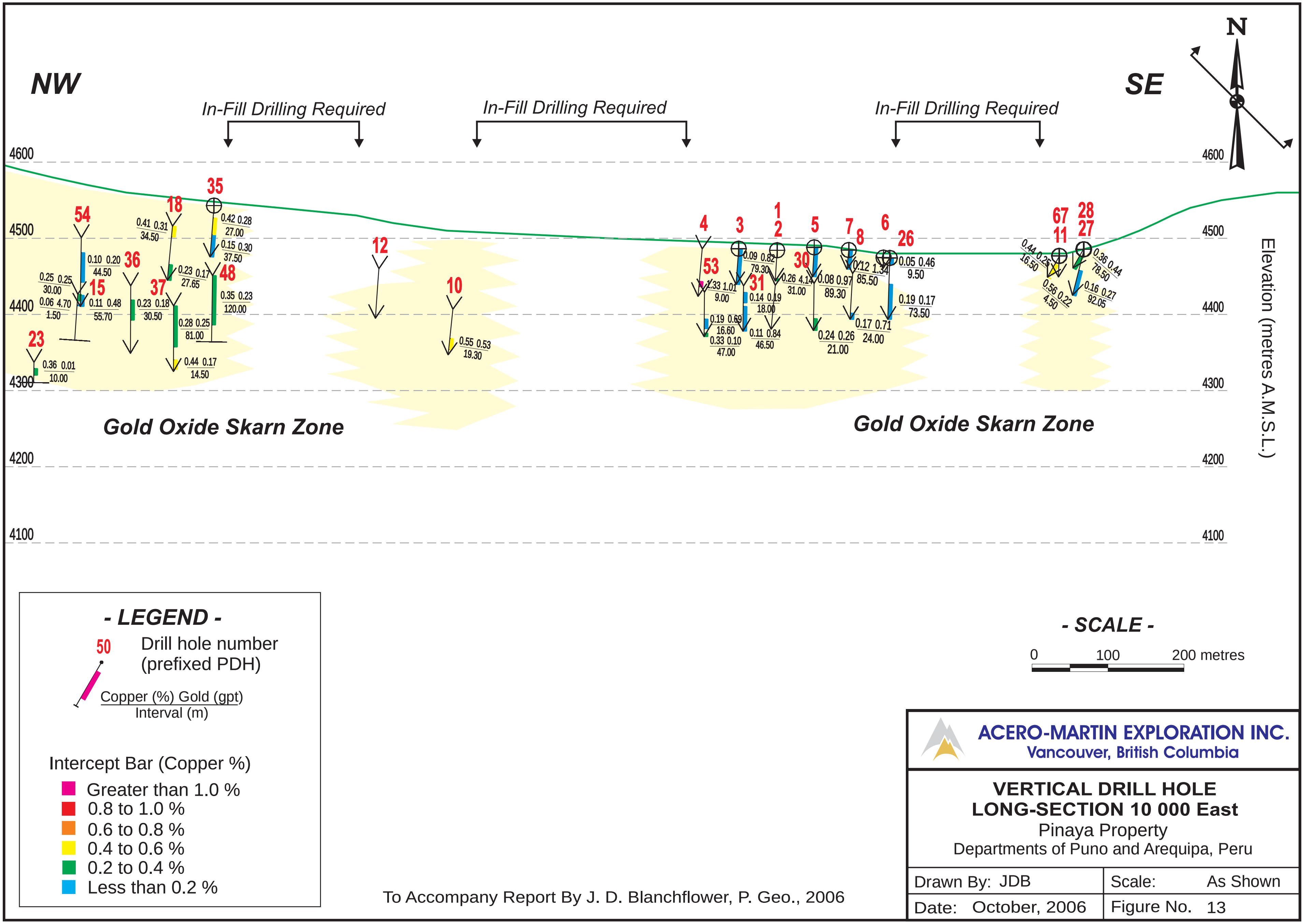
VERTICAL DRILL HOLE
CROSS-SECTION 21150 N
Pinaya Property
Departments of Puno and Arequipa, Peru

Drawn By: JDB	Scale: As Shown
Date: October, 2006	Figure No. 2


NW
SE
N
In-Fill Drilling Required
In-Fill Drilling Required
In-Fill Drilling Required
Elevation (metres A.M.S.L.)
4600
4500
4400
4300
4200
4100
Gold Oxide Skarn Zone
Gold Oxide Skarn Zone
- LEGEND -
50 Drill hole number (prefixed PDH)
Copper (%) Gold (gpt)
Interval (m)
Intercept Bar (Copper %)
Greater than 1.0 %
0.8 to 1.0 %
0.6 to 0.8 %
0.4 to 0.6 %
0.2 to 0.4 %
Less than 0.2 %
- SCALE -
0 100 200 metres
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ACERO-MARTIN EXPLORATION INC.
Vancouver, British Columbia
VERTICAL DRILL HOLE
LONG-SECTION 10 000 East
Pinaya Property
Departments of Puno and Arequipa, Peru
Drawn By: JDB
Scale: As Shown
Date: October, 2006
Figure No. 13

Sampling Methods and Approach

Trench Sampling

Canper excavated twelve trenches, PTR-74 to PTR-85, along the Western Porphyry Zone - Gold Oxide Skarn Zone trend, on the Montana de Cobre Gold Zone and over ground magnetics anomalies 1.5 km east of the Gold Oxide Skarn zone (see Figure 7). A series of 2.5-metre continuous chip samples were collected according to the sampling methodology described in the 'Trenching' section in this report.

Drill Core Sampling

Continuous drill core samples were collected every 1.5 to 2.0 metres along the entire length of each drill hole core. Sampled intervals within each core box were marked with lumber crayon, and an aluminium tag was stapled to the bottom of each box at the start of each sample with the appropriate sample number and sample interval. Sample intervals only differed at alteration-type and lithology transitions.

Each drill rig had its own sample tag number series, to avoid confusion. The sample tag books were pre-marked with assay quality control ('QC') information assigned to certain sample numbers for standards every 30 samples and duplicate samples every 30 samples.

Samples were measured from the nearest depth marker, after adjusting core recovery, and their intervals were recorded in a sample log along with the type, name and reference sample number of any standards, duplicates, and/or blanks that were to be inserted by the sample preparation lab. The lab was not provided with the drill hole number at any time during correspondence.

To the author's knowledge there are no drilling, sampling or recovery factors that would materially impact the accuracy and reliability of the drilling results.

Sample Preparation, Analyses and Security

Qualified geologists employed by Acero-Martin logged the diamond drill core on site under the supervision of a project geologist. These same geologists were responsible for supervising two local core samplers and maintaining the established quality control program of standards, blanks and duplicates. All of the drill core is currently being stored in a secure building which is monitored by security personnel.

All geological and geotechnical features of the drill core, including lithology, structure, mineralization, and alteration, were recorded on a hard-copy drill core log. Drill core logging also included recording a geotechnical log which involved measuring the interval metreage for each core box, labelling the ends of the boxes with the hole number, box number and metreage, and photographing each individual core box. For each core interval, the geotechnical and geological logs measured and recorded the percentage core recovery, rock quality designation, number of fractures, fracturing frequency, fracture roughness, fracture infill, rock strength, alteration, mineralization style and core size. In addition, the split and sampled core was reviewed by Caira, both in 2005 and 2006, to understand the controls for mineralization and to standardize lithology, alteration and mineralization codes. A series of 'skeleton' core logs was composited to summarize the lithology, alteration and mineralization types for each hole. These skeleton logs were also individually photographed.

Sample Preparation

The geologists established the sampling intervals after the geological and geotechnical logging. Drill core sampling intervals were recorded in designated sample booklets. Standards, blanks, and duplicates were inserted approximately every thirtieth sample. Six different standards were utilized during the 2006 drilling campaigns and each time a standard was inserted it was noted in the sample booklet. Blanks of washed and assayed barren quartz were purchased from an assay laboratory. Sample intervals were commonly 1.5 metres but did range between 0.5 and 2 metres, depending upon lithological contacts and mineralogical changes. A review of the results of the Quality Control and Quality Assurance program for drill holes PDH-025 to PDH-070 accompanies this report in Appendix V.

Individual sample intervals were scribed on aluminum tags with the sample number and metreage, and the aluminum tag was stapled to the inside bottom of the each core box. In addition, the sample numbers were written on wooden blocks which were inserted at the beginning of each sample interval, and the sample interval was also recorded with each corresponding sample number in the sample booklets. The fresh drill core was split in half lengthwise using an electric rock saw powered by an on-site electric generator, but occasionally, where there was deep weathering, core splitting was carried out with the use of a knife.

The geologist that was responsible for the geological and geotechnical logging was also responsible for inputting the geological and geotechnical data into a matrix-style spreadsheet log for import into commercial geological software. Sample numbers and sampling intervals were also entered into each drill hole spreadsheet for later collation with the analytical and assay results. All digital photographs of the core were also downloaded for digital archiving. In the field, all drill hole collars were clearly marked with posts and labelled accordingly. It is the author's opinion that the core logging procedures employed on this project are thorough and provide sufficient geotechnical and geological information.

Sample Security and Analyses

Individual drill core sample bags were cross-referenced with the sample log, counted carefully and bagged in rice sacks on site. A sample shipment form was prepared by the supervising project geologist, and then the samples and forms were transported directly by vehicle to the SGS Mineral Services' sample depository in Arequipa, Peru. The SGS representative there took receipt of the samples, checked the form against the numbering on the bags, and shipped them directly to SGS' assay laboratory in Callao, Peru. Normally, only samples from single drill holes were shipped at any one time. Shipment confirmations from the Callao facilities were returned to site acknowledging shipment receipts.

According to McCrea (2006), SGS transports the sample shipments to SGS' Laboratory in Callao, Peru at SGS del Peru S.A.C., Avenida Elmer, Faucett 3348, Callao 1 – Peru, P.O. Box 27-0125, Lima 27 Perú. Normally, samples that have been delivered to the SGS depository in Arequipa before 6:00 PM will be sent to the lab in Callao on the same day and arrive early the following day.

SGS Mineral Services reports the analytical and assay results to Acero-Martin management's approved list of recipients via email. Mr. J. McCrea continually monitors the detailed quality assurance and quality control program.

Data Verification

Assay Validation

Assay validation procedures were utilized for all 2006 drill core samples. Standards, blanks, and duplicates were inserted approximately every thirtieth sample. This spacing guaranteed that every laboratory batch of 40 samples would contain at least a standard, blank, or duplicate. Six different standards were utilized during the 2006 drilling campaigns.

The field geologist inserted standard reference material into the sampling sequence and a sample number was assigned to the standard in sequence with the core samples. The reference material number was recorded in the sample log in order to correlate it with its later analytical results. The results of the analyses from the reference material were then compared to the actual value of the reference material. These results are tabulated, and checked for consistency and accuracy.

Six different copper-gold standard reference materials were purchased from CDN Resource Laboratories Ltd. in Delta, British Columbia, Canada. Standards were prepared from appropriate geological materials. The ore was ground and then screened through a 200-mesh sieve. The -200 material (<75 micron) was retained and thoroughly blended. Homogeneity tests were conducted and then a minimum of 84 sub-samples were sent to various Canadian commercial laboratories for round-robin analysis. Statistical work is provided by Smee & Associates Consulting Ltd.

Blanks are placed in the sample stream to check data quality and sample preparation methods at the assay laboratory. Blanks of barren quartz were purchased from the assay laboratory. A minimum of ten assays are completed on various samples of the blank source material, and the results were checked to determine that the blank material had no copper or gold values. Blanks were inserted at 30-sample intervals within the sampling sequence. Results were checked to determine that there is no cross-contamination between mineralized samples and blank samples within the laboratory.

Field sample duplicates were created by sawing an interval of half core to be sent in for assay in half again and creating two samples of quarter core for the same interval. The two samples were given sequential numbers in the sample sequence in an attempt to conceal the duplicates in the sample stream.

Check Assaying Verification

Approximately five percent, or one in twenty, of the original samples were sent directly from SGS Mineral Services laboratory to the ALS Chemex assay laboratory in Lima, Peru for check assaying using similar assaying methods as those originally used by SGS Mineral Services. The check assaying procedure did not discriminate between drill core, standards, duplicates, or blanks. Thus, the results also checked the validation samples at the same time. The results of this work are discussed in the Quality Control and Quality Assurance report accompanying this report in Appendix V.

Database Verification

The project field geologists filed and maintained original records, input the geological, geotechnical and sampling data into computerized spreadsheets, and verified all records. On a regular basis copies of the data were duplicated and transmitted to several off-site locations, including the Lima office. These data included: geotechnical logs, geological logs, sampling logs, and synoptic summary logs as well as specific core photos that pertained to each hole in digital format. Acero-Martin staff in Lima office verified all inputted and merged data. Verification was done manually by comparing data transmissions against the original drill logs and assay certificates. This was an on-going process and generally lagged the drilling program.

Drill hole cross-sections were hand-drafted on site while drilling progressed, and these original working copies were kept current on a daily basis with the core logging results. At regular periods the digitized and inputted survey, geological, geotechnical and assay data were imported into a Gemcom geological database and vertical cross-sections for all drill holes were generated for re-checking by geological personnel. This verified data was then utilized for later geomodelling and mineral resource estimates.

Verification Sampling

The author collected six rock geochemical samples during his site visit on August 19 and 20, 2006. Three samples were collected from the floor and walls of the open-cut within the Gold Oxide Skarn Zone, two widely-spaced samples were collected from the Western Porphyry Zone, and one sample was collected from the northern Montana de Cobre Gold Zone.

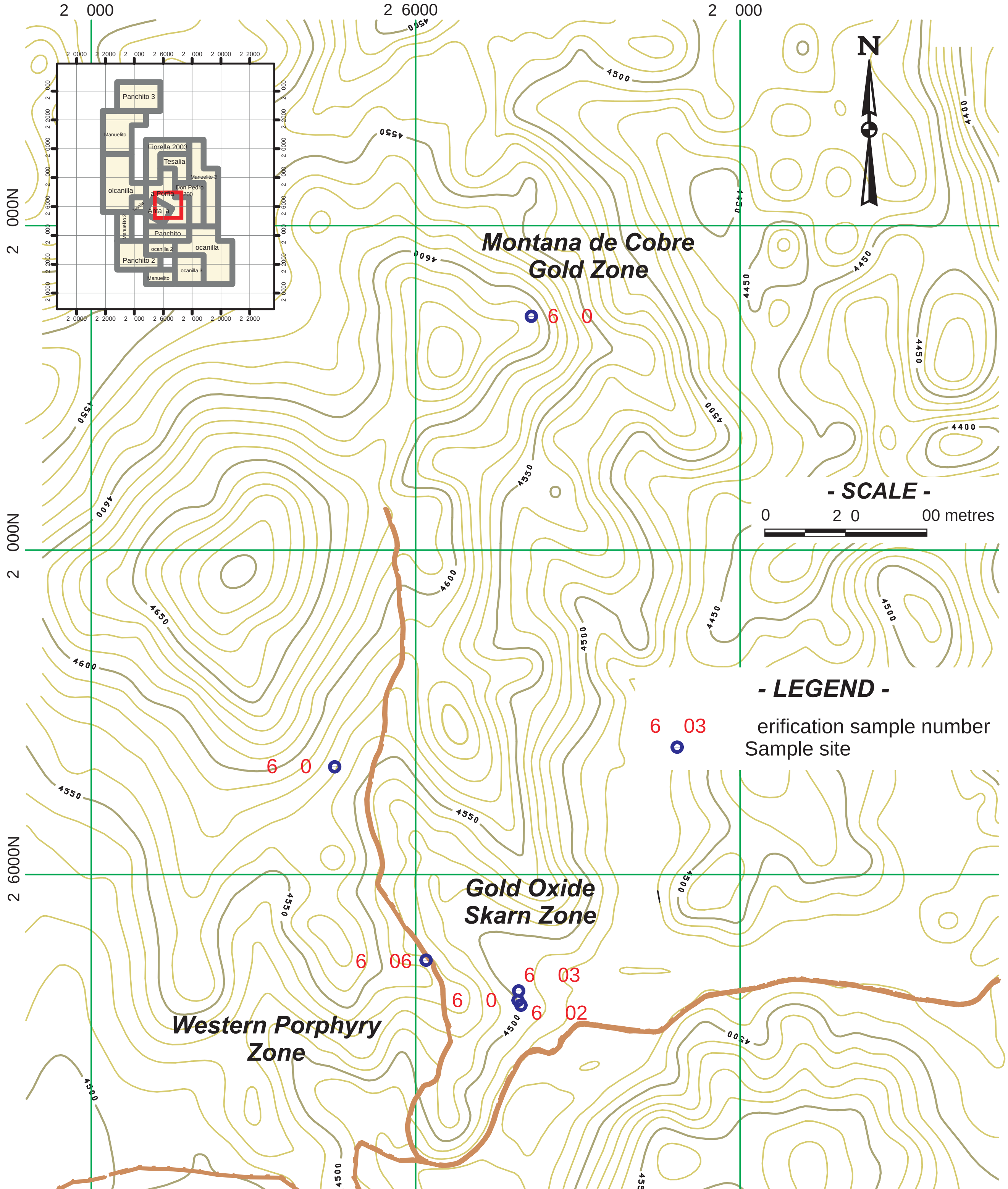
The six verification samples were delivered by the author to the SGS Mineral Services' depot in Arequipa, Peru where the samples were handed off to the SGS representative for shipping to their assay laboratory in Callao, Peru. The author requested the same assay procedures to be undertaken on his samples as those employed with the surface rock and drill core samples from the property. Each sample was analysed for its gold (using 30-gram fire assay with an atomic absorption spectroscopy finish procedures) and copper (using atomic absorption spectroscopy procedures) contents.

It is the author's opinion that the tenor of mineralization observed during the site visit is consistent with the drilling results reported by Acero-Martin. The locations of these verification samples have been plotted on Figure 14 of this report. Table VI of this report summarizes the pertinent sample location, description and analytical results. Appendices I and II of this report contain the reported assay results and analytical procedures utilized by SGS Mineral Services respectively.

Table VI: Verification Rock Geochemical Sample Descriptions And Analytical Results

Sample No.	UTM Easting	UTM Northing	Type	Length (m)	Description
67901	286316.0	8275610.0	Chip	1.00	Silicified argillic diorite w/ malachite, azurite and hematite
67902	286325.0	8275595.0	Chip	1.00	Silicified quartz arenite w/ malachite; fault footwall
67903	286318.0	8275639.0	Chip	1.00	Argillic quartz arenite w/ intense hematite; fault footwall
67904	285750.0	8276331.0	Chip	1.00	Silicified argillic diorite w/ malachite, azurite and hematite
67905	286357.0	8277722.0	Chip	1.50	Silicified argillaceous greywacke w/ limonite & pyrolusite
67906	286032.0	8275734.0	Chip	1.25	Argillic crowded diorite porphyry w/ hematite
DUP67906					Lab duplicate of Sample 67906

	Gold ppb FAA313 Det Lmt 5	Copper ppm AAS42C Det Lmt 2
67901	510	2166
67902	3600	1294
67903	439	701
67904	1751	13069
67905	117	367
67906	717	1121
DUP67906	705	1087



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VERIFICATION SAMPLE LOCATION PLAN

Pinaya Property

Departments of Puno and Arequipa, Peru

Drawn By: JDB	Scale: As Shown
Date: October, 2006	Figure No.

To Accompany Report By J. D. Blanchflower, P. Geo., 2006

ADJACENT PROPERTIES

There are several mineral concessions in the immediate vicinity of the property which are not owned or under option to Canper (see Figure 2). However, none of these properties are reportedly being explored, or have any reported mineral occurrences.

MINERAL PROCESSING AND METALLURGICAL TESTING

Historical artisanal mining has excavated a 206-metre long underground adit and a 300- by 50-metre open-cut to a depth of up to 20 metres (see Figure 7). Mineralization was hand-excavated and hand-picked prior to milling using large round grinding stones and then visible gold was separated by panning. This processing was all done on site, resulting in tailings piles near the valley bottom that cover an area measuring 400 by 100 metres. Mercury may also have been used during some of the artisanal mineral processing (McCrea, 2006). No production records are available for this work.

To the author's knowledge, no recent mineral processing or metallurgical testing have been conducted on the property.

MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

Introduction

The mineral resource model for Pinaya included all seventy Acero-Martin diamond drill holes completed since November 2004 (i.e. PDH-001 to PDH-070). Most of these, drilled in 2005 and 2006, were completed with HQ-size core at a 50- by 50-metre spacing. All drill holes were utilized in defining the constraints for the resource but the final resource area did not include all of the drill holes.

Database

The author was provided verified drill hole data in a spreadsheet format. After verification, a Gemcom database was created and the drill hole data was imported into the database.

The database contains 10,500 samples assayed for copper and gold. Lengths of individual samples ranged from 0.15 to 6.10 metres. Approximately 12.5 percent of the samples had individual sample lengths of less than 1.5 metres; 77 percent of the samples had individual sample lengths of 1.5 metres; and 10.5 percent of the samples had individual sample lengths more than 1.5 metres. Most of the sample lengths exceeding 3.0 metres occurred in early drill holes where poor near-surface copper mineralization was encountered, prior to the recognition of porphyry copper-style mineralization and surface leaching.

Tables for collar location, downhole surveys, lithology, assays and specific gravity were created in the Gemcom database. These tables were utilized for sectional interpretations during resource modelling.

Compositing

Copper and gold assays were initially composited in 1.5- and then 2.0-metre intervals. After reviewing the correlation of the composites with several geological factors, it was decided to utilize the 1.5-metre composites for resource estimation. The compositing yielded 3,114 1.5-metre composites of which 3,080 composites were utilized for mineral resource estimations. The remaining composites occurred in drill holes within the Montana de Cobre Gold zone which was not included in the resource estimation.

Gross Metal Value Calculation

It was obvious, both during the property examination and upon inspection of the drill hole assay results, that in many areas near-surface copper mineralization had been leached and there were distinctly different grades between the leached, secondary supergene and hypogene copper mineralization. Gold values are apparently not leached near surface resulting in diverse copper-gold ratios both laterally and vertically, especially in areas of intense shearing and faulting. Thus, a 'metal equivalency' was utilized to account for leaching where copper values fell below an arbitrary 0.2 percent copper cut-off grade for solid modelling.

Since no metallurgical and metal recoveries have been conducted on the known mineralization, it was decided that a 'Gross Metal Value' ('GMV') was most appropriate for the purposes of solid modelling and preliminary resource estimations. Long-term metal prices were thoroughly researched resulting in US 1.25 per pound copper and US $450.00 per troy ounce gold being used to calculate the gross metal value for each composited sample.

Solid Modelling

Only drilling results within the Western Porphyry and Gold Oxide Skarn zones were modelled for resource estimation. Reconnaissance diamond drilling within the Montana de Cobre Gold zone was too widely spaced and sparse for reliable resource estimation.

Given the linear distribution of the mineralization within each of the targeted zones and the use of a gross metal value factor to compensate for surface leaching, no geological domaining was utilized during the modelling or resource estimation.

Sectional interpretations of geology and composited gross metal values were created by the author in Gemcom. Sectional polylines of gross metal values exceeding US $5.50 were plotted on vertical sections oriented at 045^{o}-225^{o} and spaced at 50-metre intervals. Then, the polylines were stitched together to form solids for the Western Porphyry and Gold Oxide Skarn zones. These solid models were later utilized to filter copper, gold and gross metal value composites and create the rock type model (see Figure 15).

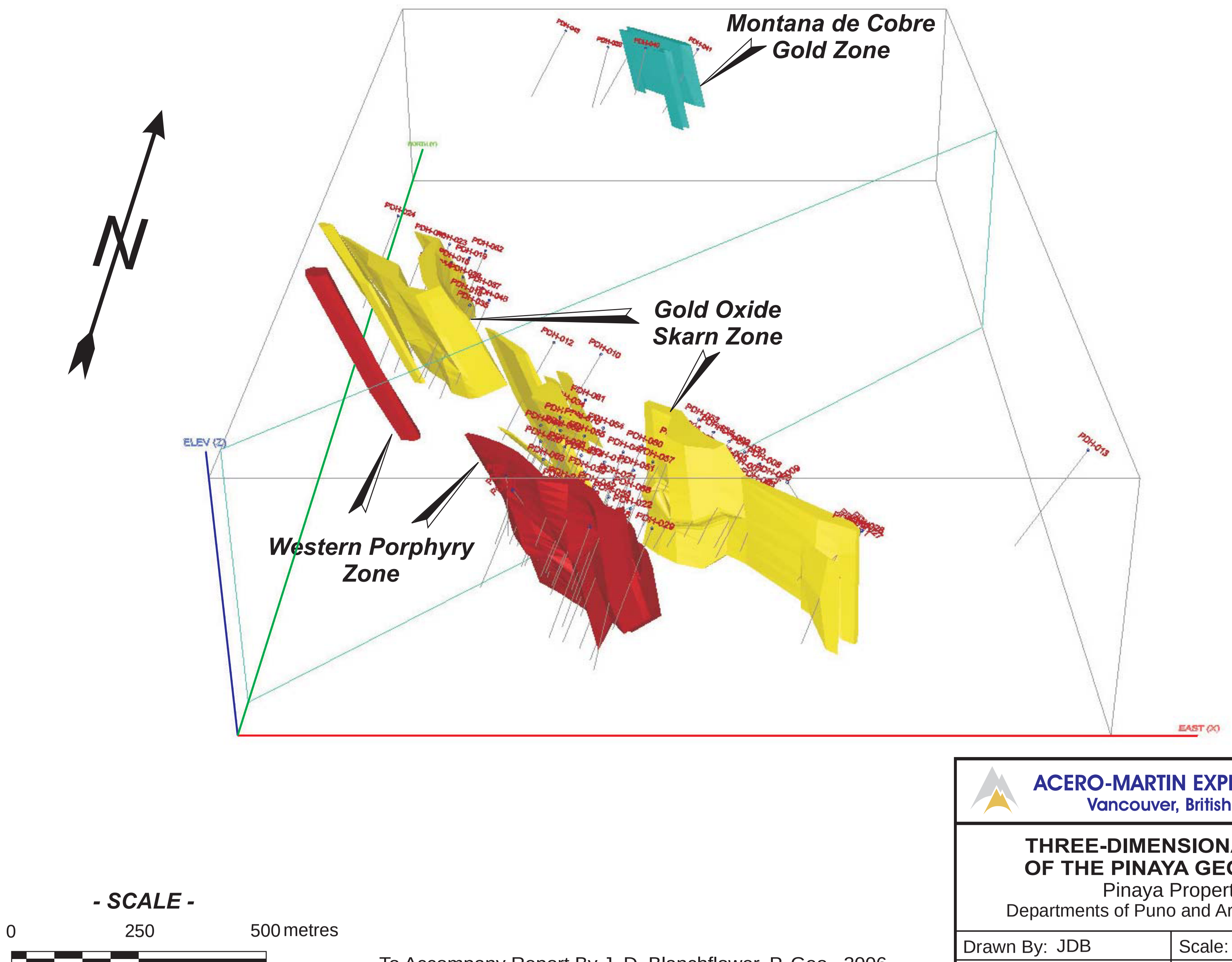
Statistical Analysis

Frequency histogram and Percent Cumulative Normal Distribution probability plots were produced for copper and gold composite samples in the Western Porphyry and Gold Oxide Skarn zones. The log normal histogram for copper shows a slight skew and a very small high-grade 'tail' while the log normal histogram for gold shows slightly more skewing and a small but distinct high-grade 'tail'. The probability plots for each metal are well formed showing that, although there may be secondary supergene enrichment of some copper mineralization, there is a single population of each element adequate for variogram analysis. Histogram and probability plots for copper and gold accompany this report in Appendix III.

Of the 421 specific gravity measurements conducted on drill core assay samples, 193 specific gravity measurements occurred within the solid models. Statistical analyses were undertaken on uncut and cut populations on these measurements resulting in the determination that a common specific gravity of 2.60 g/cc should be utilized for the density model and later tonnage calculations.

Variogram Analysis

Variogram analyses were undertaken for both copper and gold composites for both the Western Porphyry and Gold Oxide Skarn zones. Downhole variograms had moderate nuggets (<0.3). Correlograms were also plotted for both copper and gold using exponential and spherical models. The modelled variograms produced ellipsoids with long y and z ranges and shorter x ranges conforming to the modelled mineralization.



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ACERO-MARTIN EXPLORATION INC. Vancouver, British Columbia	
THREE-DIMENSIONAL VIEW **OF THE PINAYA GEOMODEL** Pinaya Property Departments of Puno and Arequipa, Peru	
Drawn By: JDB	Scale: As Shown
Date: October, 2006	Figure No.

Block Model

The block model limits were designed to cover all of the Acero-Martin 2004 to 2006 drilling, including the northern Montana de Cobre Gold zone which was excluded from the resource estimation. Based upon composite lengths, drill hole spacing and distribution of mineralization, a 5- by 5- by 5-metre block size was selected for the model. The block model limits and parameters are listed in the following Table VII.

Table VII: Block Model Parameters

Co-ordinates				Origin	Block Size	Number of
Axis Direction	**Actual Orientation**	**Axis**	**Axis Nomenclature**	**Co-ordinates**	**Metres**	**Blocks**
"Easting"	90°	X	Column	284700 to 288000	5	660
"Northing"	0°	Y	Row	8274400 to 8278650	5	850
"Elevation"	Vertical	Z	Level	4800 to 4000	5	160

Block models were created for: Rock Type, Density, Cut Copper, Cut Gold and Gross Metal Value, plus additional models for Distance (i.e. distance to the closest composite, true distance model) and Classification (i.e. nearest neighbour for resource classification).

Interpolation

The block model was interpolated using an 'Inverse Distance Squared' methodology. Interpolation of copper and gold grades into a block required a minimum of 3 composites with a maximum of 18 composites. The model was interpolated in two passes.

The searches for grade interpolation are listed below. The second passes were employed to further fill blocks defined by the solid model. The second passes only filled blocks containing zero values (i.e. not filled during the first pass). The ellipsoids were modelled based on the orientation of the copper and gold mineralization using the respective composite assays. The ranges for each of the search ellipsoids are:

	X Range (m)	Y Range (m)	Z Range (m)	Azimuth	Dip
Copper					
Pass 1	21.7	193.4	31.9	319°	+2°
Pass 2	65.1	193.4	65.1	319°	+2°
Gold					
Pass 1	30.0	180.0	48.5	316°	-13°
Pass 2	97.0	180.0	97.0	316°	-13°

These interpolations produced grade models with zones of grade continuity consistent with the copper and gold mineralization distributions seen on the vertical sections. Restricted z-axis ranges constrained the interpolation of grade vertically away from areas of low data density.

Classification

The resource model was classified based upon distance (true) from a block to the nearest composite. The distances used for classification were 0.0 to 48.0 metres for indicated resources and 48.0 to 127.0 metres for inferred resources. Blocks outside the 127.0-metre maximum for inferred resources were not classified or reported in the resource.

Grade Capping During Resource Estimation

Composite sample copper and gold grades were capped to minimize the influence of high-grade samples during grade interpolation. Composites were capped during grade interpolation because the composites are approximately equal to the assay results. Log normal probability and decile statistical analyses were conducted, and the capping levels were determined to be five percent (5.0 %) for copper and seven grams per tonne (7.0 gpt) for gold composite grades. These capping levels corresponded to approximately 99.7 percentile for copper and 99.5 percentile for gold composite grades.

Resource Reporting

The 'indicated' and 'inferred' classifications of the mineral resources were reported individually, under the current topographic surface, with copper as the primary element.

The individual inferred and indicated resources for each of the Western Porphyry and Gold Oxide Skarn zones at a 0.2 percent copper cut-off grade or a US $ 5.50 gross metal value are tabulated in Tables VIII and IX respectively.

OTHER RELEVANT DATA and INFORMATION

The author is not aware of any relevant data and information on the Pinaya property which is not already included in this report.

TABLE VIII: CUT TOTAL COPPER GRADE

GOSZ ZONE

Cut-Off Grade (% Cu)	Tonnage (Mt)	Copper (%)	Gold (gpt)	Contained Copper (Million lbs)	Contained Gold (Thousand oz.)
Indicated					
0.50	1.68	0.807	0.20	29.8	10.8
0.40	2.81	0.663	0.22	41.1	20.2
0.30	4.39	0.549	0.21	53.1	29.7
0.25	5.42	0.497	0.21	59.4	36.8
0.20	7.03	0.433	0.29	67.2	64.9
Inferred					
0.50	0.61	0.718	0.14	9.7	2.8
0.40	1.34	0.575	0.21	17.0	8.9
0.30	2.38	0.476	0.22	25.0	16.7
0.25	2.90	0.440	0.22	28.1	20.7
0.20	3.83	0.386	0.23	32.6	28.7

WPZ ZONE

Cut-Off Grade (% Cu)	Tonnage (Mt)	Copper (%)	Gold (gpt)	Contained Copper (Million lbs)	Contained Gold (Thousand oz.)
Indicated					
0.50	6.23	1.003	0.73	137.6	145.8
0.40	7.63	0.901	0.69	151.4	170.4
0.30	9.09	0.812	0.67	162.7	194.9
0.25	10.03	0.762	0.65	168.4	210.8
0.20	10.96	0.716	0.65	173.0	228.7
Inferred					
0.50	2.27	1.150	0.53	57.7	38.7
0.40	2.66	1.048	0.53	61.5	45.3
0.30	3.13	0.944	0.53	65.1	53.5
0.25	3.43	0.885	0.55	67.0	60.5
0.20	3.75	0.828	0.55	68.6	66.6

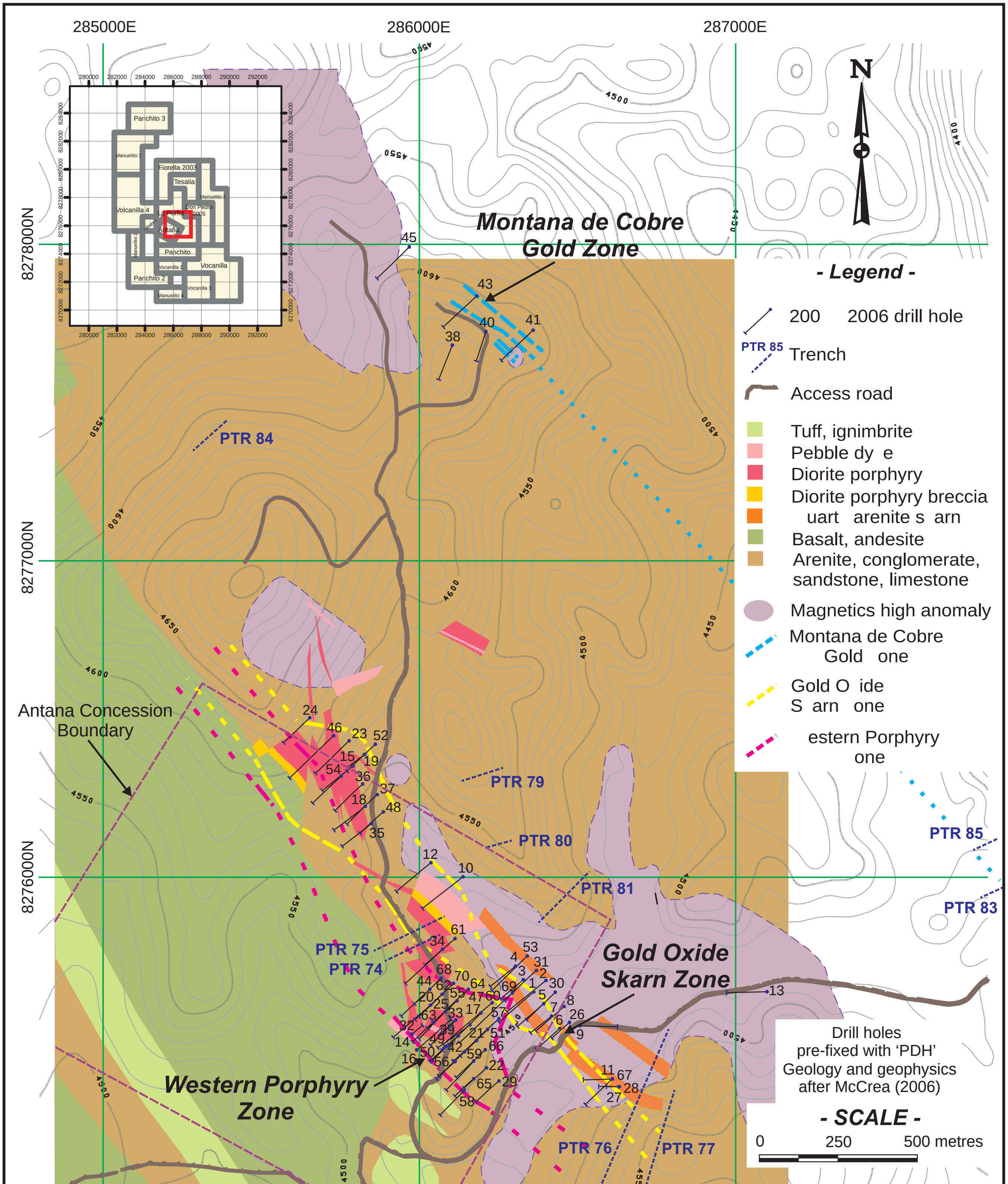
TABLE IX: CUT GROSS METAL VALUE

GOSZ ZONE

Cut-Off GMV ($ US)	Tonnage (Mt)	Copper (%)	Gold (gpt)	Contained Copper (Million lbs)	Contained Gold (Thousand oz.)
Indicated					
13.75	5.05	0.441	0.69	49.0	111.2
11.00	7.16	0.382	0.60	60.4	137.9
8.25	10.73	0.325	0.49	76.8	167.5
6.87	12.35	0.302	0.45	82.3	179.4
5.50	13.87	0.286	0.42	87.4	186.5
Inferred					
13.75	2.05	0.454	0.46	20.5	30.2
11.00	3.09	0.393	0.41	26.8	41.2
8.25	4.82	0.323	0.37	34.4	56.7
6.87	5.83	0.292	0.34	37.6	64.6
5.50	7.18	0.267	0.31	42.2	70.5

WPZ ZONE

Cut-Off GMV ($ US)	Tonnage (Mt)	Copper (%)	Gold (gpt)	Contained Copper (Million lbs)	Contained Gold (Thousand oz.)
Indicated					
13.75	10.54	0.716	0.73	166.4	248.2
11.00	12.47	0.639	0.69	175.9	275.5
8.25	13.84	0.590	0.66	180.0	293.3
6.87	14.53	0.566	0.64	181.3	301.1
5.50	15.26	0.542	0.63	182.2	308.8
Inferred					
13.75	3.62	0.834	0.62	66.6	72.1
11.00	4.41	0.722	0.59	70.3	83.7
8.25	4.91	0.662	0.57	71.8	90.3
6.87	5.19	0.631	0.56	72.3	93.5
5.50	5.54	0.595	0.55	72.7	97.7



ACERO-MARTIN EXPLORATION INC.
Vancouver, British Columbia

COMPILATION PLAN

Pinaya Property

Departments of Puno and Arequipa, Peru

Drawn By: JDB	Scale: As Shown
Date: October, 2006	Figure No. 16

To Accompany Report By J. D. Blanchflower, P. Geo., 2006

INTERPRETATION and CONCLUSIONS

The Pinaya property covers three occurrences of copper- and gold-bearing mineralization, including the Western Porphyry, Gold Oxide Skarn and Montana de Cobre Gold zones, and several, as yet untested, geological, geochemical and/or geophysical exploration targets. Recent diamond drilling has been focused on evaluating the Western Porphyry and Gold Oxide Skarn zones where several, continuous and near-surface zones of significant copper-gold mineralization occur with the possible potential for open-cast mining.

Recent geological work has classified the Pinaya copper-gold mineralization as being either porphyry-related, skarn-related, or surface oxide-related. Upon review it appears that these categorized types of mineralization are all genetically related to metal-bearing hydrothermal fluids associated with the emplacement of a multiphase alkaline multiphase intrusive complex. Intrusive bodies, including dykes, sills, breccias and small stocks, appear to be the uppermost exposures of an intrusive complex that, with its associated hydrothermal fluids, was dominantly controlled by regional northwesterly trending, en echelon shearing and faulting. Coeval and post-intrusive metal-bearing hydrothermal fluids spread both laterally and vertically along the repetitively re-activated northwesterly trending fractures altering the intrusive rocks, and altering and metasomatizing adjacent quartz arenite country rocks (i.e. skarns). Coeval and later displacements along secondary orthogonal cross-faults have displaced both the host rocks and earlier hypogene mineralization, and possibly controlled some late stage mineralization and the secondary supergene enrichment of the copper mineralization.

Copper- and gold-bearing mineralization appears to be hosted by two dominant lithologies, variably fractured and altered quartz arenites and dioritic intrusions, within and adjacent to northwesterly trending fracture zones. Mineralized host rocks have been lithologically-subdivided largely upon their pre-mineral fracturing (i.e. clastic, mill breccia, puzzle breccia, etc.) and/or subsequent alteration facies (i.e. skarn, silicified quartz arenite, advanced argillically-altered diorite, etc.). Copper, including chalcocite, covellite, digenite, and gold-bearing mineralization occur commonly as fracture infillings and associated with structurally-controlled chalcedonic quartz veinlets. Most of the sulphide mineralization has been leached at bedrock surface leaving open casts; however, there has been significant supergene copper enrichment with depth. Copper and gold values are commonly, but not exclusively, associated; suggesting that the gold-bearing mineralization may have been, in part, genetically associated with one or more now-oxidized base-metal minerals (i.e. possibly pyrite, chalcopyrite, bornite, and/or arsenopyrite).

Geophysical anomalies (i.e. magnetic highs) that are situated on an inferred structure from the Montana de Cobre Gold zone to the trenching situated 1.5 km east of the main area of drilling may be reflecting buried intrusions and/or skarns. Anomalous gold-in-soil geochemistry and recent trenching results indicate that this structure may host copper- and gold-bearing mineralization worthy of drilling testing.

Current diamond drilling by Acero-Martin within the Western Porphyry, Gold Oxide Skarn and Montana de Cobre Gold zones now totals seventy diamond drill holes (15,632 metres). The former two zones have a known lateral extent of 1,500 by 450 metres of which approximately 50 percent of this area has been drill tested to a vertical depth commonly less than 200 metres. Thus, the potential exists to expand the area of delineated mineralization both laterally and vertically, and increase the mineral resources.

Estimates for the Western Porphyry zone show indicated mineral resources of 10.96 million tonnes grading 0.716 % copper and 0.65 gpt gold, and inferred mineral resources of 3.75 million tonnes grading 0.828 % copper and 0.55 gpt gold at a cut-off grade of 0.20 % copper. The Gold Oxide Skarn zone has indicated mineral resources estimated at 7.03 million tonnes grading 0.433 % copper and 0.29 gpt gold, and inferred mineral resources of 3.83 million tonnes grading 0.386 % copper and 0.23 gpt gold at the same cut-off grade of 0.20 % copper.

A gross metal value for the copper- and gold-bearing mineralization was calculated to account for significant near-surface gold values associated with copper values that are below the 0.2 percent copper modelling minimum grade and volumetrics cut-off grade. Long-term metal prices of US $1.25 per pound copper and US

$450.00 per troy ounce gold were utilized for gross metal value calculations. The mineral resources of the Western Porphyry and Gold Oxide zone were estimated based a US $5.50 gross metal value which is approximately equivalent to a 0.2 percent copper equivalent grade.

Estimates for the Western Porphyry zone, using a US $5.50 gross metal value cut-off, returned indicated mineral resources of 15.26 million tonnes grading 0.542 % copper and 0.63 gpt gold, and inferred mineral resources of 5.54 million tonnes grading 0.595 % copper and 0.55 gpt gold. The Gold Oxide Skarn zone, using the same US $5.50 gross metal value cut-off, has indicated mineral resources estimated at 13.87 million tonnes grading 0.286 % copper and 0.42 gpt gold, and inferred mineral resources of 7.18 million tonnes grading 0.267 % copper and 0.31 gpt gold.

It is evident from the volumetric differences between the mineral resource estimates using a 0.2 percent copper grade cut-off grade and a US $5.50 gross metal value cut-off that there are significant gold-bearing resources where the copper values have been leached near-surface. It is important to account for these resources since they may have the potential for future heap-leach processing.

The Pinaya property is a property of merit and worthy of continued exploration. It has the potential for hosting a bulk-tonnage copper-gold deposit that may be amenable to both conventional milling and heap leaching. Further detailed exploration work is required to define the limits of the known and inferred mineral resources. The Western Porphyry zone is open laterally to the northwest and southeast and downdip to the northeast. The Gold Oxide Skarn zone is similarly open and it has, at least, two areas within its known length that require in-fill drill testing. It is quite possible that these two zones join along strike and at depth. The Montana de Cobre Gold zone appears to be situated on a separate but parallel northwesterly trending mineralized structure that may extend southeasterly to the recent trenching located approximately 1.5 kilometres east of the Gold Oxide Skarn zone.

RECOMMENDATIONS

It is recommended that Acero-Martin should continue exploration of the property, and undertake a two-stage exploration program to continue drill-testing the strike and dip extensions of the known copper-gold mineralization on the property while investigating its mineral potential beyond the current areas of interest. The second stage of exploration work would be contingent upon a critical evaluation of the first stage exploration results.

The **Stage 1** exploration work should include:

1. Diamond drilling - continue the present diamond drilling program directed at:
   - extending the Western Porphyry Zone northwesterly and southeasterly along its geologic trend with drilling along grid lines at 100-metre intervals. Such drilling would be focused on delineating the near-surface (i.e. surface to 200 m depth) trend and limits of the mineralization, but would require later fill-in drilling for future resource estimates;
   - filling in the three untested sections of the Gold Oxide Skarn Zone between grid lines 20250 N and 20850 N and 19750 to 20000 N, and then continue drill testing the trend of the mineralization southeasterly along grid lines at 100-metre intervals;
2. Re-Assaying – re-assay a minimum of twenty percent (20 %) of past drill core samples within the mineralized zone for cold-extractable, refractory and acid soluble copper;
3. Preliminary metallurgical testing – testing should be initiated using drill core sample rejects to determine the amenability of mineralization for extraction. Under the supervision of a qualified metallurgist, samples should be collected from the mineralized sections of the dioritic intrusive, skarn, and altered quartz arenite, plus oxide- versus sulphide-dominant mineralization;
4. Environmental studies - base-line water sample collection and analyses of the local drainages, especially those draining the open-cut, should be resumed and continued on regular weekly basis to provide reference for later environmental impact studies;
5. Geotechnical study - a geotechnical consultant should be retained to review past geotechnical drill data and make any changes or recommendations for later geotechnical studies;
6. Petrographic study – collect samples from various rock and mineralogical types for study and identification to supplement the above recommended metallurgical work by identifying the mineral constituents and distribution of the upper leached, lower leached, upper supergene sulphide, lower supergene sulphide and hypogene mineralization;
7. Trenching – continue trenching all geological, geochemical and/or geophysical anomalies, especially those along known mineralized trends;
8. Reconnaissance exploration - geological mapping and rock geochemical sampling should be conducted southeastwardly along the trend of the known mineralization; and
9. Documentation - collate, compile and document all Stage 1 exploration results, and re-model the drill-tested mineralization for possible future drill hole planning.

Contingent upon positive results, the **Stage 2** exploration work should include:

1. Diamond drilling – continue the diamond drilling program directed at higher grade and continuous mineralization delineated by the Stage 1 results;

2. Environmental studies - continue the base-line water sample collection and analyses;

3. Reconnaissance exploration - continue reconnaissance mapping and rock geochemical sampling with possible follow-up geophysical surveying of any targets resulting from the Stage 1 reconnaissance work; and

4. Documentation - collate, compile and document all Stage 2 exploration results, and re-model the drill-tested mineralization for revised mineral resource estimates.

PROPOSED EXPLORATION BUDGET

The estimated cost of the recommended two-stage exploration program is as follows.

Stage 1

Description	**Estimated Cost ($CDN)**
Project manager – qualified person professional geologist (60 days @ $500/d)	$ 30,000
Senior consultant – QA/QC monitoring (10 days @ $700/d)	7,000
International travel – airfare	10,000
National travel – airfare	2,000
Supplies and field equipment	5,000
Diamond drilling – ‘all-in’ labour, assays and support (6,000 m @ $200/m)	1,200,000
Heavy equipment support – trenches, roads, drill pads, drill support	7,000
Re-assaying of past samples – approximately 1,000 samples @ $30/s	30,000
Preliminary metallurgical testing – consultant and testing	30,000
Environmental studies – water collection and analyses	10,000
Geotechnical review – consultant	5,000
Petrographic studies – consultant and sample preparation	5,000
Reconnaissance mapping and sampling – geologist and sample analyses	20,000
Documentation – compilation of results, geomodelling and documentation	15,000
Contingency (~9 %)	124,000
Estimated cost of recommended Stage I exploration work	**$ 1,500,000**

Stage 2

Description	**Estimated Cost ($CDN)**
Project manager – qualified person professional geologist (60 days @ $500/d)	$ 30,000
Senior consultant – QA/QC monitoring (10 days @ $700/d)	7,000
International travel – airfare	7,000
National travel – airfare	2,000
Supplies and field equipment	5,000
Diamond drilling – ‘all-in’ labour, assays and support (6,300 m @ $200/m)	1,260,000
Heavy equipment support – trenches, roads, drill pads, drill support	10,000
Reconnaissance mapping and sampling – geologist and sample analyses	20,000
Documentation – compilation, geomodelling, resource estimation and documentation	35,000
Contingency (~9 %)	124,000
Estimated cost of recommended Stage 2 exploration work	**$ 1,500,000**
Total estimated cost of recommended Stage 1 and 2 exploration work	**$ 3,000,000**

* ***Note***: The above estimated costs do not include: National value-added tax, concession maintenance, filing fees, reclamation, permitting or bonding funds, or property option payments.

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DATE AND SIGNATURE PAGE

CERTIFICATE OF QUALIFICATIONS

I, J. DOUGLAS BLANCHFLOWER, of Aldergrove, British Columbia, DO HEREBY CERTIFY THAT:

1) I am a Consulting Geologist with a business office at 25856 – 28th Avenue, Aldergrove, British Columbia, V4W 2Z8; and President of Minorex Consulting Ltd.

2) I am a graduate of Economic Geology with a Bachelor of Science, Honours Geology degree from the University of British Columbia in 1971. I have practised my profession as a Professional Geologist since graduation.

3) I am a Registered Professional Geoscientist in good standing with the Association of Professional Engineers and Geoscientists of British Columbia (No. 19086), and a Registered Professional Geologist in good standing with the Association of Professional Engineers, Geologists and Geophysicists of Alberta (No. M69488).

4) I am a 'Qualified Person' as defined in Section 1.2 of National Instrument 43-101.

5) I conducted a field examination of the Pinaya property on August 19 and 20, 2006; during which time I examined and sampled several mineral showings, inspected mineral concession documents and reviewed the results of recent mineral exploration work.

6) I am responsible for all sections of this report titled "Technical Report on the Pinaya Copper-Gold Property".

7) I am not aware of any material fact or material change with respect to the subject matter of this technical report which is not reflected in the technical report.

8) I am an independent consultant with no promised or implied affiliation with Acero-Martin Exploration Inc.; subject to the criteria set out in Section 1.5 of National Instrument 43-101.

9) I have no prior involvement with the exploration programs on the Pinaya property. I am familiar with the porphyry copper-gold deposit model and have experience conducting property evaluations, writing Qualifying Reports and estimating mineral resources.

10) I have read National Instrument 43-101 and Form 43-101F, and this technical report has been prepared in compliance with this Instrument and Form 43-101F1.

Respectfully submitted by,

PROFESSIONAL
PROVINCE OF
B. Blanchflower
BRITISH COLUMBIA
GEOSCIENTIST

J. Douglas Blanchflower, P. Geo.
Consulting Geologist

Dated at Aldergrove, British Columbia, Canada this 27th day of October, 2006.

APPENDIX I

Verification Sample Analyses

SGS
LABORATORIOS

INFORME DE ENSAYO
GQ602091

A solicitud de: CANPER EXPLORACIONES S.A.C.
San Borja Norte 840 - San Borja

Por cuenta de: CANPER EXPLORACIONES S.A.C.
San Borja Norte 840 - San Borja

Asunto: PREPARACION Y ANALISIS QUIMICO

Producto: Muestras Exploratorias

Caracteristicas: En bolsas de plástico atadas con rafia,

Recepción de Mtras.: Granulometria hasta 2 pulg.
Peso aprox. de 2 a 6 kg húmedas.

Referencia Cliente: SOLICITUD 19-08-2006 PROYECTO : PINAYA

Notas:

Lugar de Recepción: AREQUIPA
Cantidad Muestras: 6
Fecha de Recepción: 22/08/2006
Fecha de Ensayo: Del 22/08/2006
Al 26/08/2006

Esquema	Método
FAA313	SGS-EF-ME-02 / Mayo.2003 Rev.05 / DETERMINACION DE ORO EN DORES POR ABSORCION ATOMICA
AAS42C	SGS-MN-ME-104 / Diciembre.2001 Rev.01 / Muestras de Exploración Geoquímica: Digestión Multiácida: Absorción Atómica
PMI_CH	

Resultados

Elemento Esquema Unidad Limite de Detección	Au FAA313 ppb 5	Cu AAS42C ppm 2	Peso Muestra PMI_CH g
67901	510	2166	4260
67902	3600	1294	3920
67903	439	701	5700
67904	1751	13069	2520
67905	117	367	2900
67906	717	1121	4720
*DUP 67906	705	1087	--

Notas de Almacenaje:
Pasado el plazo de almacenamiento de 90 días para Remanentes o Pulpas y 30 días para Rechazos o Gruesas, se procederá a descartar las muestras. Favor no considerar esta información si se presentaran instrucciones al inicio del servicio.

Emitido en Callao-Perú el , 27/08/2006

Cecilia Zuloaga
Jefe del Departamento Inorgánico

Los ensayos han sido realizados en SGS del Perú S.A.C. - División Laboratorio - Av. Elmer Faucett Nro 3348, Fundo Bocanegra, Callao.
T (51 1) 484 0833 / 484 0855 F (51 1) 574 1600

Los resultados de los ensayos no deben ser utilizados como una certificación de conformidad con normas de producto o una certificación del sistema de Calidad de la entidad que lo produce.

SGS del Perú S.A.C.

PM

APPENDIX II

SGS Mineral Services and

ALS Chemex Analytical Procedures

SGS

Assays Schemes
Canper Exploraciones

Service Codes	Description
ICP40B **Al** (0.01 - 15%) **Sb** (5ppm - 1%) **As** (3 ppm - 1%) **Ba** (1 ppm - 1%) **Be** (0.5 ppm - 1%) **Bi** (5 ppm - 1%) **Cd** (1 ppm - 1%) **Ca** (0.01 % - 15% **Zr** (0.5 ppm - 1%) **Co** (1 ppm -1%) **Cu** (0.5 ppm - 1%) **Cr** (1 ppm - 1%) **Sc** (0.5 ppm - 1%) **Sn** (10 ppm - 1%) **Sr** (0.5 ppm - 5000 ppm) **Fe** (0.01 - 15%) **P** (0.01 - 15%) **Y** (0.5 ppm - 1%) **La** (0.5 ppm - 1%) **Mg** (0.01 - 15%) **Mn** (2 ppm - 1%) **Mo** (1 ppm - 1%) **Ni** (1 ppm – 1%) **Ag** (0.2 - 100 ppm) **Pb** (2 ppm – 1%) **K** (0.01 - 15%) **Na** (0.01 - 15%) **Tl** (2 ppm - 1%) **Ti** (0.01 - 15%) **W** (10 ppm - 1%) **V** (2 ppm - 1%) **Zn** (0.5 ppm - 1%) **Ga** (10 ppm – 1%) **Nb** (1 ppm – 1%) For elements > DL we recommend to run AAS41B, methods for "menas"	ICP AES 35 elements scan with multiacid digestion (HCl + HNO3 + HClO4 + HF), ✓ Applicable to highly silicated samples ✓ Elements such as Al, Ba, Ca, Cr, Sn, La, Mg, Ti, W, V, Zr might not be completely extracted ✓ There is As volatilization risk ✓ It is slow comparing to other digestions ✓ Not recommended for highly mineralized samples

Cdealiaga

.. del Perú S.A.C.
.. Palomino Santolalla
APODERADO

AAS assays

Service Code	Description
AAS42C (**AA_TO2**) **Ag** (0.3 – 500 ppm) **As** (15 ppm – 7.5%) **Bi** (5 ppm – 5%) **Cd** (1 ppm -1.5%) **Co** (5 ppm - 5%) **Cu** (2 ppm - 5%) **Fe** (10 ppm - 5%) **Ge** (100 ppm - 7.5%) **Mn** (5 ppm - 5%) **Mo** (5 ppm - 2.5%) **Pb** (5 ppm - 5%) **Sb** (5 ppm - 5%) **Zn** (5 ppm - 2.5%) For elements > DL we recommend to run AAS41B, methods for "menas"	Determination of base metals with multiácida digestion (HCl + HNO3 + HClO4 + HF), reading by AAS (Flame) ✓ Applicable to highly silicated samples ✓ Almost total digestion ✓ partial extraction, Ba, Cr, W, Sn, Zr

Assays for "menas"

Service Code	Description
AAS41B (**AA_TO4**) **Ag** (10 g/TM) **As** (0.01%) **Bi** (0.01% **Cd** (0.01%) **Co** (0.01%) **Cu** (0.01 %) **Fe** (0.01%) **Ge** (0.01%) **Mn** (0.01%) **Mo** (0.01%) **Pb** (0.01%) **Sb** (0.01%) **Zn** (0.01%)	Determination of base metals with multiácida digestion (HCl + HNO3 + HClO4 + HF), reading by AAS (Flame) ✓ Applicable to highly silicated samples ✓ Almost "total" digestion ✓ Partial extraction of Ba, Cr, W, Sn, Zr ✓ Total concentrations

Cd Aliaga

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APODERADO

SGS

Fire Assay

Service Code	Description
FAA313 **(FA30_5)** **Au(5- 5000* ppb)** * We recommend to run FAG303 (**FA30_G)** assay for samples > 5000 ppb	Au determination by fire assay of 30 g sample, reading by AAS ✓ Applicable geochemical exploration samples ✓ Mine or development samples

Service Code	Description
FAG303 **(FA30_G)** **Au(20 ppb)**	Au determination by fire assay of 30 g sample, gravimetric finish. ✓ Applicable to drilling samples ✓ Mine or development samples ✓ Seam/vein samples

C de Aliaga

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Cecilia Palomino Santolalla
APODERADO

ALS Chemex

Sample Preparation - Logging Samples Received as Pulps

All pulp samples received at ALS Chemex are furnished with a bar code label attached to the original sample bag. The system will also accept client supplied bar coded labels that are attached to sampling bags in the field. The label is scanned and the weight of the sample is recorded together with additional information such as date, time, equipment used and operator name. The scanning procedure is used for each subsequent activity involving the sample from preparation to analysis, through to storage or disposal of the pulp.

At least one out of every 50 samples is selected at random for routine pulp QC tests (LOG-QC). For routine pulps, the specification is 85 % passing a 75 micron screen. Other specifications may be checked as per client requirements.

Method Code	Specifications	Description
LOG-23	85 % < 75 µm	Log received sample pulp in tracking system (Sample pulps received with bar code labels attached).
LOG-24	85 % < 75 µm	Log received sample pulp in tracking system (Sample pulps received without bar code labels attached).
LOG-25	95 % < 106 µm	Log received sample pulp in tracking system (Sample pulps received with bar code labels attached).
LOG-26	95 % < 106 µm	Log received sample pulp in tracking system (Sample pulps received without bar code labels attached).
LOG-QC	See method specifications	Testing Procedure for samples received as pulp.

ALS Chemex

Fire Assay Procedure – Au-AA23 & Au-AA24
Fire Assay Fusion, AAS Finish

Sample Decomposition: Fire Assay Fusion (FA-FUS01 & FA-FUS02)

Analytical Method: Atomic Absorption Spectroscopy (AAS)

A prepared sample is fused with a mixture of lead oxide, sodium carbonate, borax, silica and other reagents as required, inquarted with 6 mg of gold-free silver and then cupelled to yield a precious metal bead.

The bead is digested in 0.5 mL dilute nitric acid in the microwave oven, 0.5 mL concentrated hydrochloric acid is then added and the bead is further digested in the microwave at a lower power setting. The digested solution is cooled, diluted to a total volume of 4 mL with de-mineralized water, and analyzed by atomic absorption spectroscopy against matrix-matched standards.

Method Code	Element	Symbol	Units	Sample Weight (g)	Lower Limit	Upper Limit	Default Overlimit Method
Au-AA23	Gold	Au	ppm	30	0.005	10.0	Au-GRA21
Au-AA24	Gold	Au	ppm	50	0.005	10.0	Au-GRA22

Element	Symbol	Units	Lower Limit	Upper Limit	Default Overlimit Method
Potassium	K	%	0.01	10	
Magnesium	Mg	%	0.01	50	
Manganese	Mn	ppm	5	100000	
Molybdenum	Mo	ppm	1	10000	Mo-AA62
Sodium	Na	%	0.01	10	
Nickel	Ni	ppm	1	10000	Ni-AA62
Phosphorus	P	ppm	10	10000	
Lead	Pb	ppm	2	10000	Pb-AA62
Sulphur	S	%	0.01	10	
Antimony	Sb	ppm	5	10000	
Strontium	Sr	ppm	1	10000	
Titanium*	Ti	%	0.01	10	
Vanadium	V	ppm	1	10000	
Tungsten*	W	ppm	10	10000	
Zinc	Zn	ppm	2	10000	Zn-AA62

* Digestion will be incomplete for most sample matrices.

Elements listed below are available upon request

Element	Symbol	Units	Lower Limit	Upper Limit	Default Overlimit Method
Boron*	B	ppm	10	10000	
Gallium*	Ga	ppm	10	500	

Element	Symbol	Units	Lower Limit	Upper Limit	Default Overlimit Method
Lanthanum*	La	ppm	10	500	
Lithium*	Li	ppm	10	10000	
Niobium*	Nb	ppm	5	2000	
Rubidium*	Rb	ppm	10	10000	
Scandium*	Sc	ppm	1	10000	
Selenium*	Se	ppm	10	1000	
Silicon*	Si	ppm	10	10000	
Tin*	Sn	ppm	10	10000	
Tantalum*	Ta	ppm	10	10000	
Tellurium*	Te	ppm	10	10000	
Thallium*	Tl	ppm	10	500	
Uranium	U	ppm	10	500	
Yttrium*	Y	ppm	10	10000	
Zirconium*	Zr	ppm	5	500	

* Digestion will be incomplete for most sample matrices.

ALS Chemex

Fire Assay Procedure – Au-AA23 & Au-AA24
Fire Assay Fusion, AAS Finish

Sample Decomposition: Fire Assay Fusion (FA-FUS01 & FA-FUS02)
Analytical Method: Atomic Absorption Spectroscopy (AAS)

A prepared sample is fused with a mixture of lead oxide, sodium carbonate, borax, silica and other reagents as required, inquarted with 6 mg of gold-free silver and then cupelled to yield a precious metal bead.

The bead is digested in 0.5 mL dilute nitric acid in the microwave oven, 0.5 mL concentrated hydrochloric acid is then added and the bead is further digested in the microwave at a lower power setting. The digested solution is cooled, diluted to a total volume of 4 mL with de-mineralized water, and analyzed by atomic absorption spectroscopy against matrix-matched standards.

Method Code	Element	Symbol	Units	Sample Weight (g)	Lower Limit	Upper Limit	Default Overlimit Method
Au-AA23	Gold	Au	ppm	30	0.005	10.0	Au-GRA21
Au-AA24	Gold	Au	ppm	50	0.005	10.0	Au-GRA22

ALS Chemex

Assay Procedure - ME-AA62
Evaluation of Ores and High Grade Materials

Sample Decomposition: HNO_3-$HClO_4$-HF-HCl digestion (ASY-4ACID)

Analytical Method: Atomic Absorption Spectroscopy (AAS)

A prepared sample (0.4) g is digested with nitric, perchloric, and hydrofluoric acids, and then evaporated to dryness. Hydrochloric acid is added for further digestion, and the sample is again taken to dryness. The residue is dissolved in nitric and hydrochloric acids and transferred to a volumetric flask (100 or 250) mL. The resulting solution is diluted to volume with de-mineralized water, mixed and then analyzed by atomic absorption spectrometry against matrix-matched standards.

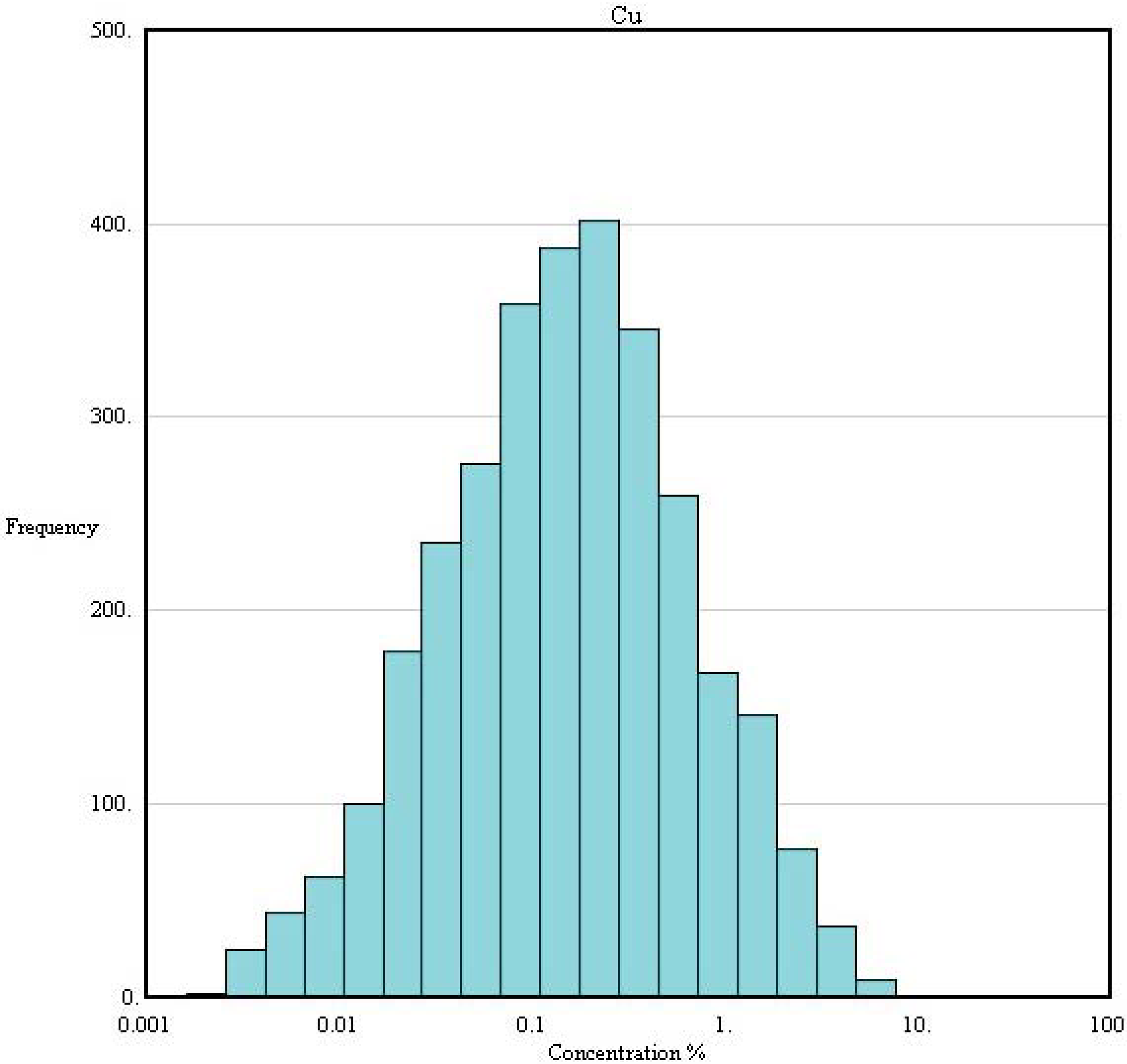
Element	Symbol	Units	Lower Limit	Upper Limit	Default Over Limit Method
Silver	Ag	ppm	1	1000	Ag-GRA21
Arsenic	As	%	0.01	30	
Cadmium	Cd	%	0.0001	10	
Cobalt	Co	%	0.001	30	
Copper	Cu	%	0.01	50	
Iron	Fe	%	0.01	30	
Manganese*	Mn	%	0.01	50	
Molybdenum	Mo	%	0.001	10	
Nickel	Ni	%	0.01	50	
Lead	Pb	%	0.01	30	
Antimony	Sb	%	0.01	20	
Strontium	Sr	%	0.01	20	
Vanadium	V	%	0.01	30	
Zinc	Zn	%	0.01	30	

* Elements generally reported as oxide.

APPENDIX III

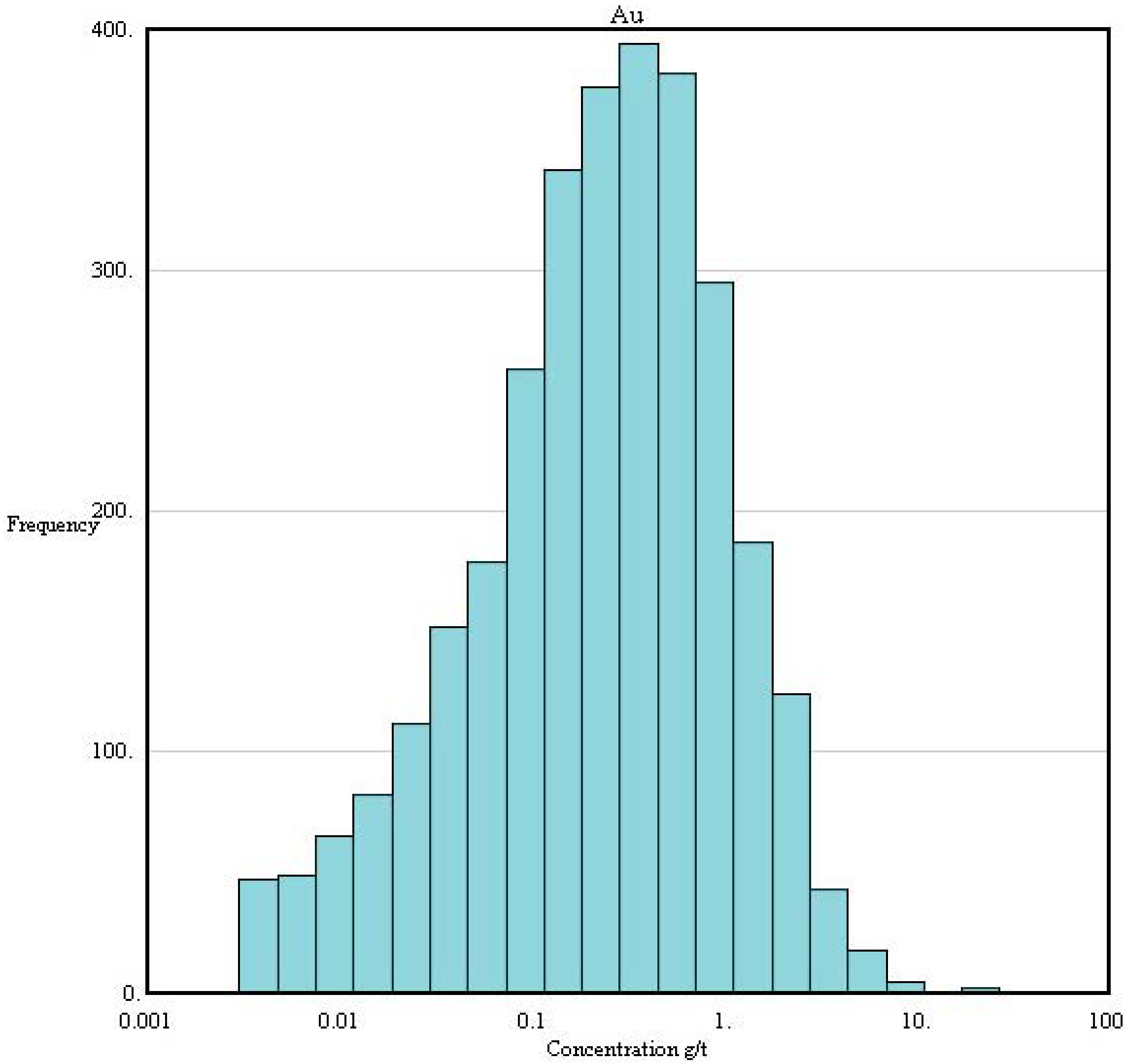
Histogram and Probability Plots

Histogram Plot of Assays Results for Copper (%) in Diamond Drill Core



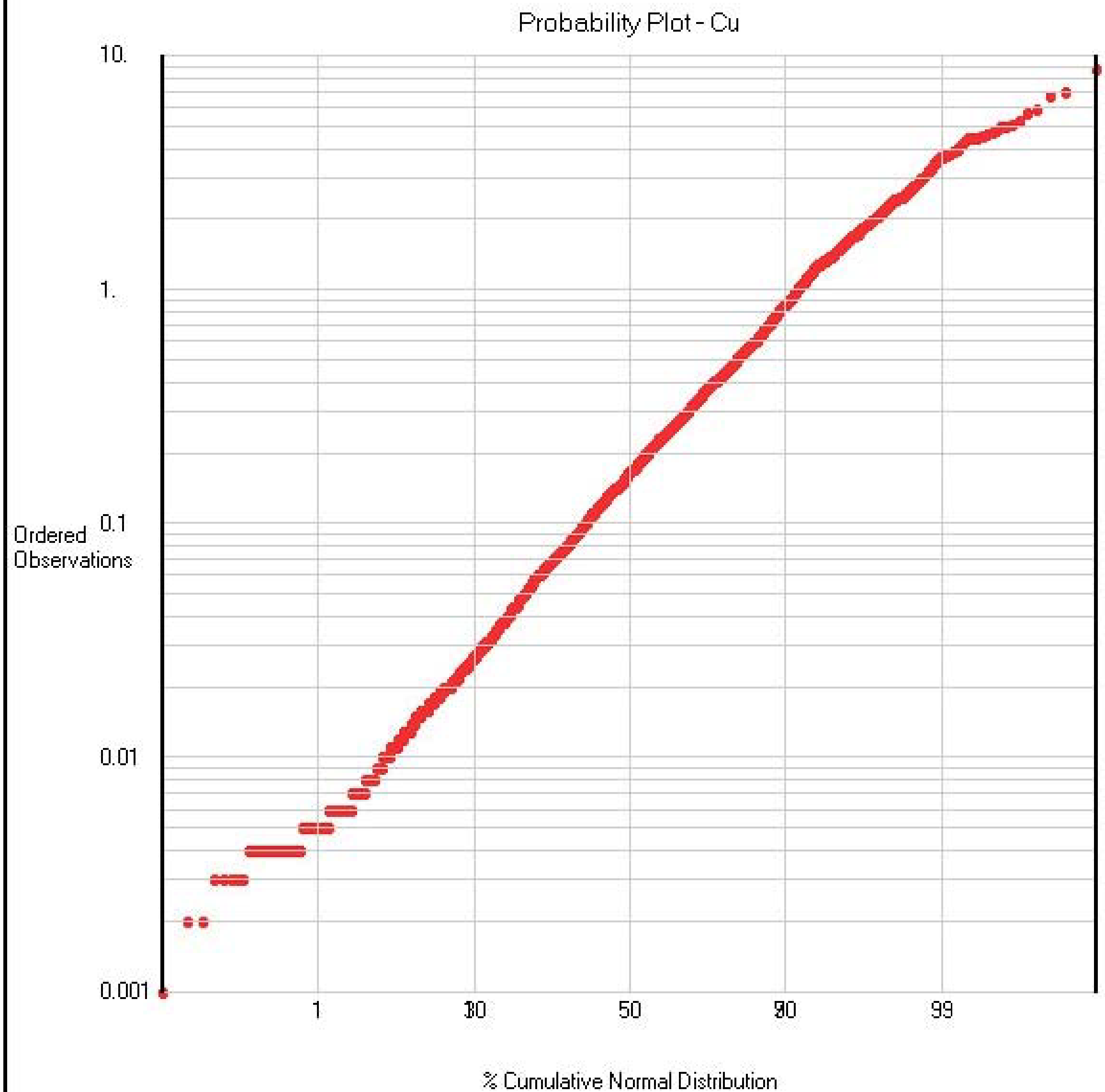
To Accompany Report By J. D. Blanchflower, P. Geo., 2006

Histogram Plot of Assays Results
for
Gold (ppm) in Diamond Drill Core



To Accompany Report By J. D. Blanchflower, P. Geo., 2006

Probability Plot of Assays Results
for
Copper (%) in Diamond Drill Core



Descriptive Statistics

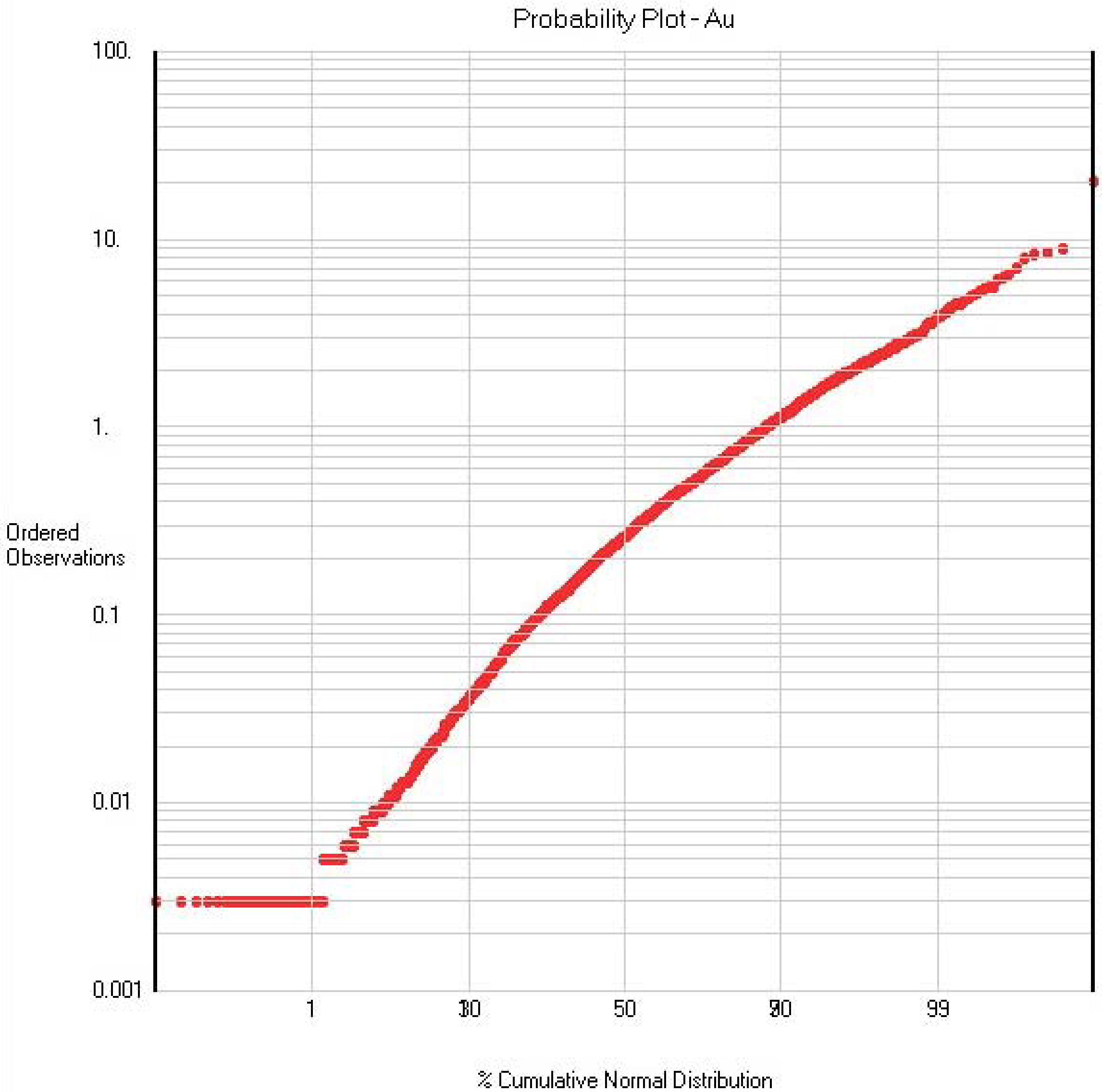
	Cu
Mean	.39
25th %-ile	0.055
Median	0.153
75th %-ile	0.408
Minimum	0.001
Maximum	12.19
count	3113
St Dev	0.71
Coef of Var	1.80598

Linear correlation: 0.08
Rank correlation: 0.08
Pitard's Relative Variance: 3.2

No upper bound
No lower bound
No Individual Points Removed

To Accompany Report By J. D. Blanchflower, P. Geo., 2006

Probability Plot of Assays Results
for
Gold (ppm) in Diamond Drill Core



Descriptive Statistics

	Au	
Mean	.53	
25th %-ile	0.087	Linear correlation: 0.08
Median	0.252	Rank correlation: 0.08
75th %-ile	0.613	Pitard's Relative Variance: 3.2
Minimum	0.003	
Maximum	26.84	No upper bound
count	3113	No lower bound
St Dev	0.98	No Individual Points Removed
Coef of Var	1.8491	

To Accompany Report By J. D. Blanchflower, P. Geo., 2006

APPENDIX IV

Summary of Diamond Drill Hole Intercepts

Summary of 2004 - 2006
Diamond Drill Intercepts

Drill Hole	From (m)	To (m)	Width (m)	Width (ft)	Gold (gpt)	Copper (%)	Zone
PDH-001	49.50	80.50	31.00	101.68	4.14	0.26	GOSZ
	125.75	159.00	27.00	88.56	0.12	0.61	
PDH-002	146.00	159.50	13.50	44.28	2.00	0.08	GOSZ
PDH-003	0.00	79.30	79.30	260.10	0.82	0.09	GOSZ
	125.75	146.00	20.25	66.42	0.07	0.30	
PDH-004	58.20	67.20	9.00	29.52	1.01	1.33	GOSZ
PDH-005	0.00	89.30	89.30	292.90	0.97	0.08	GOSZ
PDH-006	25.70	41.60	15.90	52.15	0.55	0.13	GOSZ
PDH-007	0.00	85.50	85.50	280.44	1.34	0.12	GOSZ
PDH-008	99.50	123.50	24.00	78.72	0.71	0.17	GOSZ
PDH-009	0.00	16.00	16.00	52.48	0.42	0.05	GOSZ
PDH-010	182.00	201.30	19.30	63.30	0.53	0.55	WPZ
PDH-011	13.00	29.50	15.50	50.84	0.25	0.44	GOSZ
	35.50	40.00	4.50	14.76	0.22	0.56	
	74.50	88.00	13.50	44.28	0.04	0.27	
PDH-012				no significant results			WPZ
PDH-013				no significant results			E-GOSZ
PDH-014	13.50	61.00	47.50	155.80	0.31	0.34	WPZ
PDH-015	9.50	56.30	46.80	153.50	0.32	1.10	WPZ
	126.50	128.00	1.50	4.92	7.11	0.04	
	141.50	171.50	30.00	30.00	0.25	0.25	WPZ
	177.50	179.00	1.50	4.92	4.70	0.06	
PDH-016	0.00	61.00	61.00	200.08	0.53	0.02	WPZ
	91.00	181.50	90.50	296.84	0.87	0.68	
	237.00	260.50	23.50	77.08	0.93	0.79	
PDH-017	91.50	188.00	96.50	316.52	0.78	0.67	WPZ
Includes	92.30	150.00	57.70	189.26	1.04	1.00	
PDH-018	20.50	55.00	34.50	113.16	0.31	0.41	WPZ
	99.60	127.25	27.65	90.69	0.17	0.23	
Includes	99.60	108.80	9.20	30.18	0.19	0.41	
PDH-019	38.50	56.50	18.00	59.04	0.28	0.45	WPZ
PDH-020	108.00	161.25	53.25	174.66	0.31	0.60	WPZ
Includes	128.25	158.25	30.00	98.40	0.24	1.02	
PDH-021	54.00	76.00	22.00	72.16	0.34	0.03	WPZ
	76.00	117.00	41.00	134.48	0.84	0.08	
PDH-022	137.00	189.60	52.60	172.53	0.07	0.62	WPZ
Includes	144.80	167.60	22.80	74.78	0.13	1.09	
PDH-023	25.00	62.35	37.35	122.51	0.21	0.16	WPZ
	244.00	253.00	9.00	29.52	0.93	0.09	
	280.00	290.00	10.00	32.80	0.01	0.36	

Summary of 2004 - 2006
Diamond Drill Intercepts

Drill Hole	From (m)	To (m)	Width (m)	Width (ft)	Gold (gpt)	Copper (%)	Zone
PDH-024	150.00	192.47	42.47	139.30	0.04	0.70	WPZ
	192.49	204.00	11.54	37.85	0.01	0.29	
PDH-025	152.50	213.30	60.80	199.50	0.71	1.18	WPZ
Includes	161.20	171.00	9.80	32.10	1.30	4.43	
PDH-026	0.00	9.50	9.50	31.16	0.46	0.05	WPZ
	40.00	113.50	73.50	241.10	0.17	0.19	
Includes	89.00	101.50	12.50	41.00	0.07	0.78	
Includes	101.50	113.50	12.00	39.36	0.52	-	
PDH-027	10.50	89.00	78.50	257.50	0.44	0.36	GOSZ
PDH-028	29.00	121.05	92.05	302.00	0.27	0.16	GOSZ
Includes	67.50	105.50	38.00	125.00	0.24	0.87	
PDH-029	65.80	110.20	44.40	145.70	-	0.36	WPZ
Includes	88.00	104.50	16.50	54.10	-	0.97	
PDH-030	0.00	5.50	5.50	18.04	0.75	0.06	GOSZ
	110.50	131.50	21.00	68.88	0.26	0.24	
	145.00	149.50	4.50	14.76	0.12	0.78	
	157.00	158.50	1.50	4.92	2.25	0.05	
	167.50	169.00	1.50	4.92	2.50	0.05	
PDH-031	0.00	3.75	3.75	12.30	0.50	0.05	GOSZ
	73.00	91.00	18.00	59.04	0.19	0.14	
	97.00	143.50	46.50	152.52	0.84	0.11	
	151.00	152.50	1.50	4.92	3.15	1.12	
	176.50	184.00	7.50	24.60	0.33	0.25	
	193.00	196.00	3.00	9.84	0.08	0.19	
	206.50	211.00	4.50	14.76	0.11	0.31	
PDH-032	0.00	4.90	4.90	16.00	0.06	0.29	WPZ
	27.85	59.60	31.75	104.14	0.38	0.04	
PDH-033	82.00	86.50	4.50	14.76	0.33	0.05	WPZ
	97.00	101.50	4.50	14.76	0.85	0.05	
PDH-034	0.00	41.40	41.40	135.79	0.49	0.18	WPZ
Includes	27.00	41.40	14.40	47.23	0.74	0.29	
	96.20	102.20	6.00	19.68	0.40	0.04	
	110.05	120.10	10.05	32.96	0.17	0.20	
	168.00	169.50	1.50	4.92	0.01	1.60	
PDH-035	20.00	47.00	27.00	88.56	0.28	0.42	WPZ
	47.00	84.50	37.50	123.00	0.30	0.15	
	84.50	95.00	10.50	34.44	0.27	0.08	
	95.00	123.50	28.50	93.48	0.34	0.13	
	140.00	141.50	1.50	4.92	0.01	1.08	
	162.50	167.00	4.50	14.76	0.03	0.21	
PDH-036	154.50	185.00	30.50	100.00	0.18	0.23	WPZ

Summary of 2004 - 2006
Diamond Drill Intercepts

Drill Hole	From (m)	To (m)	Width (m)	Width (ft)	Gold (gpt)	Copper (%)	Zone
PDH-037	132.50	213.50	81.00	267.10	0.25	0.28	WPZ
	233.00	247.50	14.50	47.60	0.17	0.44	
PDH-038	55.70	60.77	5.07	16.63	0.36	0.49	MCOZ
	74.60	76.65	2.05	6.73	0.16	0.21	
PDH-039	55.00	139.10	83.95	175.43	2.10	1.10	WPZ
PDH-040	7.50	9.00	1.50	4.92	3.03	0.59	MCOZ
	43.50	46.50	3.00	9.84	0.67	0.01	
	52.50	54.00	1.50	4.92	0.67	0.03	MCOZ
PDH-041	35.30	82.15	46.85	153.71	0.79	0.15	
Includes	57.80	74.80	17.00	55.77	1.72	0.31	
Includes	154.50	180.80	26.30	86.29	0.72	0.03	
PDH-042	24.00	129.50	105.50	346.13	0.40	0.42	WPZ
Includes	33.00	78.50	45.50	149.28	0.29	0.03	
Includes	86.00	129.50	43.50	142.72	0.63	0.97	
PDH-043	9.00	65.50	56.50	185.37	1.12	-	MCOZ
Includes	9.00	17.50	8.50	27.89	5.45	-	
	176.00	190.50	14.50	47.57	0.39	-	
PDH-044	111.80	160.40	48.60	159.10	0.37	0.12	WPZ
PDH-045			no significant results				MCOZ
PDH-046	15.20	23.00	7.80	25.60	0.39	0.11	WPZ
	163.00	321.70	158.70	520.50	0.13	0.15	
	321.70	386.50	64.80	212.50	0.02	1.03	
PDH-047	156.40	273.20	116.80	383.10	0.61	0.33	WPZ
PDH-048	54.70	174.70	120.00	393.60	0.23	0.35	WPZ
PDH-049	13.50	39.20	25.70	84.30	0.90	0.40	WPZ
Includes	23.50	39.20	15.70	51.50	1.20	0.63	
PDH-050	11.00	72.50	61.50	201.72	0.47	0.41	WPZ
PDH-051	18.00	27.00	9.00	29.52	0.36	0.01	WPZ
	42.00	58.50	16.50	54.12	0.21	0.02	
	86.50	147.10	60.60	198.77	1.20	0.14	
	147.10	236.20	89.10	292.25	0.53	0.13	
PDH-052	67.20	80.15	12.95	42.48	0.10	0.16	WPZ
	102.50	113.00	10.50	34.44	0.48	0.21	
PDH-053	124.80	141.40	16.60	54.45	0.69	0.19	
	149.00	196.00	47.00	154.16	0.10	0.33	
	205.50	210.00	4.50	14.76	0.06	0.59	WPZ
PDH-054	0.00	25.05	25.05	82.16	0.19	0.54	
	98.50	143.00	44.50	145.96	0.20	0.10	
	162.50	218.20	55.70	182.70	0.48	0.11	
Includes	196.50	202.00	6.00	19.68	2.73	0.07	

Summary of 2004 - 2006
Diamond Drill Intercepts

Drill Hole	From (m)	To (m)	Width (m)	Width (ft)	Gold (gpt)	Copper (%)	Zone
PDH-055	154.00	240.90	86.90	285.03	0.48	0.67	WPZ
	209.00	221.45	12.45	37.97	1.19	1.36	
PDH-056	3.70	48.25	44.55	146.12	0.73	0.36	WPZ
PDH-057	124.00	270.00	146.00	478.88	0.39	0.26	WPZ
PDH-058	213.50	216.90	3.40	11.15	0.40	0.02	WPZ
PDH-059	62.40	106.36	43.96	144.19	0.11	1.72	WPZ
PDH-060	189.00	292.00	103.00	337.84	1.28	1.21	WPZ
Includes	216.20	263.00	46.80	153.50	1.86	2.17	
PDH-061	87.50	94.10	6.60	21.65	0.46	0.24	WPZ
	233.00	238.00	5.00	16.40	0.38	0.02	
PDH-062	108.50	230.60	122.10	400.49	0.51	0.41	WPZ
includes	169.00	184.20	15.20	49.86	0.15	1.30	
includes	215.50	230.60	15.10	49.53	1.75	1.33	
PDH-063	73.75	140.20	66.45	217.96	0.39	0.57	WPZ
PDH-064	175.30	300.50	125.20	410.66	0.54	0.26	WPZ
PDH-065	0.00	26.00	26.00	85.28	0.06	0.90	WPZ
	26.00	36.00	10.00	32.80	0.27	0.11	
PDH-066	3.70	48.25	44.55	146.12	0.73	0.36	WPZ
PDH-067	19.60	52.50	32.60	106.93	0.13	1.22	GOSZ
	81.40	93.90	12.50	41.00	0.05	0.36	
	133.30	140.80	7.50	24.60	0.55	0.01	
PDH-068	147.00	195.50	48.50	159.08	0.59	0.48	WPZ
PDH-069	208.50	344.50	136.00	446.08	0.79	0.55	WPZ
PDH-070	171.40	277.50	105.70	346.70	0.34	0.23	WPZ

APPENDIX V

2006 Quality Assurance – Quality Control Summary

SUMMARY REPORT

on the

2006 QUALITY ASSURANCE and

QUALITY CONTROL PROGRAM

for the

PINAYA PROJECT

- Prepared For -

ACERO-MARTIN EXPLORATION INC.

Suite 1600, 700 West Pender Street
Vancouver, British Columbia, Canada V6C 1G8
Tel: (604) 646-0067

- Prepared By -

MINOREX CONSULTING LTD.

25856 – 28th Avenue
Aldergrove, British Columbia, Canada V4W 2Z8

October 27, 2006

J. Douglas Blanchflower, P. Geo.
Consulting Geologist

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SUMMARY and RECOMMENDATIONS

The results of the 2006 Quality Assurance and Quality Control ('QA/QC')program support the 2006 drill core assay results for holes PDH-025 to PDH-070. Previous 2004 and 2005 drilling by Acero-Martin were the subject of a 43-101 technical report, including a Quality Assurance and Quality Control investigation, by Mr. J. McCrea. The 2006 trench samples were not submitted with standards, blanks and duplicates, and were, therefore, not included in this QA/QC report.

It is recommended that:

- all future assay samples, from both drilling and trenching, be submitted with standards, blanks, and duplicates for QA/QC study;
- there be more supervision of the drill core sampling to insure that the correct standards be inserted within the assay sample sequence;
- regular QA/QC checking of drill core analyses be should undertaken and any failed samples or mineralized blanks be re-analysed prior to reporting any drilling results;
- the Company should address the apparent laboratory contamination as evident from the contaminated blank samples. To this end, more quartz washing of the laboratory crusher and pulverizing equipment is recommended with more analyses of the used quartz wash material;
- a minimum of five percent (5%) of the total assay samples be check-assayed on a regular basis, not at the end of each phase of drilling; and
- the biases of slightly higher copper results from the ALS Chemex assay laboratory and slightly higher gold results from SGS Mineral Services' assay laboratory should be investigated and resolved.

INTRODUCTION

The author has completed a review of the Quality Assurance and Quality Control ('QC/QA') data from the 2006 diamond drilling campaigns undertaken by Acero-Martin Exploration Inc. ('Acero-Martin') on the Pinaya copper-gold property in southcentral Peru. This review includes all standard, blank and duplicate assay results for drill holes PDH-025 to PDH-070, and the independent check-assay results which represent approximately five percent (5%) of the entire assay data under review. A review of the QA/QC data from the first twenty-four holes completed by Acero-Martin in 2004 and 2005 were reported by James McCrea in his 'Technical Report on the Pinaya Gold-Copper Property, South Central Peru' dated July 14 2006. This report has been filed with Exchange and is available for online viewing through the facilities of SEDAR.

STANDARD REFERENCE MATERIAL PERFORMANCE

During the 2006 diamond drilling campaigns, Acero-Martin utilized six different standard reference materials ('SRM') which were inserted into the drill core assaying sequence and later assayed with the drill core samples for their copper and gold contents. The SRM samples were purchased from CDN Laboratories in Delta, British Columbia and packaged in 100 gram pulp bags.

Table I: Standard Reference Material Samples Utilized in 2006

SRM ID	Mean Value Copper (%)	Mean Value Gold (ppm)		Two Standard Deviations Copper (%)	Two Standard Deviations Gold (ppm)	No. Analysed
CDN-CGS-2	1.177	0.970	+/-	0.046	0.092	29
CDN-CGS-3	0.646	0.530	+/-	0.031	0.048	2
CDN-CGS-6	0.318	0.260	+/-	0.018	0.030	140
CDN-CGS-7	1.010	0.950	+/-	0.070	0.080	86
CDN-CGS-8	0.105	0.080	+/-	0.008	0.012	22
CDN-CGS-9	0.473	0.340	+/-	0.025	0.034	135

SGS Mineral Laboratories (SGS del Perú S.A.C) was the primary laboratory used for all assaying of drill core samples, standards, blanks and duplicates, and ALS Chemex (ALS Perú S.A.) was the secondary assay laboratory for all check-assaying. The Standard Reference Material results are charted in Figures 1 to 10 of this report. No charts were prepared for SRM CDN-CGS-3 due to only two samples being assayed which is an insufficient number of data for meaningful analysis.

Acero-Martin submitted 414 Standard Reference Material samples for analysis with the 2006 drill core samples. These SRM samples were analyzed for copper and gold using the same assay procedures as those employed with the drill core samples. One of the samples was analysed for copper but not for its gold content; reportedly because there was insufficient SRM when it arrived at the laboratory. Aside from the one missed analysis, 10 of the SRM samples were apparently incorrectly recorded in the field sample assay log and the wrong SRM sample was inserted into the sample sequence. These errors were only discovered after all of the drill core samples had been assayed and five percent of the total samples had been check-assayed. Evidence for this recording error was apparent when the check-assay results for a particular SRM returned a value within the two standard deviation assay range for a different SRM. More field supervision is recommended for all SRM, blank and duplicate insertion and recording.

The failure rate for the SRM sample assaying, excluding the ten incorrectly recorded samples, was 7 percent for all copper and 3.2 percent for all gold assays. This rate is unacceptably high; however, since the check-assaying was undertaken after drilling had ceased and all of the drill core assaying was completed no action was taken by Company. Normal QA/QC protocol is to re-assay the batches with the failed standards and replace the initial assay results with those from the re-assayed samples. This SRM failure rate may indicate a problem at the primary assay laboratory, and decisive action must be undertaken to remedy this problem.

The current assay protocol has the standards submitted to the lab as pulp bags with bags of uncrushed drill core samples. This is not a blind submission. It is suggested that the prepared standard pulps be randomly inserted, with blind sample numbers, into a sequence of already-prepared sample pulps, perhaps five percent of the total assay samples, and then compare the results of this 'blind' submission.

Figure 1: Standard CDN-CGS-2 – Copper (%) Assay Results

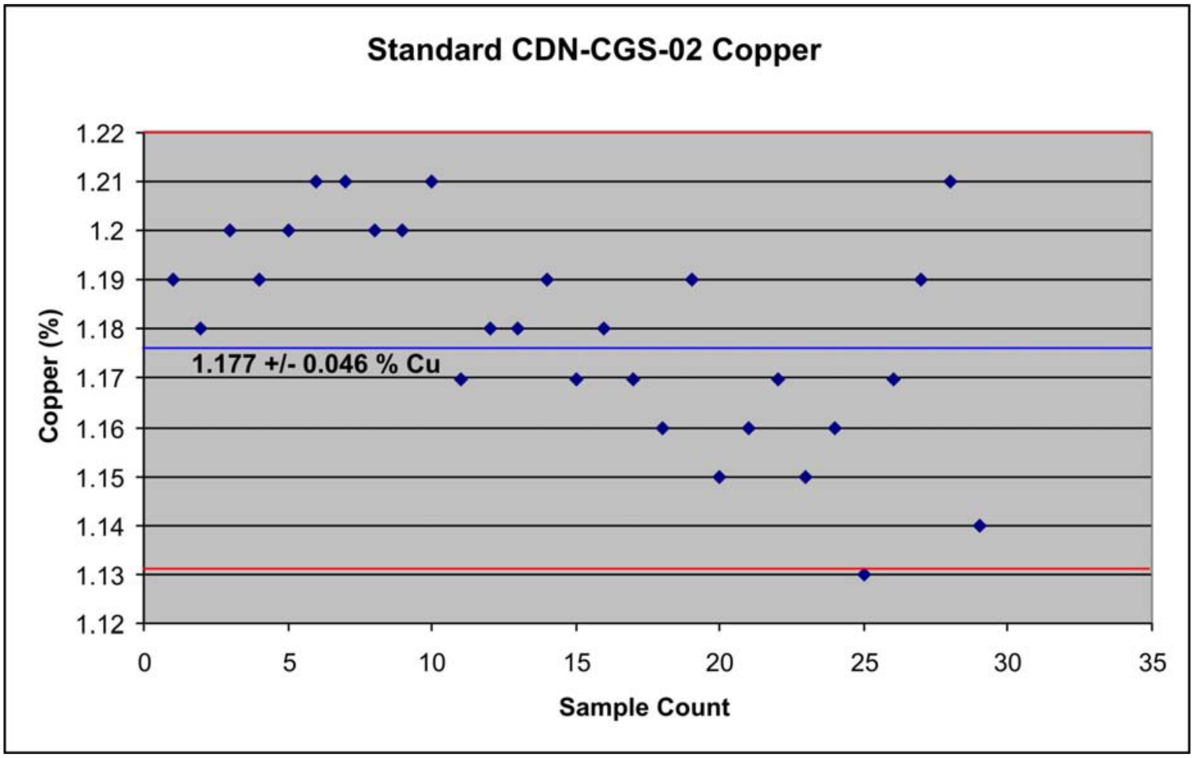


Figure 2: Standard CDN-CGS-2 – Gold (ppm) Assay Results

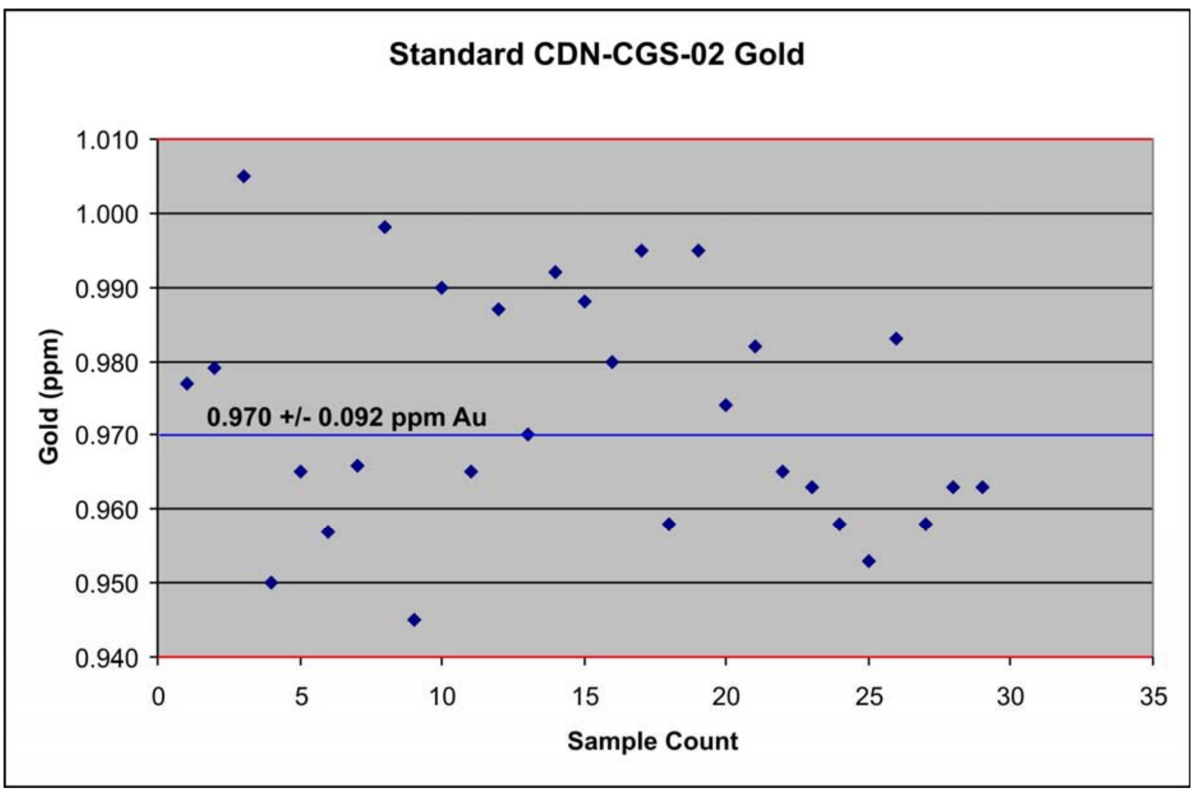


Figure 3: Standard CDN-CGS-6 – Copper (%) Assay Results

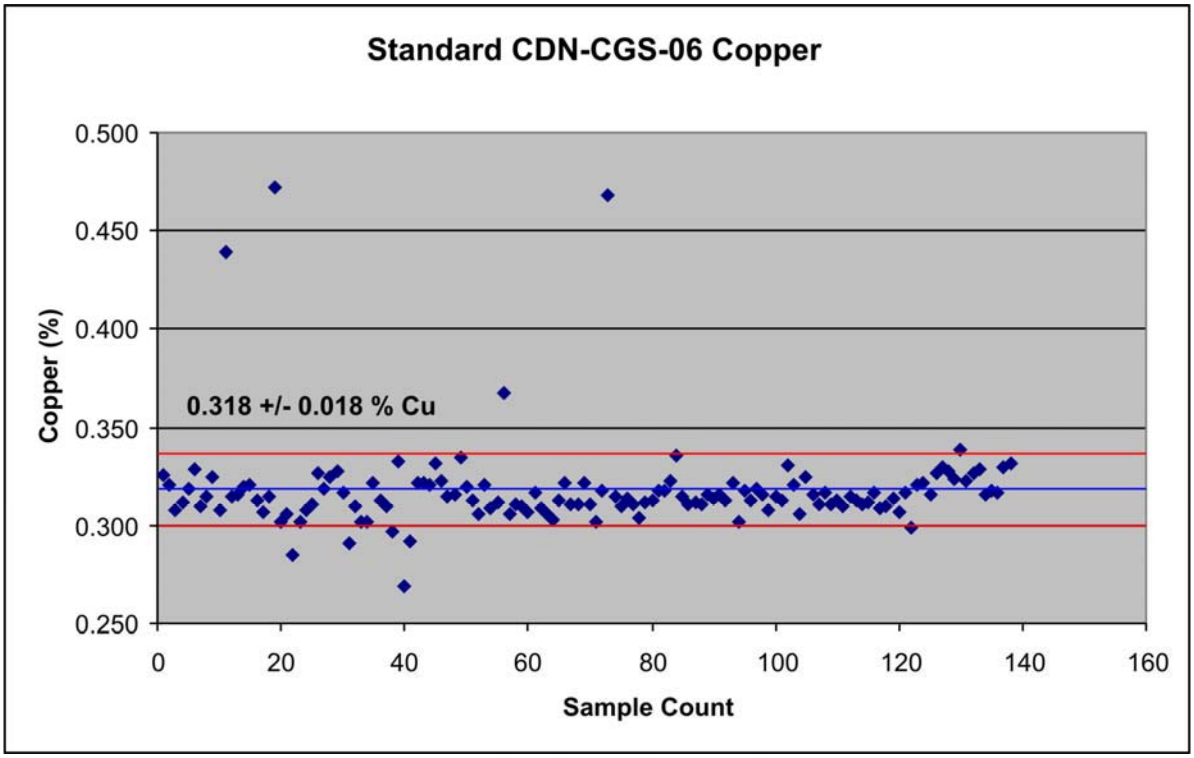


Figure 4: Standard CDN-CGS-6 – Gold (ppm) Assay Results

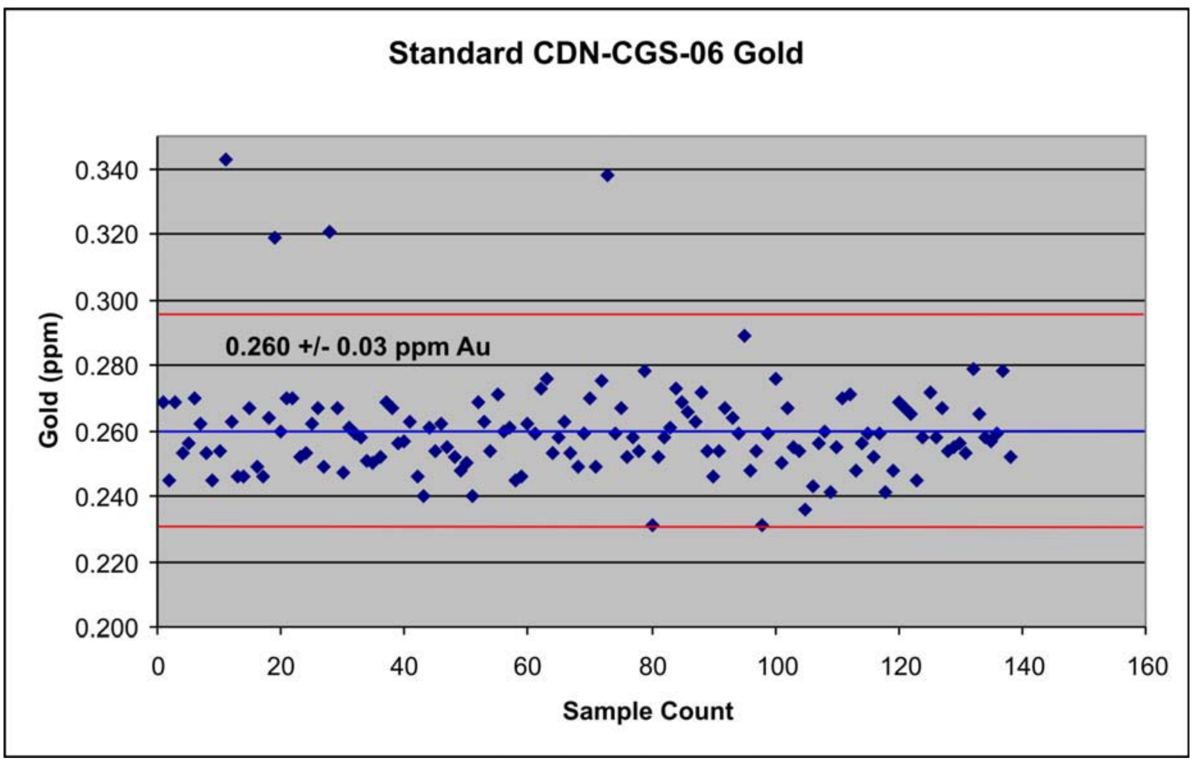


Figure 5: Standard CDN-CGS-7 – Copper (%) Assay Results

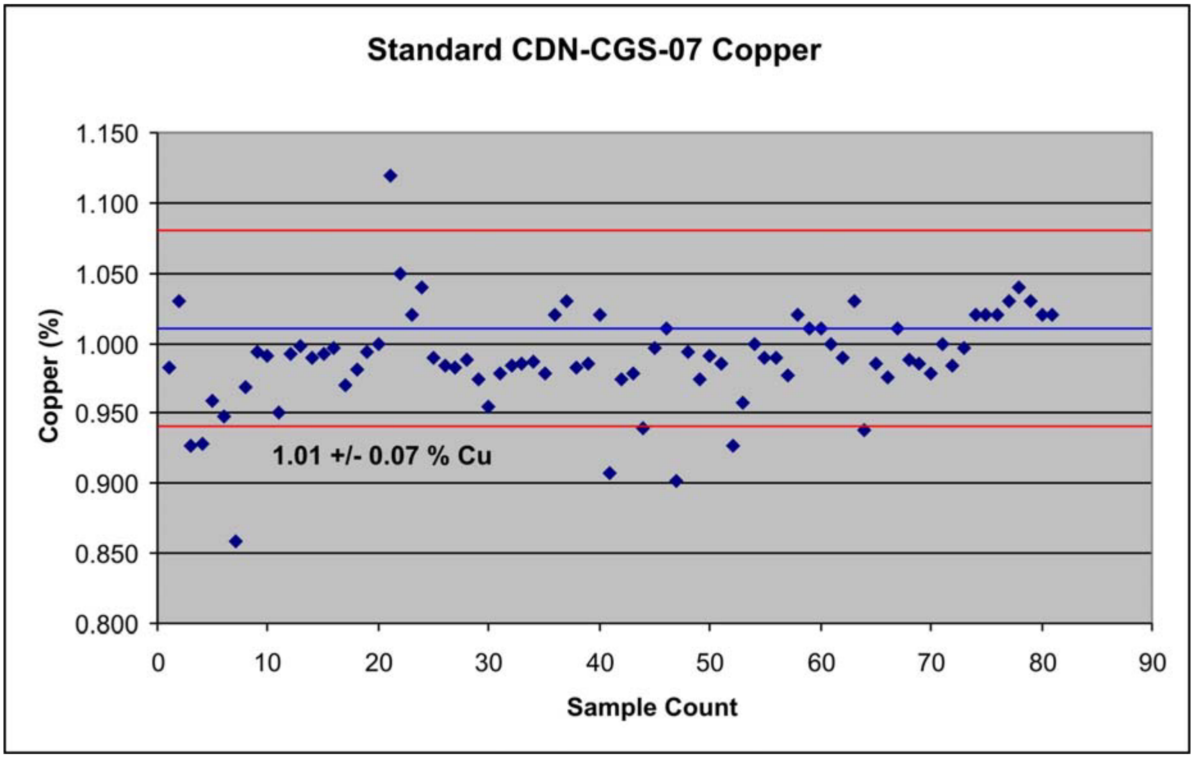


Figure 6: Standard CDN-CGS-7 – Gold (ppm) Assay Results

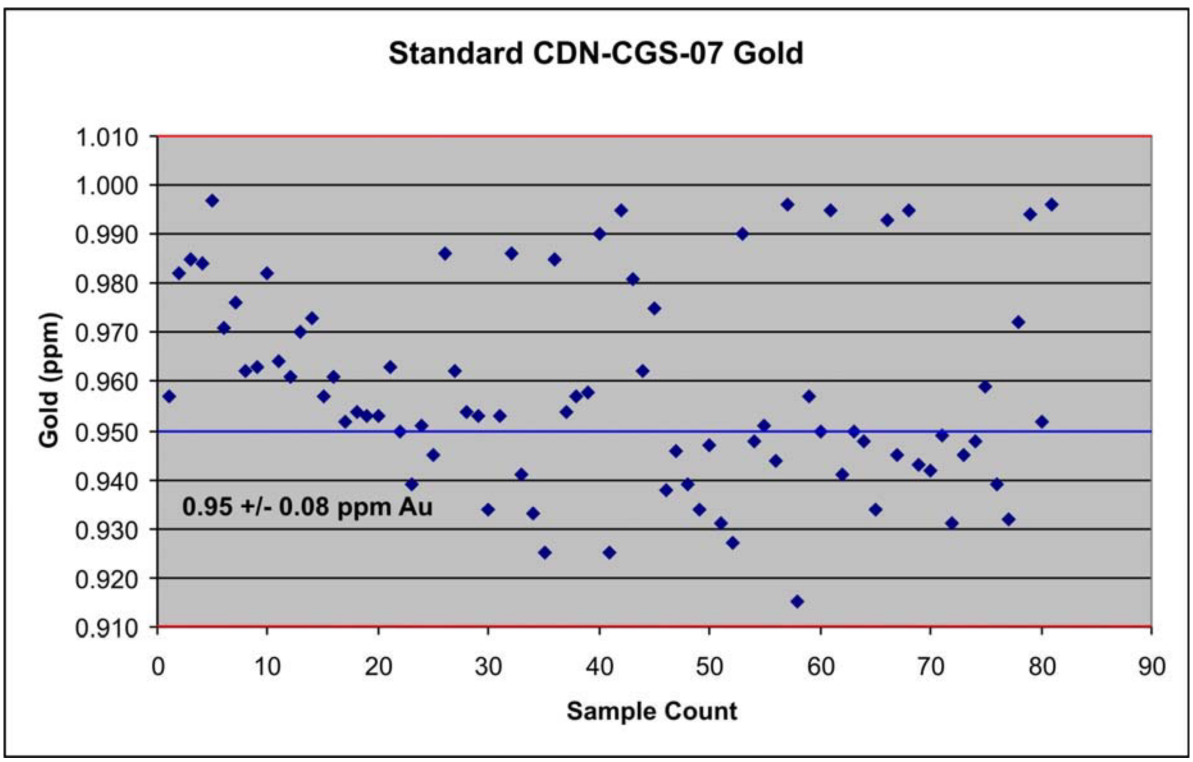


Figure 7: Standard CDN-CGS-8 – Copper (%) Assay Results

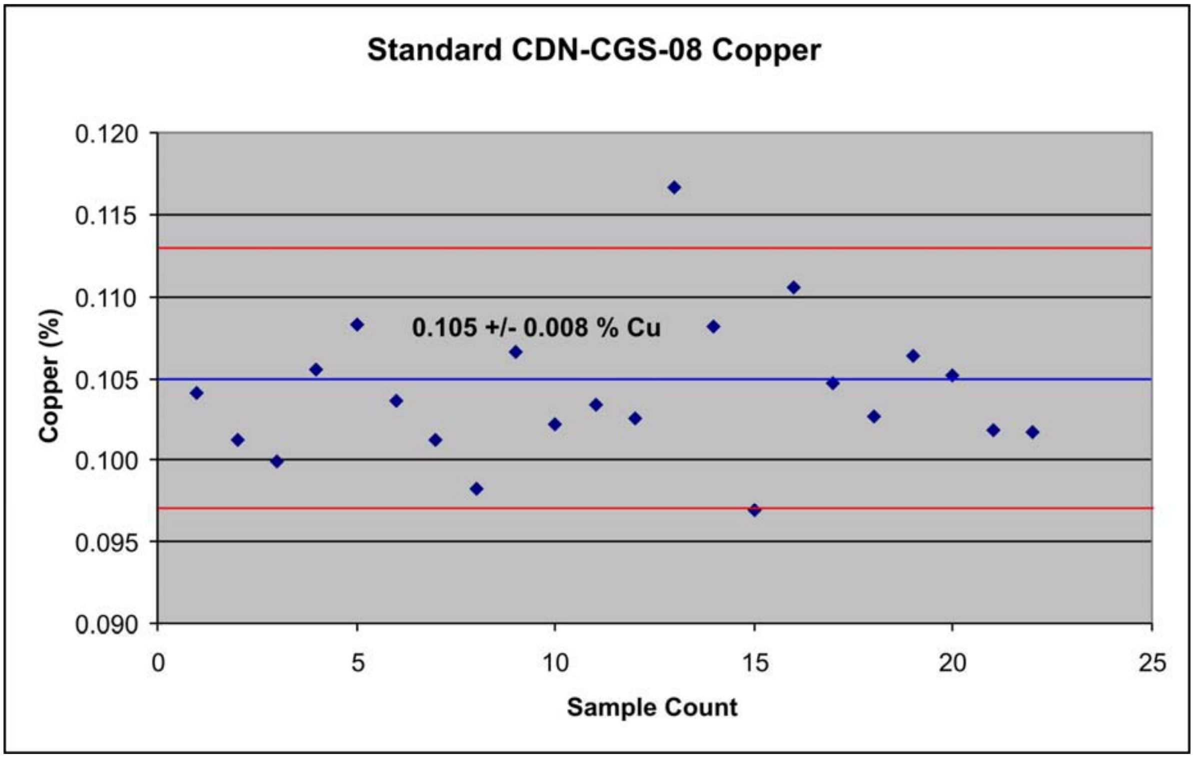


Figure 8: Standard CDN-CGS-8 – Gold (ppm) Assay Results

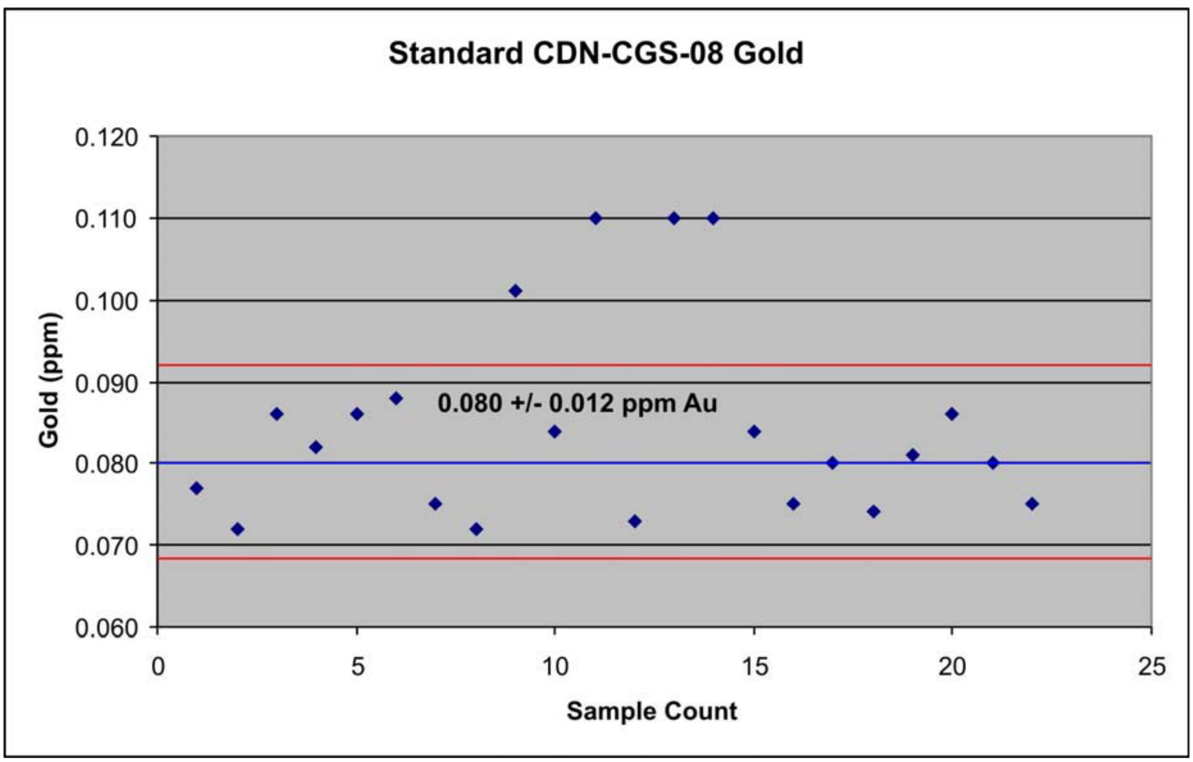


Figure 9: Standard CDN-CGS-9 – Copper (%) Assay Results

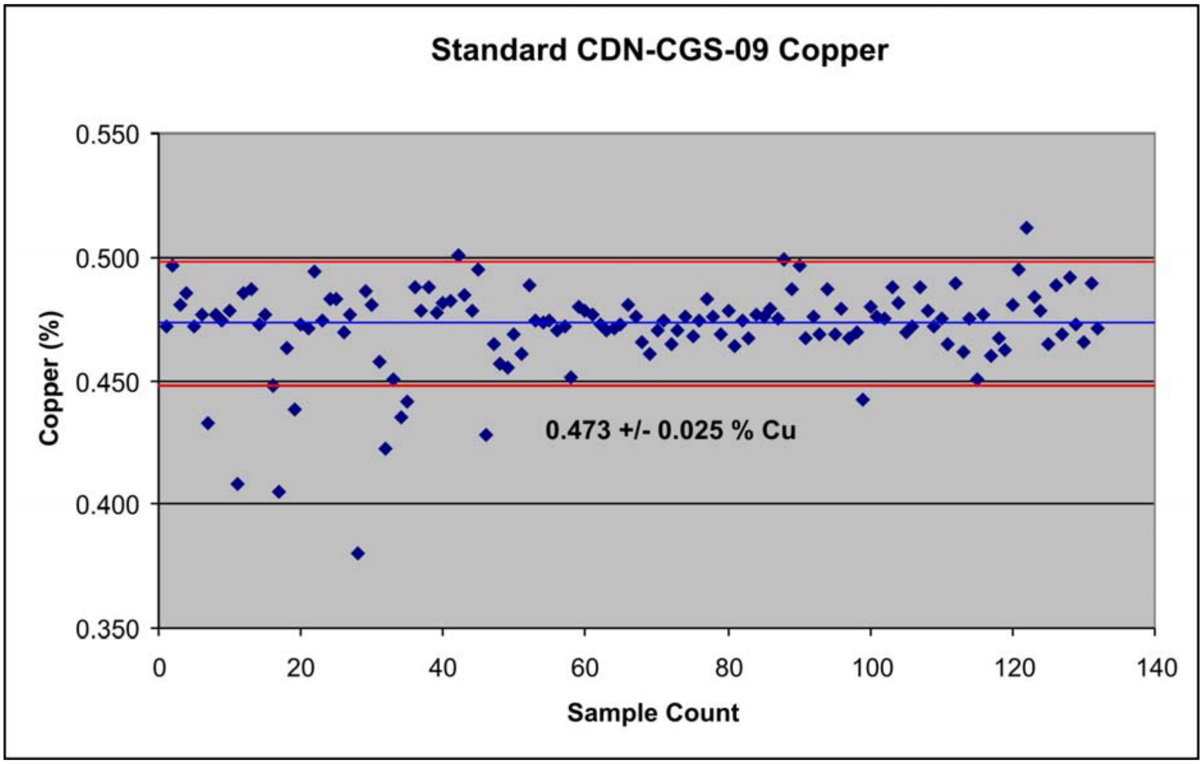
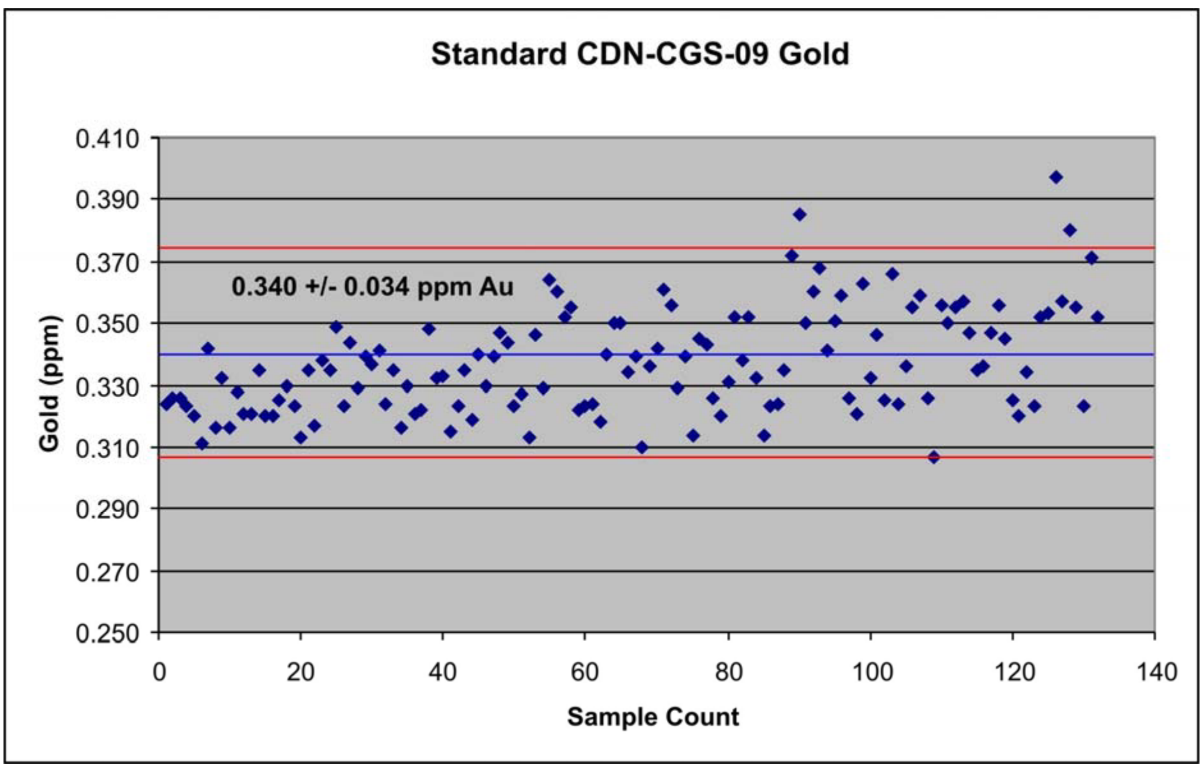


Figure 10: Standard CDN-CGS-9 – Gold (ppm) Assay Results



2006 QA/QC Blanks

During the 2006 drilling campaigns, Acero-Martin inserted blank samples on a 1 for every 20 assay samples basis. The blank material had been purchased from a local supplier of quarried barren quartz, and the material was assayed to verify that the material contained no significant mineralization. The results of 15 assays on two batches of blank material returned an average of 12.8 ppm copper and gold values below detection limits (McCrea, 2006).

The assay results of the blank material show minor copper and gold contamination. Quartz washes are utilized to clean the crushing and pulverizing equipment. It is recommended that these washes be used more often and that they should be assayed on a regular bases to check for contamination. The results of the blank analyses are plotted in Figures 11 and 12 of this report.

Figure 11: Blank Materials – Copper (%) Assay Results

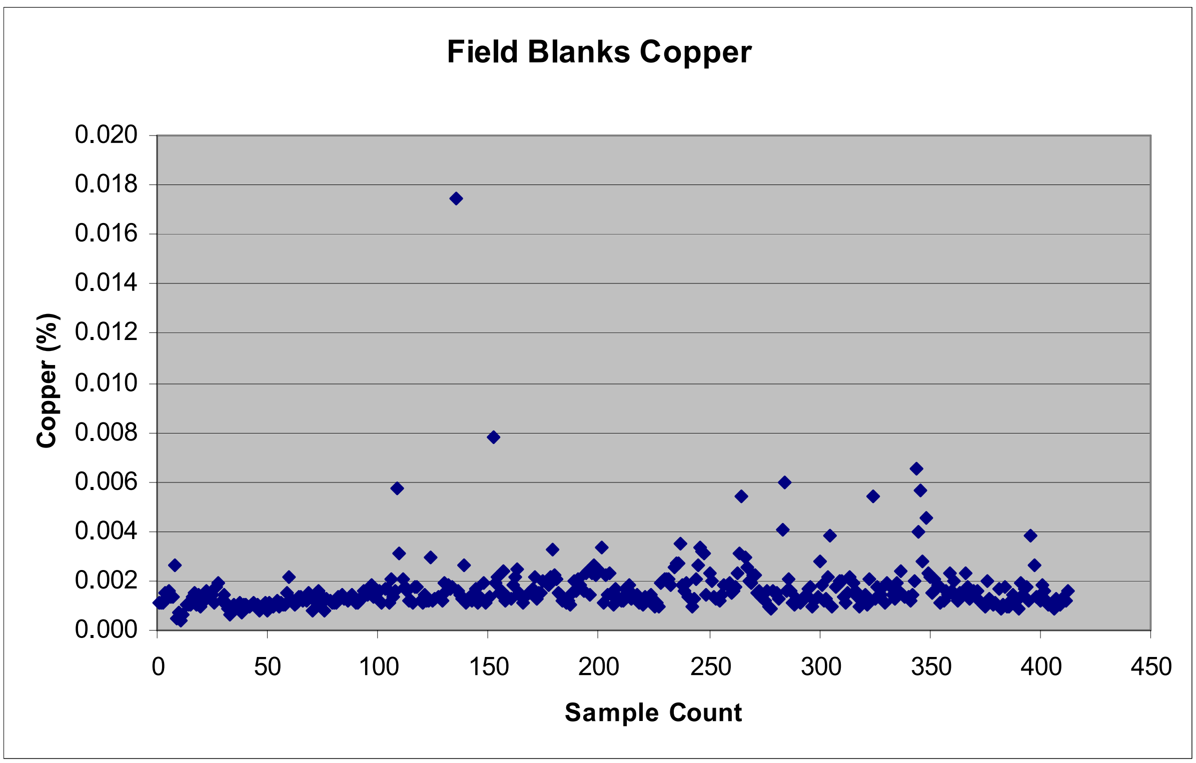
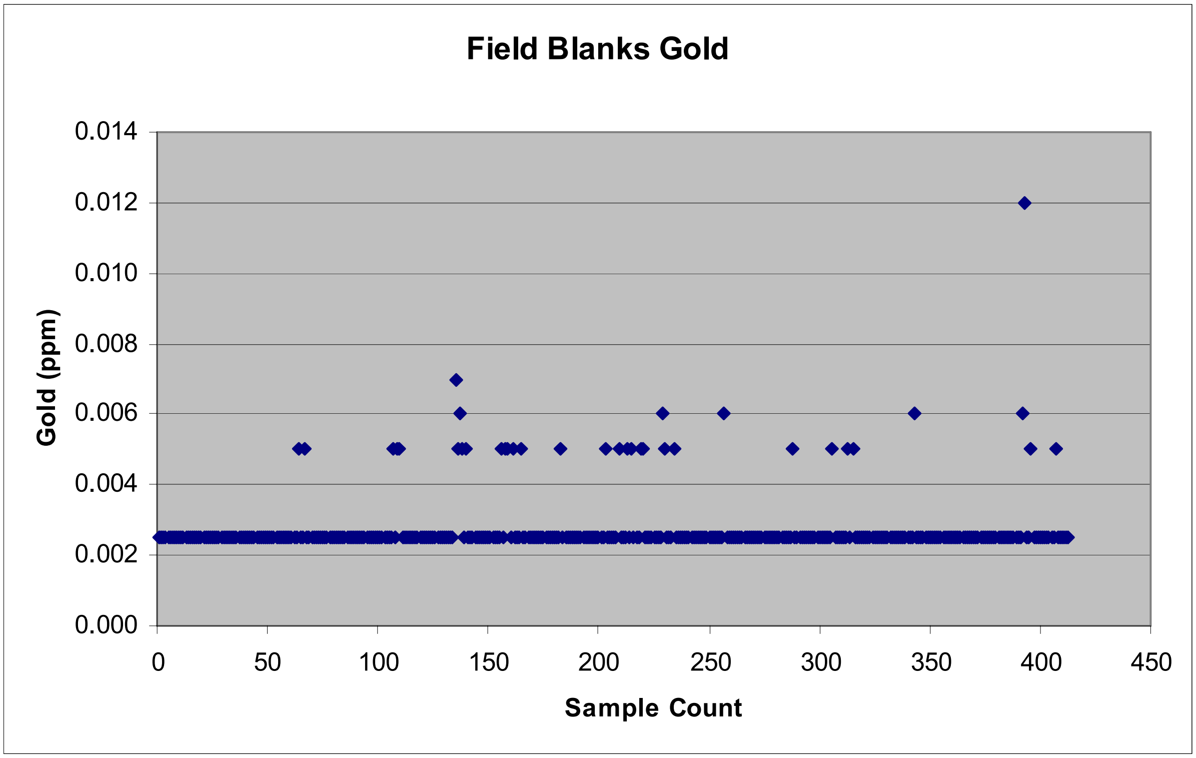


Figure 12: Blank Materials – Gold (ppm) Assay Results



2006 FIELD DUPLICATES

Acero-Martin field geologists inserted half-core duplicate samples in the drill core sampling sequence during the 2006 drilling campaigns. A total of 411 drill core duplicates were submitted for copper and gold assay. One of the duplicates had insufficient material for a reliable gold assay but the copper assay was performed. Thus, there were 411 field duplicate copper assays and 410 field duplicate gold assays.

Figures 13 and 14 are scatter plots of original drill core samples versus their duplicate drill core samples for copper and gold respectively. The blue and green lines represent a 30% acceptance range for core duplicate data.

The scatter plot for gold in original sample versus field duplicate shows scatter above and below the 30% acceptance lines. This suggests that there may be a minor but notable 'nugget' effect with the gold mineralization, especially in the 0.5 to 2.5 grams per tonne range. Copper also shows scattering above and below the 30% acceptance lines for grades 1.4 %. Such scattering is attributed to fracture infilling secondary chalcocite mineralization which may be unevenly distributed within the drill core.

Figure 13: Duplicate Samples – Copper (%) Scatter Plot

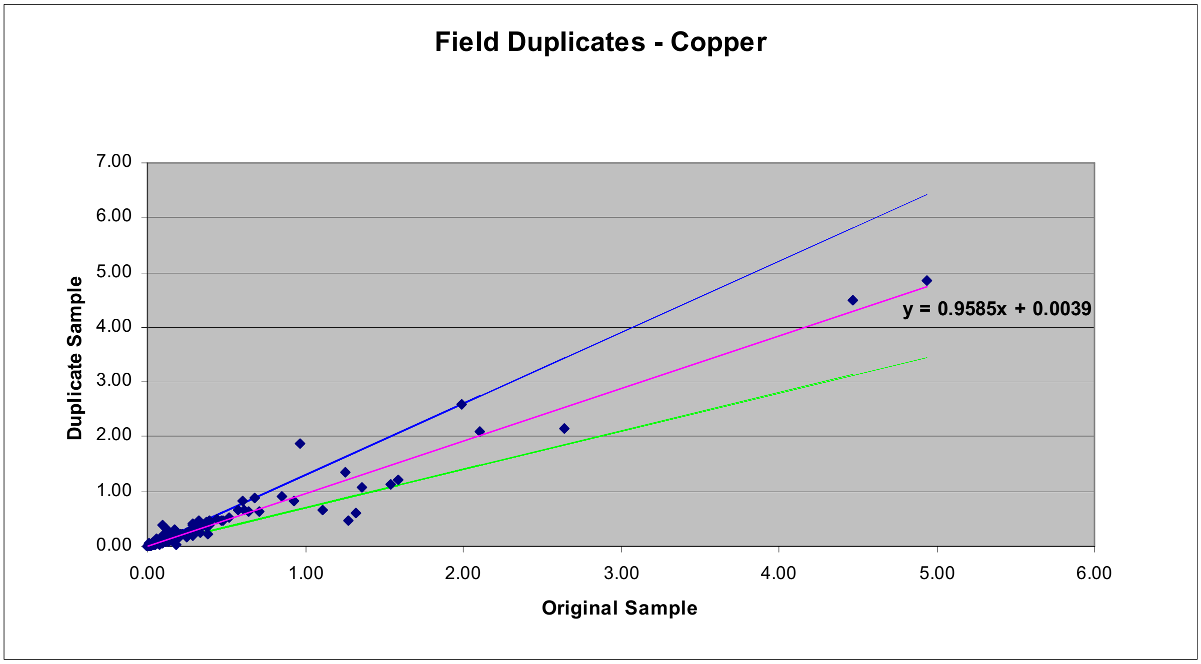
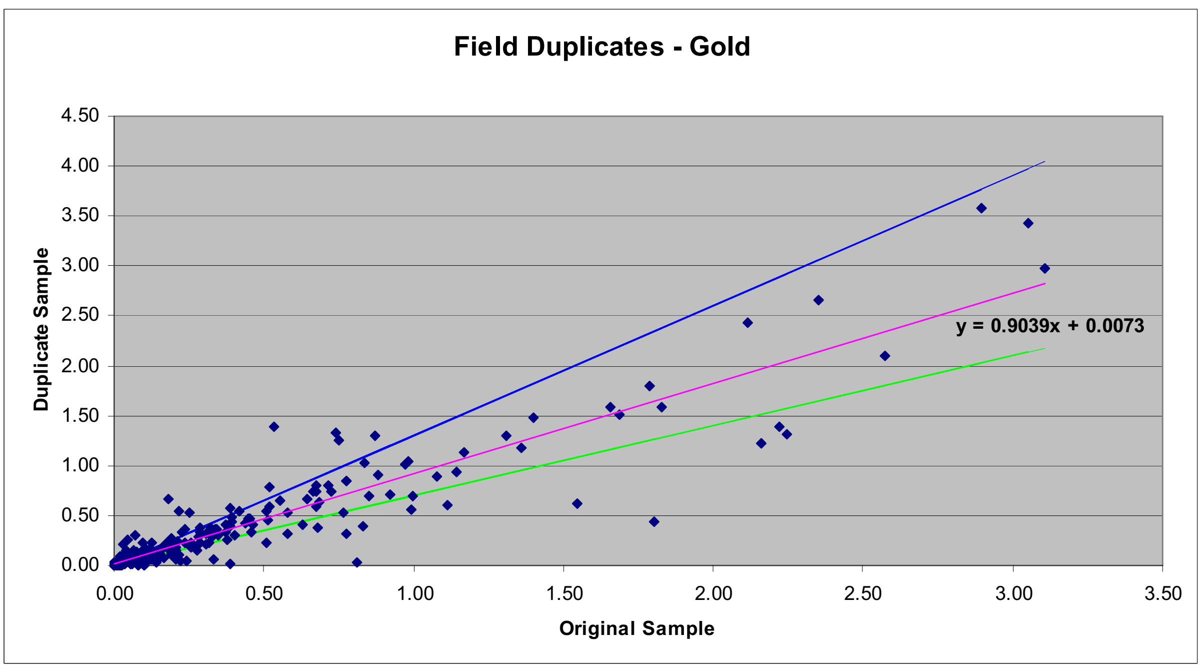


Figure 14: Duplicate Samples – Gold (ppm) Scatter Plot



Figures 15 and 16 are plots of the duplicate pair means versus their relative percent differences. The copper distribution is much tighter than that for gold but both show no apparent bias.

Figure 15: Duplicate Samples – Copper (%) Relative Percent Difference Chart

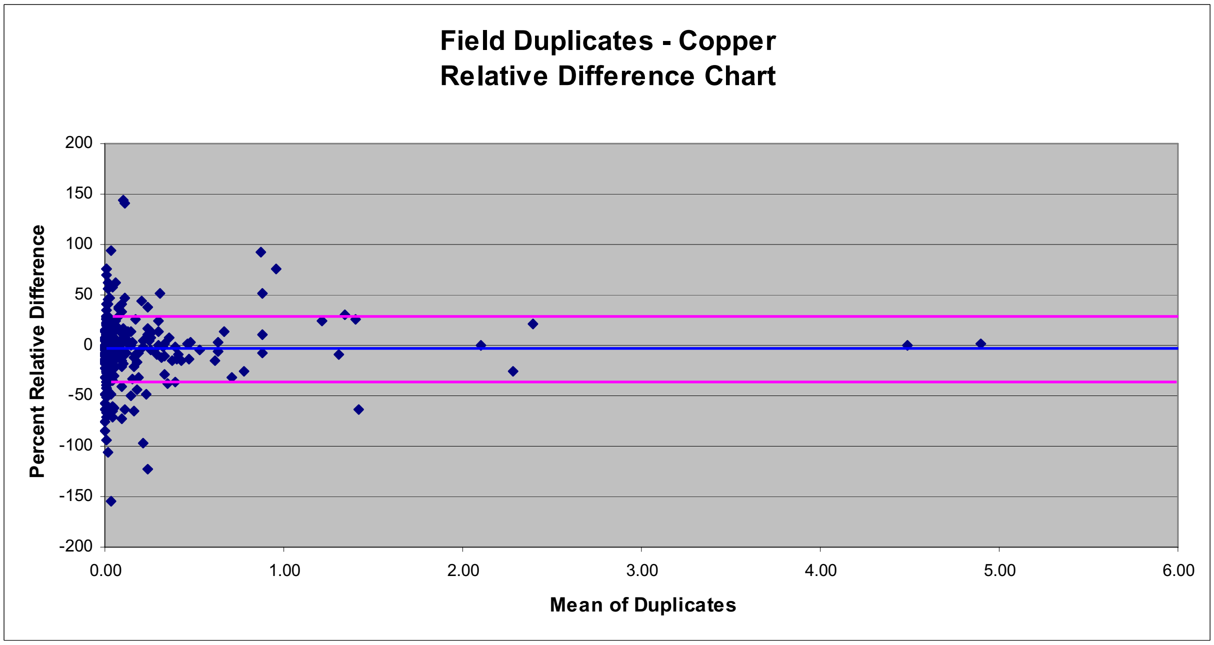
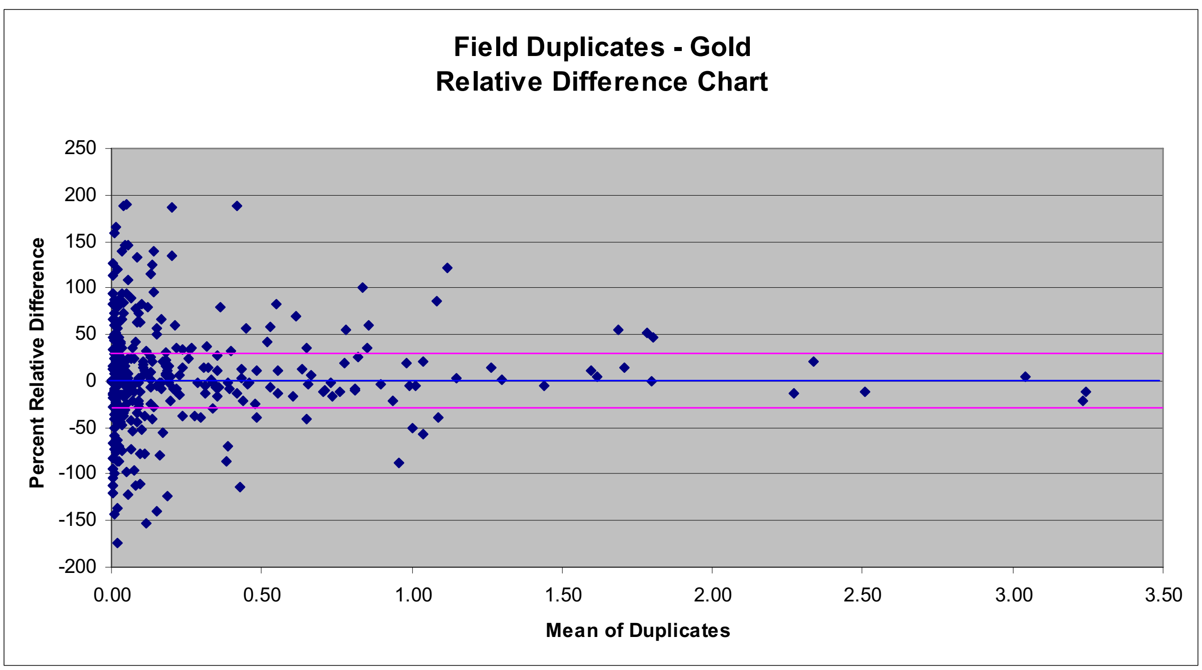


Figure 16: Duplicate Samples – Gold (ppm) Relative Percent Difference Chart



Quartile-quartile ('QQ') plots of the original versus field duplicate sample data is plotted as Figures 17 and 18 of this report. These QQ plots are utilized to check for biases between two sample populations. If the two populations have identical distributions they will plot as straight line. The QQ plots show no apparent bias.

Figure 17: Duplicate Samples – Quartile-Quartile Plot - Copper (%)

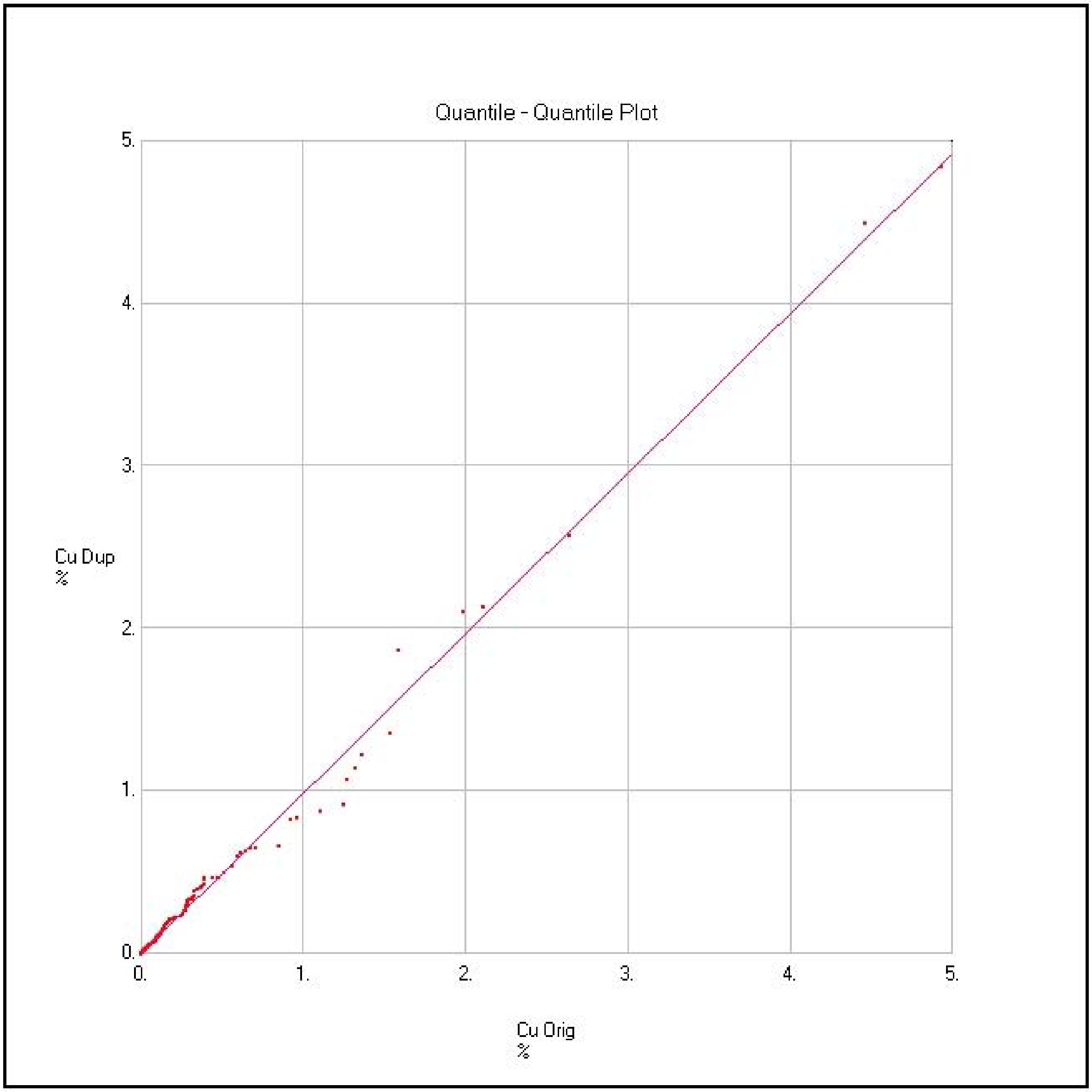
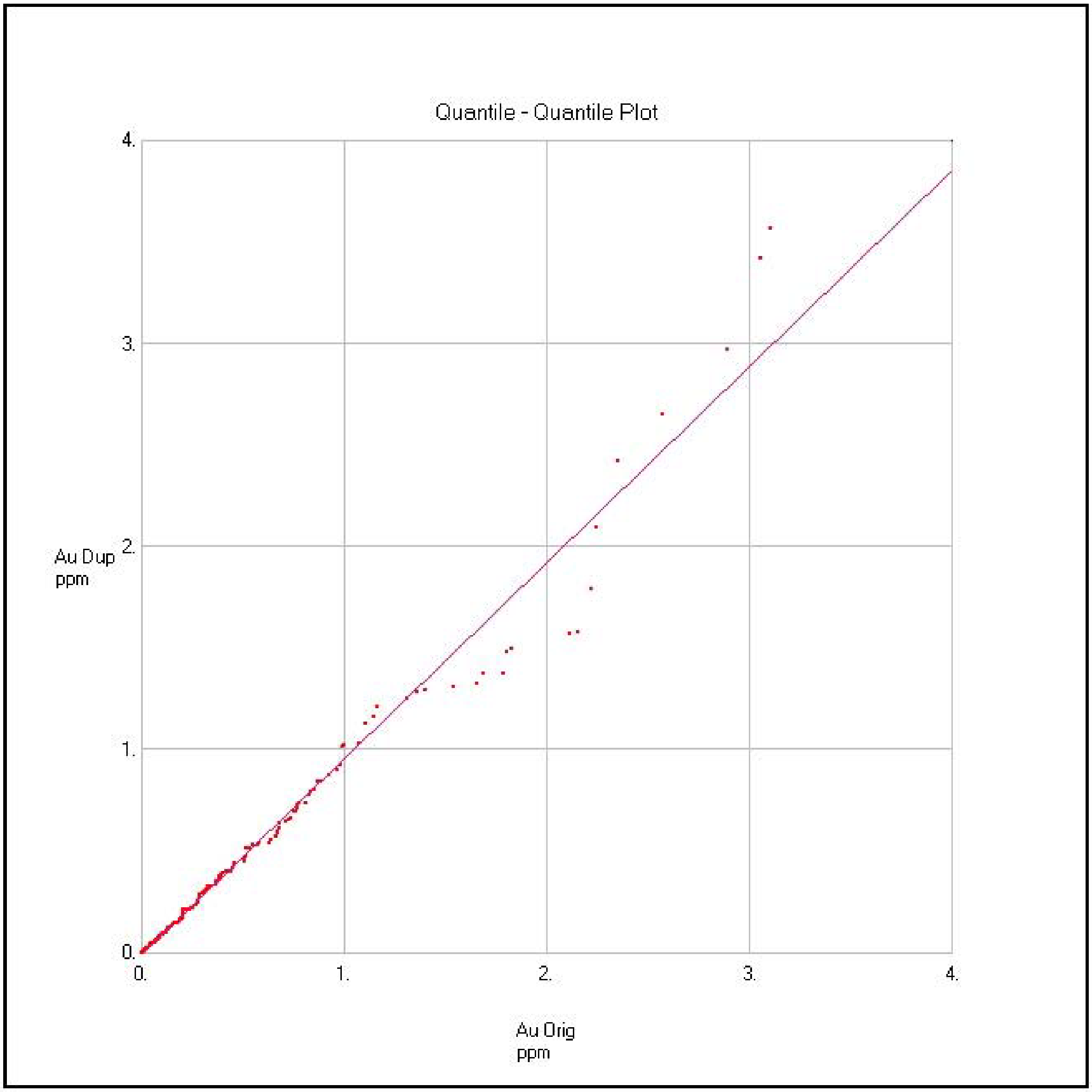


Figure 18: Duplicate Samples – Quartile-Quartile Plot - Gold (ppm)



Percentile Rank charts are plotted to validate the precision of duplicate sample assay results. Ideally, ninety percent (90%) of the field duplicate sample results should have a relative difference of thirty percent (30%) or less. Figures 19 and 20 of this report are Percentile Rank Charts for copper and gold field duplicate assay results respectively.

The copper Percentile Rank plot shows very poor precision of 45 percent absolute relative difference at the 90th percentile while the gold plot shows poor precision of 95 percent absolute relative difference at the same 90th percentile. These results further confirm a significant nugget effect with the gold mineralization but also a variance associated with secondary copper enrichment.

Figure 19: Duplicate Samples – Percentile Rank Chart - Copper (%)

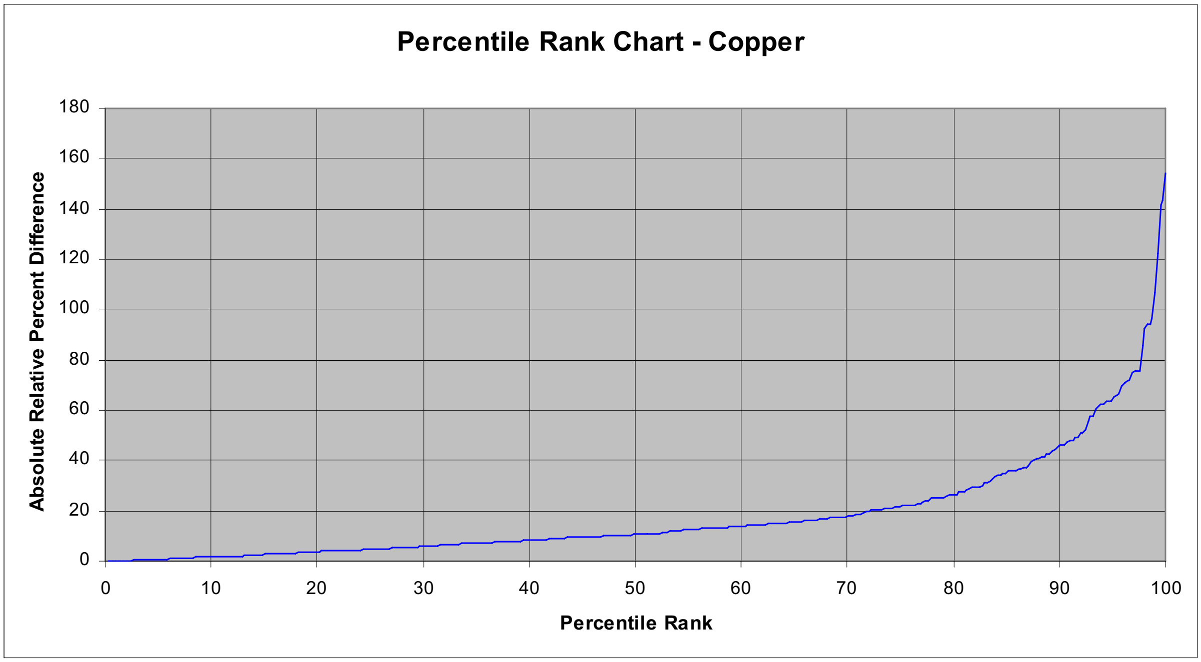
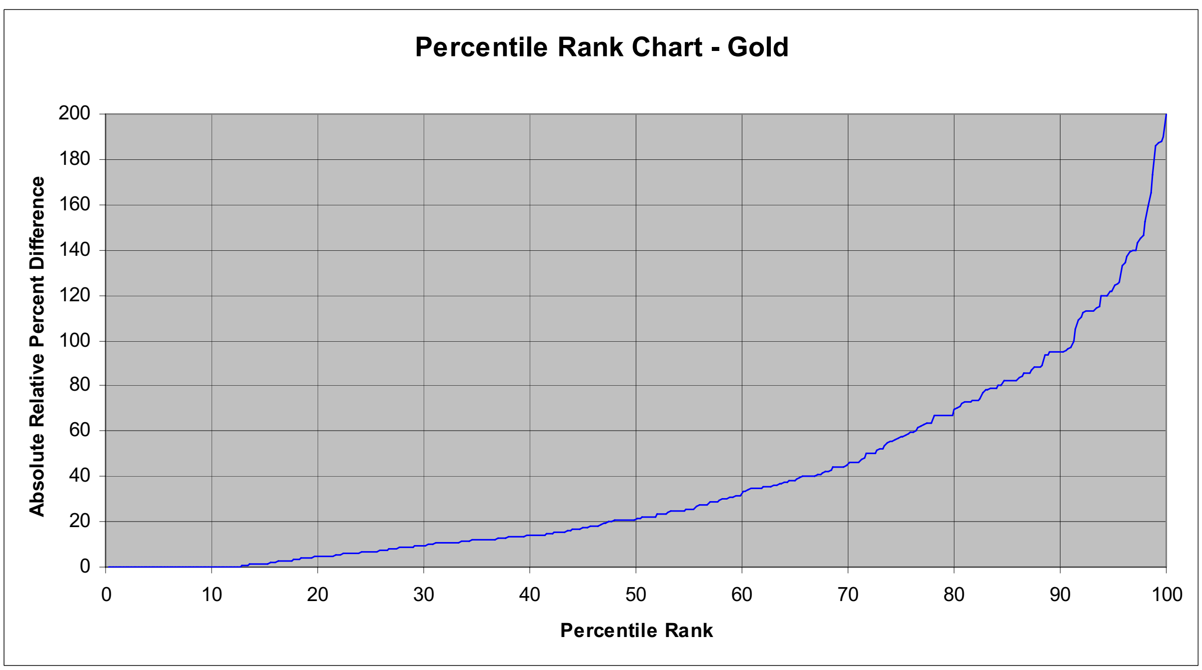


Figure 20: Duplicate Samples – Percentile Rank Chart - Gold (ppm)



2006 LABORATORY CHECK RESULTS

In September 2006, Acero-Martin submitted 397 drill core, standard, duplicate and blank samples to ALS Chemex (ALS Perú S.A.) for check-assaying. These samples represent slightly less than five percent of the total samples assayed during the drilling of the 2006 drill holes PDH-25 to PDH-070.

The assay results for Standard Reference Material samples which were submitted to ALS Chemex returned copper and gold values within expected limits. These standards are not shown graphically.

The Scatter Plots of the copper and gold check-assay results accompany this report as Figures 21 and 22 respectively. The copper scatter plot shows a slight bias with higher copper grades reported from the check assay samples. Two copper check-assay samples plot well outside the acceptable check limits.

The gold scatter plot, with a magenta trend line and blue 10% upper error line, shows that the original laboratory results are slightly higher than the check assaying results. Slightly lower check-assaying results might indicate a difference in atomic absorption finishing procedures at ALS Chemex versus SGS Mineral Services. Acero-Martin should confirm assaying similarities and differences between the two laboratories prior to future check-assaying.

Figure 21: Laboratory Check Results – Copper (%)

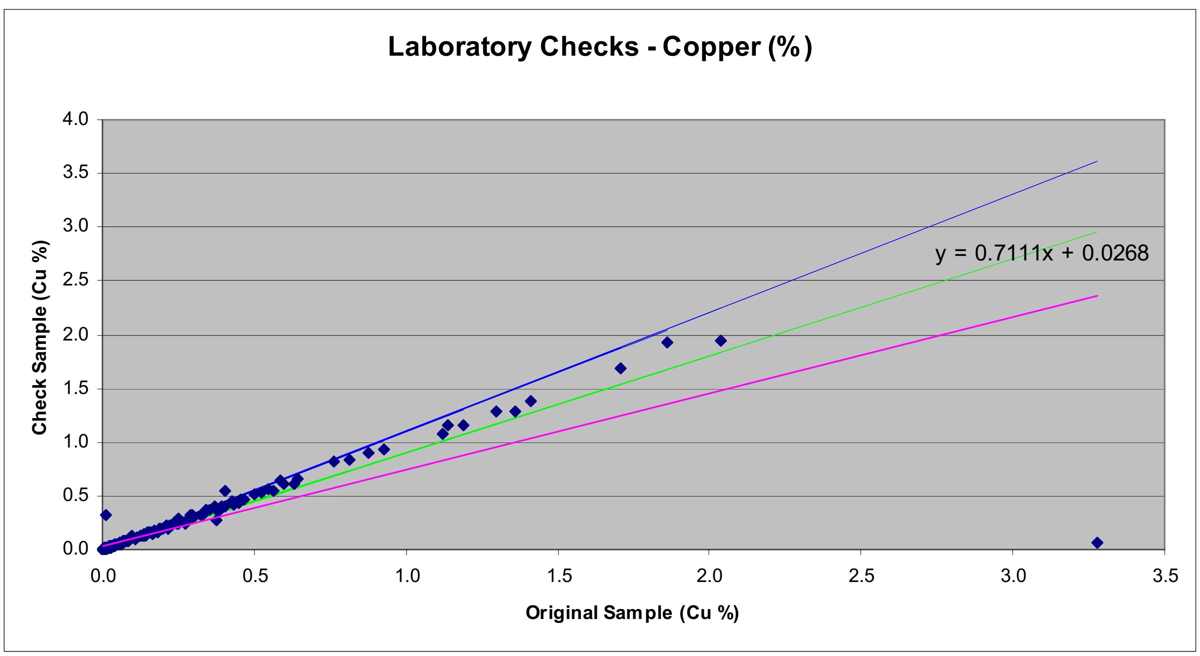
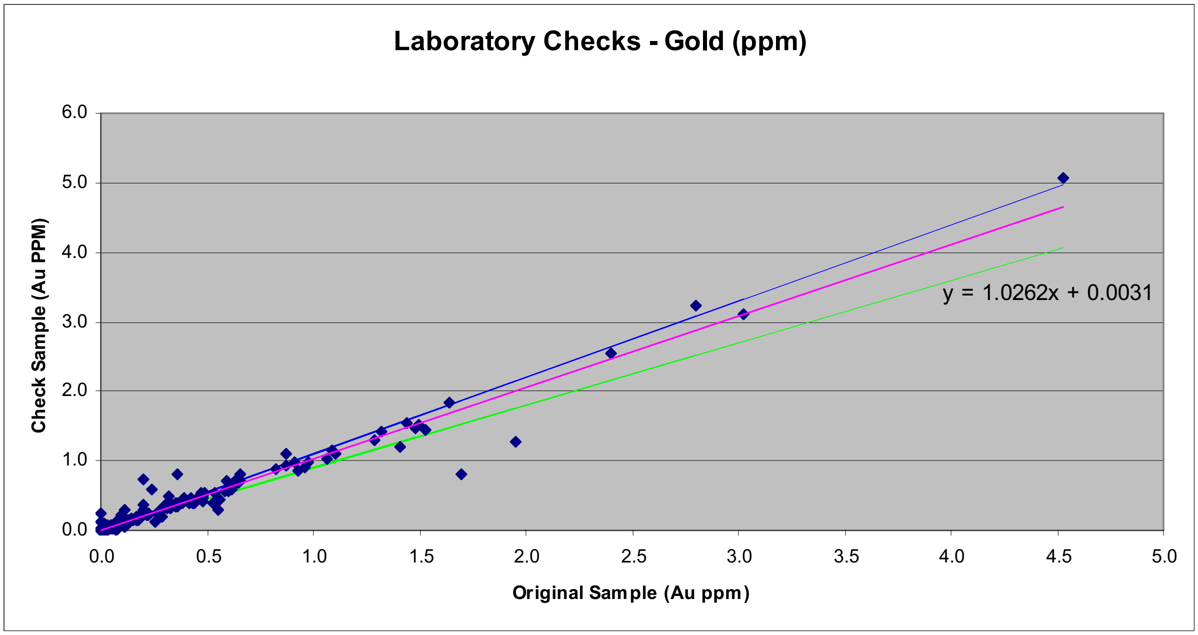


Figure 22: Laboratory Check Results - Gold (ppm)



Quartile-quartile plots of the copper and gold check-assaying results accompany this report as Figures 23 and 24 respectively.

The copper QQ plot confirms earlier observations that there is a bias for higher copper results from the check-assaying laboratory, ALS Chemex, versus the original assay results from SGS Mineral Services. In contrast, the gold QQ plot shows reverse results with a bias for higher gold assay results from SGS Mineral Services versus check-gold assays from ALS Chemex.

These results confirm the previous recommendation that Acero-Martin must investigate assaying and analytical procedures prior to further check-assaying.

Figure 23: Laboratory Check Results – Quartile-Quartile Plot - Copper (%)

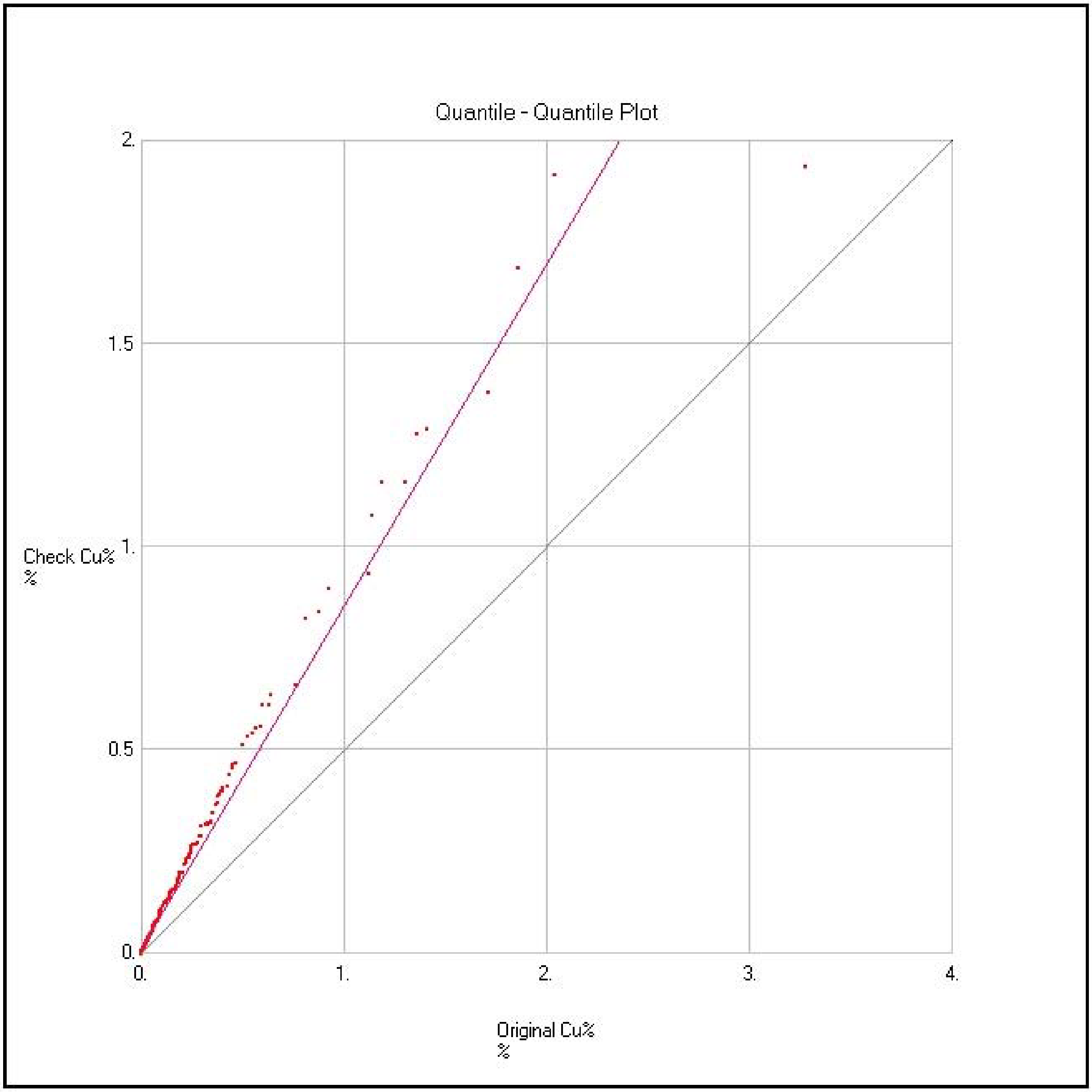


Figure 24: Laboratory Check Results – Quartile- Quartile Plot - Gold (ppm)

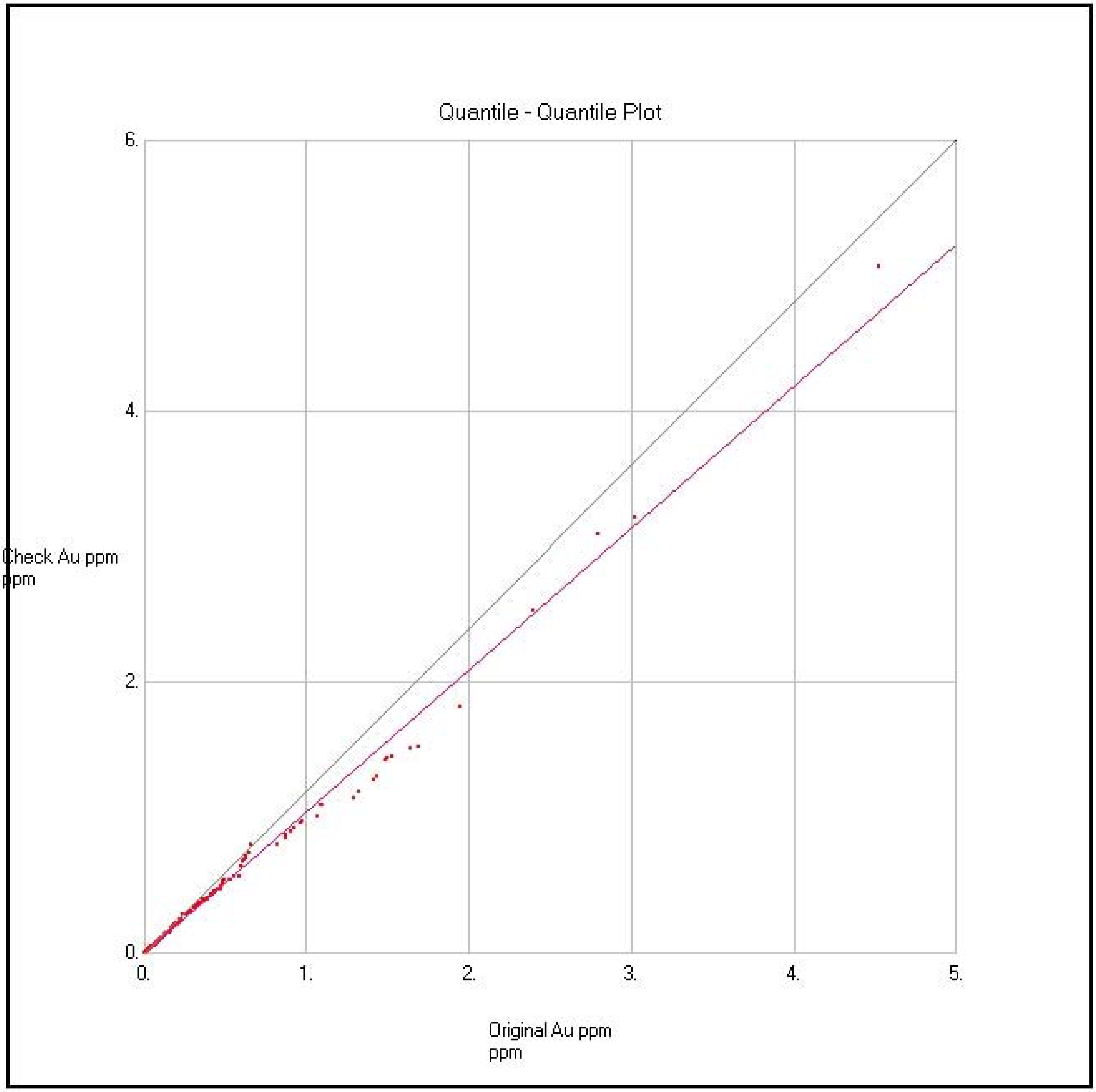


Figure 25: Laboratory Check Results – Copper (%) Relative Percent Difference Chart

Figures 25 and 26 of this report are plots of the check-assay pair means versus their relative percent differences. The Relative Percent Difference plots for copper and gold show the previously mentioned biases for higher check-assay copper grades from ALS Chemex and higher original gold grades from SGS Mineral Services.

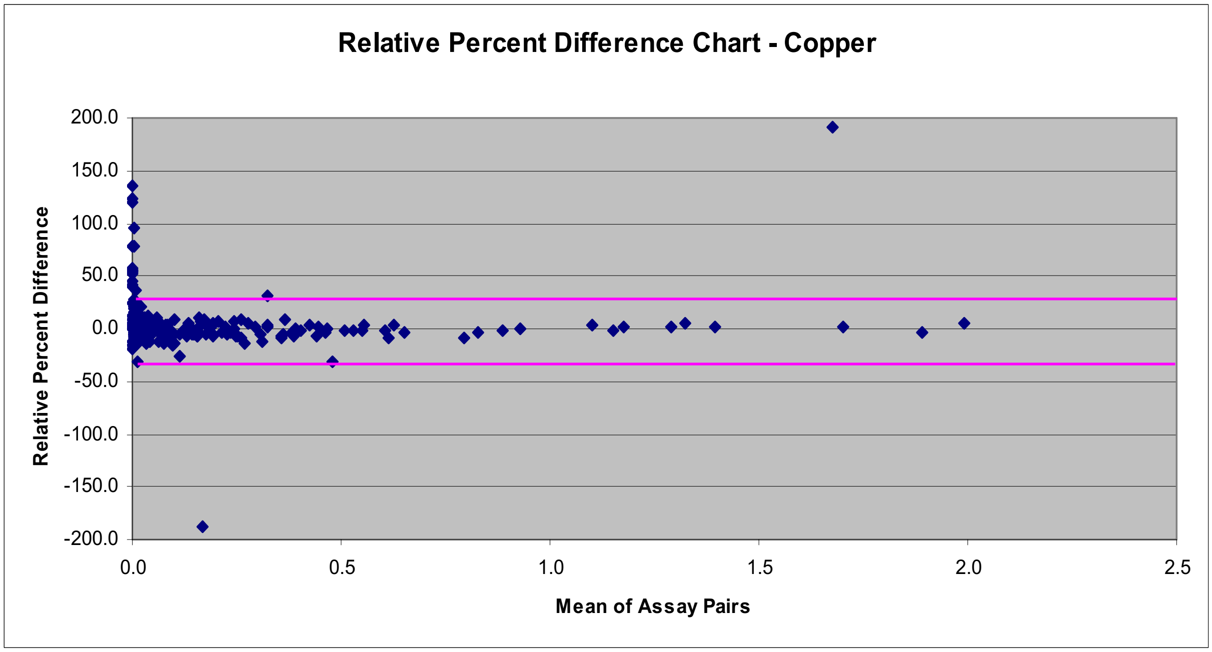
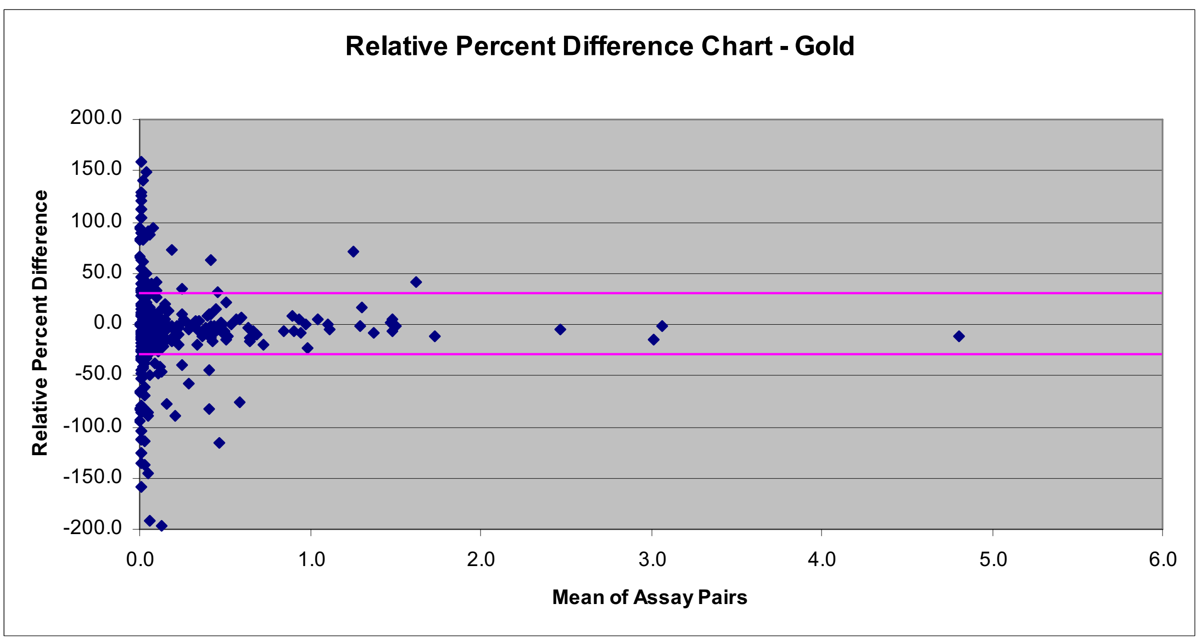


Figure 26: Laboratory Check Results – Gold (ppm) Relative Percent Difference Chart



Figures 27 and 28 of this report are Percentile Rank Charts for copper and gold check-assay results respectively. Ideally, ninety percent (90%) of the check-assay sample results should have a relative difference of ten percent (10%) or less. Both copper and gold percentile rank plots show that the check-assay populations have greater than 10% Relative Percent Difference at 90%.

Figure 27: Laboratory Check Results – Percentile Rank Chart - Copper (%)

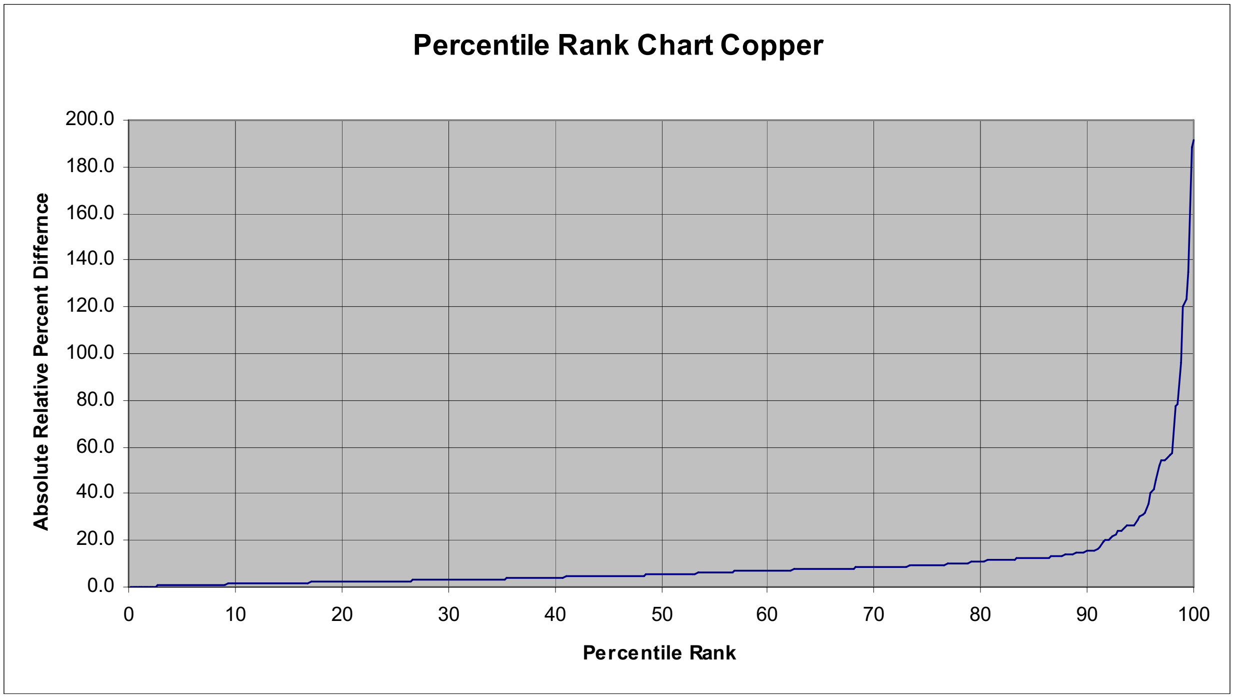


Figure 28: Laboratory Check Results – Percentile Rank Chart - Gold (ppm)