

ANDREA GOLD S.A.



BUSINESS PLAN

Nov 2008

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EXECUTIVE SUMMARY

ANDREA GOLD S.A. is a Mining company incorporated in the province and Department of Lima, Peru that has initiated its operations in January of 2008. Its activities are exploration, mine operation, processing and commercialization of minerals and metals, with Huila-copper project and Andrea Gold III project, located in Peru, South America.

Andrea Gold S.A. has spent around US\$500,000 to have a 50 t/d gold processing plant in northern Peru (only one in the area), which it is starting full operations on august 2008, buying ore from local miners, as long as the company develops a gold vein within the company's Andrea Gold III property to supply ore to the plant. In this property, the company has so far, a total indicated mineral resource of 130,000 tonnes averaging around 12g/t for an indicated gold content of appox 50,000 Oz (about 37 million dollars at current Gold prices), and a Inferred mineral resource of an additional 130,000 tonnes.

The company plans to build a 300 t/d copper concentrate processing plant approximately 10 Km south of Nazca, Southern Peru, to process the ore that is going to be mined out from it's Huila property, located about 60 Km. South from future plant site. There is about 500-t/d copper ore production sur-plus from the mines around Nazca area that eventually, could be processed in the future company's plant. As a result of an initial exploration program, the company has in Huila property so far, a total indicated mineral resource of 165,000 tonnes averaging 3,2% Cu/t with a total copper content of around 5,280 tonnes, (about 24 million dollars at current copper prices), and an additional inferred mineral resource of 165,000 tonnes.

To prove the resources, an exploration program has to be implemented in both projects, including detailed geologic mapping, ground magnetic survey, core drilling and tunnel development on the known veins as well, for underground exploration and start up production.

1. Huila Project	1. Exploration, Mine Development and processing of copper Minerals		
2. Andrea Gold III Project	2. Exploration, Mine Development and processing of Gold Minerals		
Life-time:	Have been estimated for an extraction period over 5 years		
Location:	Main Office:	Lima – Peru	
	Operations:	1. Ica – Peru: Copper Minerals 2. Piura – Peru: Gold Minerals	
Participant bodies:	Strategic Alliance: investors, projects, technical equipment, logistics support bureau, community, suppliers, clients.		
Investment :	1. Huila Project (Copper)	\$	3.140.000
	2. Andrea Gold III Project (Gold)	\$	2.620.000
	Total	\$	5.760.000
Sales volume estimated:	1. Huila Project (Copper)	\$	81.445.585
	2. Andrea Gold III Project (Gold)	\$	95.340.366
	Total	\$	176.785.951
Total Operation Costs:	1. Huila Project (Copper)	\$	30,216,289
BITD	2. Andrea Gold III Project (Gold)	\$	53,001,827
	Total	\$	83,218,116
Margin	1. Huila Project (Copper)	EBIT Margin: 63%	After tax EBIT: 38%
	2. Andrea Gold III Project (Gold)	EBIT Margin: 44%	After tax EBIT: 27%
	Total	EBIT Margin: 53%	After tax EBIT: 32%
Expected results:	1. Huila Project (Copper)	NPV: \$ 11,380,000	IRR: 165%
	2. Andrea Gold III Project (Gold)	NPV: \$ 10,035,000	IRR: 230%
	Total	NPV: \$ 21,415,000	IRR: 190%%
	(Financial yield)		
Project budget	Contribution:	Shareholders: \$4.370.000	Financing:
		Invested: \$470.000	\$1.390.000
		To Invest: \$3.900.000	

The management team of the company has more than 20 years experience in the copper and gold mining industry, from geologic exploration, core drilling, mine and processing plant operation, formulation, evaluation, supervision and direction of mining projects, to managing, directing and consulting mining companies.

Right now, it is a unique opportunity in a lifetime to invest in copper and gold, because the prices have risen more than 200% since year 2000. Gold is used as an alternative to stocks during times of financial uncertainty, and there is still a lot of insecurity over the U.S. banking sector and global economy as well. And finally, copper, after iron and aluminum, it's the most widely used metal, and as an investment, in the last few years it's been pure gold.

1. BUSINESS DESCRIPTION

ANDREA GOLD S.A. has a copper project in southern Peru with a 1000 Ha. Concession and a gold project in northern Peru with two concessions with a total of 400 Ha. And a processing plant for 50 tonnes per day, which it is operating at the moment.

As a commodity producer, the company will be focused on product distribution on international markets, especially in EEUU, EU, India, and China etc.

For the nervous among us, looking at the headlines of the *Financial Times* can be a form of torture, what with high oil prices, global instability, trade imbalances, and worldwide financial crisis. But optimists should take cheer from the price of copper, that after iron and aluminum, it's the most widely used metal, and a vital frequently overlooked metal. It costs less per pound than coffee or hamburger meat. But as an investment, in the last few years it's been pure gold. And the upward trends that favor the precious metal, gold has become the most secure investment in the world and the best backing of capitals invested.

1.1. INDUSTRY OVERVIEW

The worldwide *metal industry* goes through an expansion period and the gold and copper are not an exception. Companies that shape this economic sector focus its efforts in making systems, products and more effective value chains.

1.2. VALUE CHAIN ANALYSIS

The value chain talks about the value that acquires the mineral since it is extracted until it is manufactured. The mineral acquires an added value in each stage of the productive process. When being generated linkings¹ between the diverse productive branches of the economy, job opportunities increase, saving of currencies, economies of scales, and improvements in the distribution of wealth, among other benefits.

The value chain shows how the activity is developed in a company. A gold and copper mining company is exposed to cost and margin links that are organized through wealth generation. This situation demands permanent strategic monitoring; so the plans are carried out according to predetermine analysis and forecasts.

1 In the value chain the linkings exist backwards (that are the supplier of supplies and equipment) and towards ahead or the sides (towards the industries processors and user as well as to services and activities closely related). All activity this linked with others. The linkings depend as much on the factors of the demand (derived from supplies and factors) like of their relation with technological and productive factors.

Source: <http://www.innovamineria.cl/contenidos.phtml?contenido=167&seccion=28>

ANDREA GOLD S.A., through its value chain efficiency in the performed operations, holds excellent provisions management and market share, when it is compared both budgets and results reached. This offers not only proven experience but also a safety extraction of enterprise's potential and besides a wide development horizon.

Also, the mining and its chain of value contribute benefits to the country, affecting the development of the areas of intervention, the workers, the infrastructure, the social responsibility, as well as other productive sectors, in spite of the existence of some conflicts between functions and industrialists. Tasks that are now being assumed by the State and the private mining companies in Peru.

1.3. MISSION STATEMENT

ANDREA GOLD S.A.'s mission is to explore, extract and process natural resources with sustainable development. All the projects will be developed with the highest standards of industrial practices, social responsibility and environmental sustainability by optimizing the resources and simplifying processes.

1.4. VISION STATEMENT

ANDREA GOLD S.A.'s vision is to become one of the most relevant company of the country, creating sustainable value for shareholders, employees, contractors, suppliers, customers, business partners and host communities.

1.5. OBJECTIVES

ANDREA GOLDS S.A. has the commitment to develop the projects, according to the expected results and the conditions estimated.

- ◆ According to the phase in which the projects are, the exploration will be optimized with the permanent search of better zones with higher gold and copper grade and better extraction possibilities to deliver lasting benefits and deal with any adverse effects. We find ways to lift all aspects of the company performance so that it stands out by setting or reflecting best practice and by contributing to the global transition to sustainable development.
- ◆ Sustainable Development at ANDREA GOLDS S.A encompasses our commitment and policy towards health, safety, the environment and the community. To ensure improved performance, we have set specific targets in these areas.
- ◆ The project development will create resources to link other local and external projects, to diversify the company products portfolio. There

will be a seeking of new internal and out of the country concessions that could be acquire, especially with proven resources, to assure more benefits for the organization. In this way not only will be diversified the products portfolio but also the activity permanence and other wealthy sources.

- ◆ Financing the projects and assuring the enterprise permanence also involves the investment portfolio, diversifying it with financial instruments to entail risk coverage (price). There will be motivated strategic alliances with suppliers of fuel, lubricant, transport, food, security and others, in order to reduce costs, time and assure clients satisfaction.

1.6. COMPANY OWNERSHIP

At the moment ANDREA GOLDS S.A has two initial investors:

<i>CURRENT STOCKHOLDERS</i>	<i>PERCENTAGE OF OWNERSHIP</i>
Pablo Pascual Neyra Rodriguez	50%
Alejandro Diaz Silva	50%

After the new shares are issued and sold, the previous distribution will obviously change according to latest negotiations.

2. PRODUCT

2.1. COPPER POTENTIAL

The company found a vein in the north east of the property, which has been estimated by our geologists to contain an indicated resource of 165,000 tonnes, averaging 3.2%Cu/t with a potential copper content of approx 5,280 tonnes, (about 24 million dollars at current copper prices). Also, there are an additional inferred resource 165,000 tonnes.

The copper Huila project, located in the province of Nazca in the department of Ica south of Lima, will allow the operation and mineral treatment of copper on a scale of production of 300 MTD, equivalent to 100,800 MTA of treated mineral, considering a horizon of planning of five years.²

The mining districts in the area of Nazca, Acari, Pisco and Ica, to the south of Lima, are by tradition very old mining zones with an enormous copper oxide mining producing potential and at the present time of copper sulfides. By the excellent price of the red metal, a

² Considering to reach the production of 100 MTD during the first year, 200 MTD the second year and 300 MTD as of the third year (until the fifth year).

deficiency of plants for the processing of the minerals exists and the miner of the area in many occasions must wait 4 to 6 months to be able to process its ore. The existing plants in the area work in precarious conditions, from 40% to 60% of their Maximal installed capacity.

ORE PRODUCTION TABLE

Area	Department	Daily Production MTD
Acari	Arequipa	300
Huanca	Ayacucho	100
Puquio	Ayacucho	100
Lucanas	Ayacucho	100
Otoca	Ayacucho	100
Chalhuanca	Apurimac	200
Pisco	Ica	100
Pampas de Ica	Ica	100
Other Areas	Arequipa, Ayacucho, Apurimac	300
Total		1400

PROCESSING PLANTS

Plant	Installed Capacity MTD		Daily production MTD
Comindus	280	Cu-sulfides	250
Poroma	200	Cu-sulfides	180
Pantac	50	Cu-sulfides	40
Juan Aybar	100	Cu-sulfides	70
Ecopmin	200	Cu-sulfides	100
José Espinoza	80	Cu-sulfides	50
Manolo	100	Cu-sulfides	50
Lenin Ordoñez	70	Cu-sulfides	50
Rusos Ica	200	Cu-sulfides	90
Total	1280	Cu-sulfides	880
The Germans	50	Cu Oxides	50
Russian Tulin sca-Ica	50	Gold	30
Llipata	100	Gold	70

As the table shows, there is an ore production excess of 520 MT per day. This material possibly can be acquired and be processed by the future plant of Andrea Gold that will be installed in the area.

2.2. GOLD POTENTIAL

The Gold vein in the central part of the Andrea Gold III property, which has been estimated by our geologists to contain an indicated resource of around 130,000 tonnes averaging 12g/t with a total Gold content of approx 50,000 Ounces, (about 37 million dollars at current Gold prices), and there is an additional inferred resource of 165,000 tonnes.

The Gold project, located in the province of Ayabaca in the department of Piura to the north of Lima - Peru, consist of the operation of a gold mine and the operation of the company's processing plant of 200 MTD, equivalent to 67.200 MTA of treated mineral, considering a planning of five years. The processing plant has been programmed for the own ore³ and bought mineral.

The processing plant is located to the north of the town "LAS LOMAS". At the moment, it can process 50t/d of acquired mineral from the artisan miners of the area. This operation is generating immediate revenues, while funds for the improvement of the plant to increase processing capacity would be obtained.

At the present time, the artisan miners approximately produce one hundred fifty daily tonnes of mineral that is sold to intermediaries who transport and process the material in Chala, 1,600 km away, which increases the costs that are absorbed by the small miners, thus decreasing its yield. When processing part of this material in the plant of Andrea Gold, the small miners benefit because they increase their revenues simply due to the small cost of transport.

Andrea Gold will benefit the small miners of the area with this service and at the same time, will generate utilities that would be reinvested in the project.

³ The project considers the treatment of 100 MTD (50 MTD of bought mineral and 50 MTD of own mineral) during the first year and of 200 MTD (100 MTD of bought mineral and 100 MTD of own mineral) as of the second year.

2.3. ASSAYS



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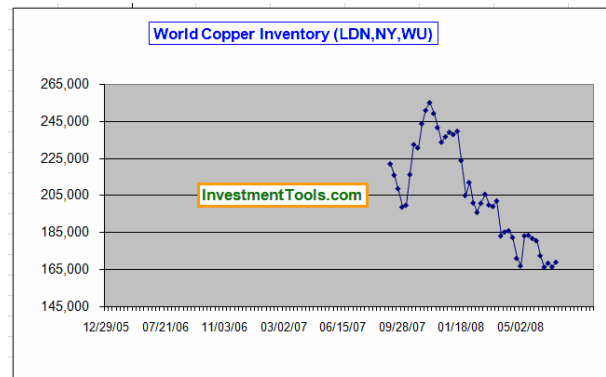
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Finalized Date: 22-JUN-2008
Account: NDRGLD

CERTIFICATE OF ANALYSIS LI08078917

Sample Description	Method Analyte Units Lot	As-AA25	Cu-AA45
		Au ppm	Cu %
		0.01	0.01
AgMH1			11.95
AgMH3			7.80
AgMH4			0.32
AgMH5			16.80
AgMH6			13.35
AgMH7			3.79
AgMH8			0.80
AgMH9			6.49
AgMH10			0.59
AgMH11			16.95
AgMH12			3.34
AgMH13			0.53
AgMH14			>50
AgMH15			16.35
AgL1		11.40	
AgL2		3.57	
AgL3		>100	
AgL4		>100	
AgL5		8.71	
AgL6		21.7	
AgL7		22.8	
AgL9		88.9	
AgL10		8.28	
AgL11		8.52	
AgL12		17.30	
AgL13		18.40	
AgL14		9.32	
AgL16		1.18	
AgL17		0.06	
AgL18		1.91	

3. MARKET ANALYSIS

3.1. COPPER MARKET ANALYSIS



3.1.1. WORLDWIDE SUPPLY

Labor strikes in Canada, Chile, Mexico, and Peru, and lower than anticipated production in Africa, Indonesia, and the United States, led to lower copper supply. According to the International Copper Study Group, the production deficit during the first half of the year would reverse, and a modest production surplus was anticipated by yearend.

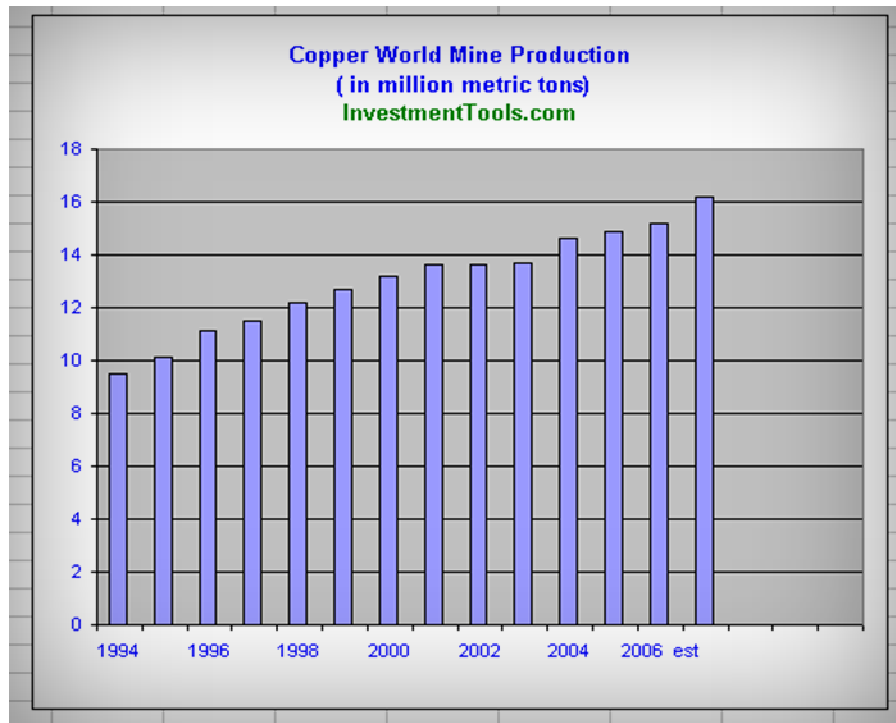
In the United States, mine production declined slightly owing to lower ore grades at a major mine, and continued labor and equipment shortages. In March, Freeport-McMoran Copper & Gold Inc. (New Orleans, LA) acquired Phelps Dodge Corp. Production by domestic brass mills was lower during the first half of the year and was anticipated to decline sharply during the fourth quarter owing to substitution and a weak housing market. Despite lower demand, domestic production of wire rod declined only slightly during the first half of the year as the weak dollar led to a sharp reduction in imports. One copper tube producer announced it was closing one of its casting facilities, and ownership changes were announced at a major brass mill and wire and cable manufacturer. In addition to a major new mine-for-leach project in Arizona due on-stream in 2008, several

companies announced progress toward the startup of new projects in Arizona, Minnesota, and Montana that would add 240,000 tons per year of new mine capacity by 2009.

World Mine Production, Resources, and Resource Base: Official resources reported by Poland include properties being considered for future development.

	Mine Production		Resources	Resources Base
	2006	2007		
United States	1,200	1,190	35,000	70,000
Australia	859	860	24,000	43,000
Canada	607	585	9,000	20,000
Chile	5,360	5,700	150,000	360,000
China	890	920	26,000	63,000
Indonesia	816	780	35,000	38,000
Kazakhstan	457	460	14,000	20,000
Mexico	338	400	30,000	40,000
Peru	1,049	1,200	30,000	60,000
Poland	512	470	30,000	48,000
Russia	725	730	20,000	30,000
Zambia	476	530	19,000	35,000
Other countries	1,835	1,800	65,000	110,000
World total (rounded)	15,100	15,600	490,000	940,000

World Resources: A recent assessment of U.S. copper resources indicated 550 million tons of copper in identified (260 million tons) and undiscovered resources (290 million tons). A preliminary assessment indicates that global land-based resources exceed 3 billion tons. Deep-sea nodules were estimated to contain 700 million tons of copper.



3.1.2. WORLDWIDE DEMAND

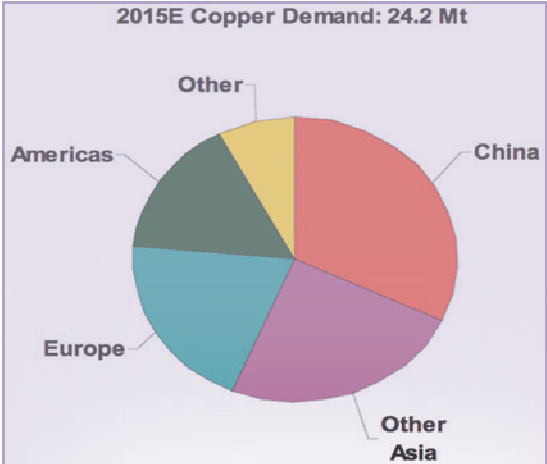
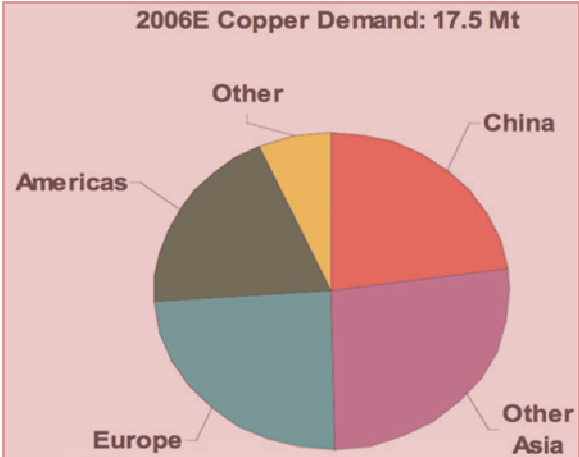
Year-on-year apparent consumption of copper in China for the first 6 months of 2007 (excluding changes in unreported Government and industry stocks) rose by 37%. Strong Asian demand continues to dominate the copper market. On June 20, 2008, the International Copper Study Group (ICSG) said that its preliminary data showed that world copper consumption outpaced production by 67,000 tons in the first three months of 2008, down from a 167,000 ton deficit a year ago.

Explosive global demographic urbanite growth will ensure long-term demand for copper, but in the short term, according to the IMF, global GDP growth is expected to decline to 4.9% in 2008 compared to 5.4% in 2006. This is partially due to a moderate slowdown in the world economy as a result of rising global interest rates. However, annual global copper demand growth of 3.7–4.6% is expected until 2010. **The pressure will be on for mining companies to meet their production schedules to meet demand.**

China's industrial economy has shown no signs of slowing down, whether in terms of car output or housing construction, they say. "We're predicting an 8.5% increase in Chinese refined copper demand this year, to about 4.3 million metric tons," said Jon Barnes,

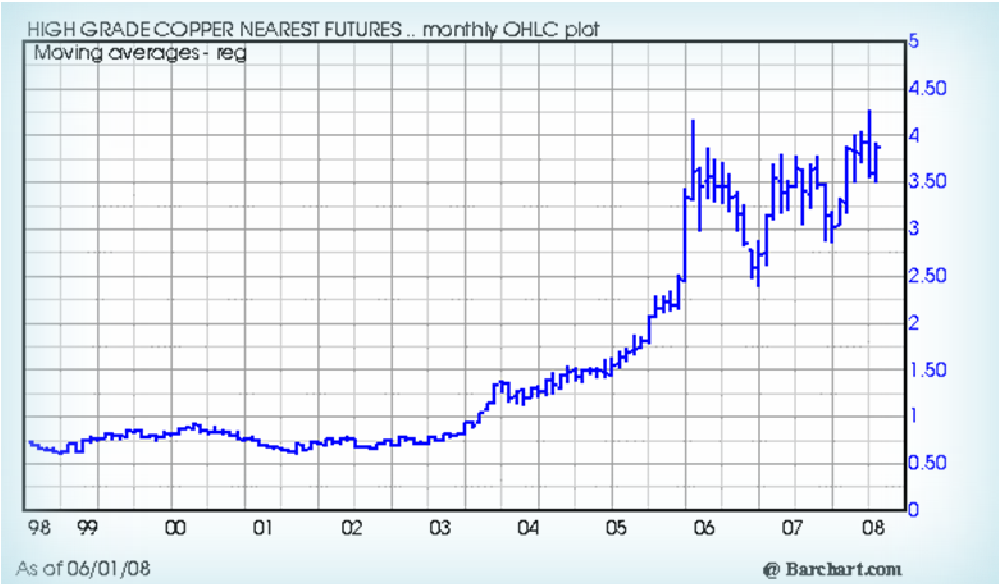
principal consultant for copper fabrication at CRU Analysis, a London-based metals consultancy. A similar pace should continue over the next few years, he said. "Barring something like a trade war or a conflict with Taiwan or a SARS outbreak, we see very little reason why there should be any interruption to Chinese copper consumption," he said as well. The 2002-2003 SARS (Severe Acute Respiratory Syndrome) epidemic dealt a blow to Asian economies, crippling travel, trade and local currencies.

Meanwhile, Jose Pablo Arellano, executive president of world-leading copper producer Codelco in Chile, said, the company still sees "firm demand" from China this year. Arellano, quoted by Bloomberg News, was speaking at a news conference called to discuss the company's staggering 88% increase in 2006 profits.



Copper is a cheap, plentiful metal with lots of useful properties: It resists corrosion and is an excellent conductor of heat. As a result, it can be found in the intestines of a good chunk of the world's industrial economy. Plumbing, radiators, electrical wiring, and air conditioners all require copper. And copper has been benefiting from some pretty significant trends. First, there's the global housing and construction boom. According to the [Copper Development Association](#), almost half of the copper in the United States goes for building construction. (The pattern of copper use in the United States is roughly analogous to the global pattern of use.) China, which is currently undergoing a building boom, is also playing a major role. About 20 percent of copper goes into electrical and electronic products—telephones, televisions, connectors, and earphones. As Chinese consumers acquire the taste for telephones, stereos, air conditioners, and plumbing, they are stimulating growing demand. Other heavy users are the transportation sector—Andrew Kireta, the chief executive officer of CDA, notes that every car contains close to 50 pounds of copper—and industrial machinery. And, of course, all major U.S. coins contain some copper.

3.1.3. PRICE



For over two decades, copper traded between 50 cents and \$1.50 per pound. From 1998 to 2003, the range narrowed to between 60 and 90 cents. In December of 2003, prices broke above 90 cents and then, in July of 2005 prices pushed above \$1.50 and rocketed higher, reaching \$4 per pound by mid-2006. At this point, \$4 looks like pretty strong resistance, but the prices fell below \$3.00 per pound during the first quarter of 2007, but

rose sharply again in April, with the producer price averaging \$3.53 per pound during the second and third quarters of the year. The price has since declined to around \$2.00 per pound. A decline in commodity exchange inventories during the second quarter and a dramatic rise in imports of refined copper by China, the world's leading copper consumer, gave rise to concern over supply adequacy.

The main risk that the copper market has is the financial crisis that the US is experiencing, and the effects that it can have on the Chinese economy.⁴

CRU Copper Consultants, based in London, on February of 2008, projects the future of copper at US\$ 3.2 the pound for January of 2010, due to the deficit of supply in the copper market, by the high Chinese demand of the metal, as well as the delay of numerous projects in the world.⁵

The mentioned source indicates that the demand of countries like China and India, have risen the prices to US\$3.5 per pound, nevertheless, the Chilean Commission of Copper (Cochilco) in their estimation of January maintained a price average for 2008 of US\$ 3.10 per pound. And the future quotation, everything will depend on what happens in the Chinese economy and the impact of the deceleration in the United States.

According to the Chilean state agency, Cochilco, the factors that are behind the historical value of copper are the weakness of the dollar in the external markets, in a general context of rises of the raw materials and shortage of the metal in terms of inventories. Cochilco added that the demand of China "greater and more dynamic world-wide copper consumer, stays vigorous according to the awaited thing".⁶

The sources indicate that it follows a tendency of very important consumption from Asia and by low stocks in the world, is it possible to wait for a positive adjustment in the quotation of copper.

In Peru, the National Society of Mining, Petroleum and Energy (SNMPE), informed that the copper is the Peruvian mining product of greater demand from the People's Republic of China, since it represents 68.99% of the Peruvian mining exports to that country, published the Mining Vestibule. China is the first destiny of the Peruvian copper exports with sales of US\$1.571, 8 million (22%), follows Japan with US\$1.411, 5 million (20%) and the United States with US\$1.013 million (14%).

⁴ <http://www.defensadelcobre.cl/modules.php?name=News&file=print&sid=3500>

⁵ Equipo Entermín. Déficit en mercado del cobre durante 2008. 18 febrero 08 18 febrero 08. <http://www.entermín.cl/content/view/457/17/>

⁶ Reuters. La Tercera 8 de abril de 2008.

3.2. GOLD MARKET ANALYSIS

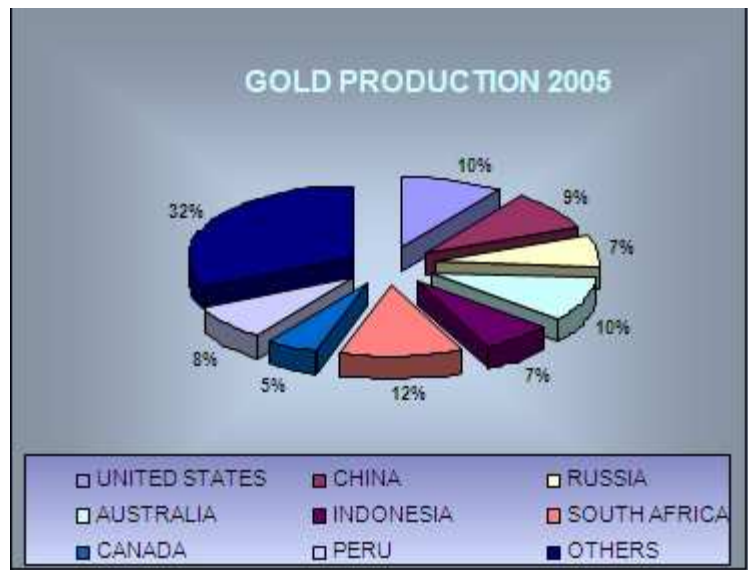


3.2.1. WORLDWIDE SUPPLY

It is expected for this year, that the worldwide gold production remains stable and could possibly drop due to new laws in key deposits, with a strong competition for resources and few projects to develop.

Around 68% of gold worldwide production is concentrated in nine countries that are the main producers.

The world production has increased through years, and it has passed from 1,477 tons in 1970 to 2,518 tons in 2005, because of the best technologies of the last 20 years, which allow amplifying the proven and probable resources, and with it the production.



Nevertheless, it is important to specify that gold mining production is not the only source of it available for the worldwide sold.

The existing resources, it means the sales made by Central Banks around the world and the sale of recycled gold allow to support the market current demand, by covering the distance between the demand and the supply that comes from Mining activity.

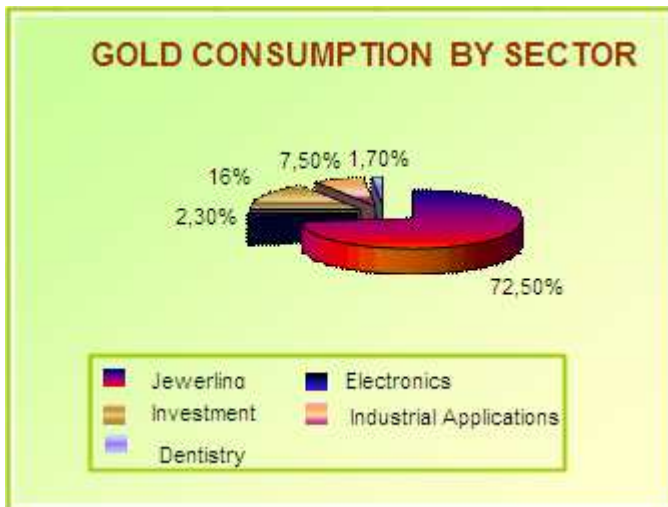
Consequently, only the gold volume needed to satisfy the jeweler production overcomes the world supply.

3.2.2. WORLDWIDE DEMAND

The general manager of World Gold Council, James Burton, explained that although the "high prices and the volatility reduce the demand of gold", the global inflation and "the appetite of the investors for the raw materials" cause that this market "continues being strong". The person in charge of this organization, dedicated to the promotion of gold in the international markets, indicated that still with the high prices, the projection is that the countries that buy the most gold, led by China and India and consumers of the 36 percent of the worldwide production, continue to do so.

Jewelry and gold work are the main demanding areas due to the precious metal is shine and malleable.

Several gold combinations have been created to get differences even in color, which increases the amount of possible uses.



Gold demand during 2005 was 2.078 tons, having as main buyers India, EEUU, China, Turkey and South Arabia, which represented 56% of gold jewellery demand.

The accumulation is another important use for gold, in its role as investment element.

Therefore, the coins and bullions production has been one of the major applications through time, besides it is appreciated as deposit values

and an international change source.

Nowadays, Central banks and investors use the gold as salvage values due to its easy interchange.

The world markets buy out and the financial derivates appearance have allowed the gold to become one of the main commercialized commodities.

The most important gold demanders for investments are India 37.4%, Turkey 14.9%, Japan 11.1% and Vietnam 9.5% with an amount of 387.9 tons between all of them.

In the industry and electronics sectors, its usage also is important, not only because the easy electronic conductivity and corrosion resistance but also the chemic and physic properties.

3.2.3. PRICE



During 2007, the increase of demand on part of investors, the weak position of the American dollar against other currencies and low interest rates, raised the average quotation of gold. On the other hand, the reductions of the inter bank rate of the Federal Reserve of the United States caused an increase in the quotation gold. The perspective of prices of gold, for the 2008, are considered to be superior to US\$900 an ounce, however the current price is around \$750 an ounce as pressure to maintain the prices high will come from the crisis in the US. Economy and the greater deficit in its trade balance.

In VIII International Gold Symposium⁷, in Lima-Peru in May of 2008, the price of the ounce will surpass 1,000 dollars, projecting Latin America like one of the main gold producers of the world in the future, particularly Peru, Chile, Brazil and Mexico.

Gold is a good that even its fixed elements, it has a volatile price noticeable by a high tendency during thirty years and motivated by the permanent dollar weakness as consequence of American economy declining, wars, high stagnation, budget deficit, price of oil etc.

⁷ http://ve.invertia.com/noticias/noticia.aspx?idNoticia=200805210309_EFE_76973873&idtel 20 de mayo de 2008

Another reason is the strengthening of other currencies like euro, Yen, Yuan due to the accelerated growth of those economies and as a consequence of India's gold demand, Africa's supply and as an answer of Central Banks investments that most of the time, they manipulate the market through their resources in order to break the metal price climbing.

Unlike base metals, gold is considered an instrument of refuge towards inflationary expectations, depreciation of the American Dollar and smaller economic growth, which causes that the demand to be less affected due to the variations in the price. In the past years, the price of gold has shown an increasing tendency, mainly due to the demand generated by investors, who use it like a cover instrument against little favorable economic markets like: devaluations of the American dollar, low interest rates or recessions in the markets.

In VIII International Gold Symposium, in Lima-Peru in May of 2008, the following was discussed:

- ◆ The director of Natural Resources of the Economic Commission for Latin America of United Nations (CEPAL), Fernando Sanchez-Albavera, emphasized the interest of multinationals to invest in the region because "gold has become a factor that covers the risk with investors", which generates a greater desire to explore and to operate auriferous deposits. "Everything seems to indicate that the auriferous mining is going to have a great demand growth, and therefore a quite interesting price in the next few years", added Sanchez-Albavera, who indicated that the ounce of gold will surpass in "a next future" a price "of four digits", at the present time the price is around 920 dollars.
- ◆ It explained that the high demand of China and India and the intensification of the industrial use, as well as "the depreciation of the dollar and international monetary instability", would impel the value of gold. Its price, nevertheless, will not be affected by the crisis that threatens the United States, predicted the expert of CEPAL.

4. PERU MINING FACTS

Peru is a country with high natural resources potential, being mining one of the sectors with strong possibilities of development, therefore, promoting both national and international investment in mining and creating the means to contribute to an easy access of investments is one of the priority State Policies. The mining industry has become and continues to be one of the mainstays of Peruvian economy concentrating a number of activities and processes where different areas of professional knowledge and fields converge.

MAIN MINING ECONOMIC INDICATORS - PERÚ

GDP - average growth (2002-2004)		
Mining	:	8.3% year
Global	:	4.7% year
Exports (2004)		
Mining	:	US\$6.7 billion
Mining / Total	:	55.0%
Mining investment (2004e)	:	US\$0.8 billion

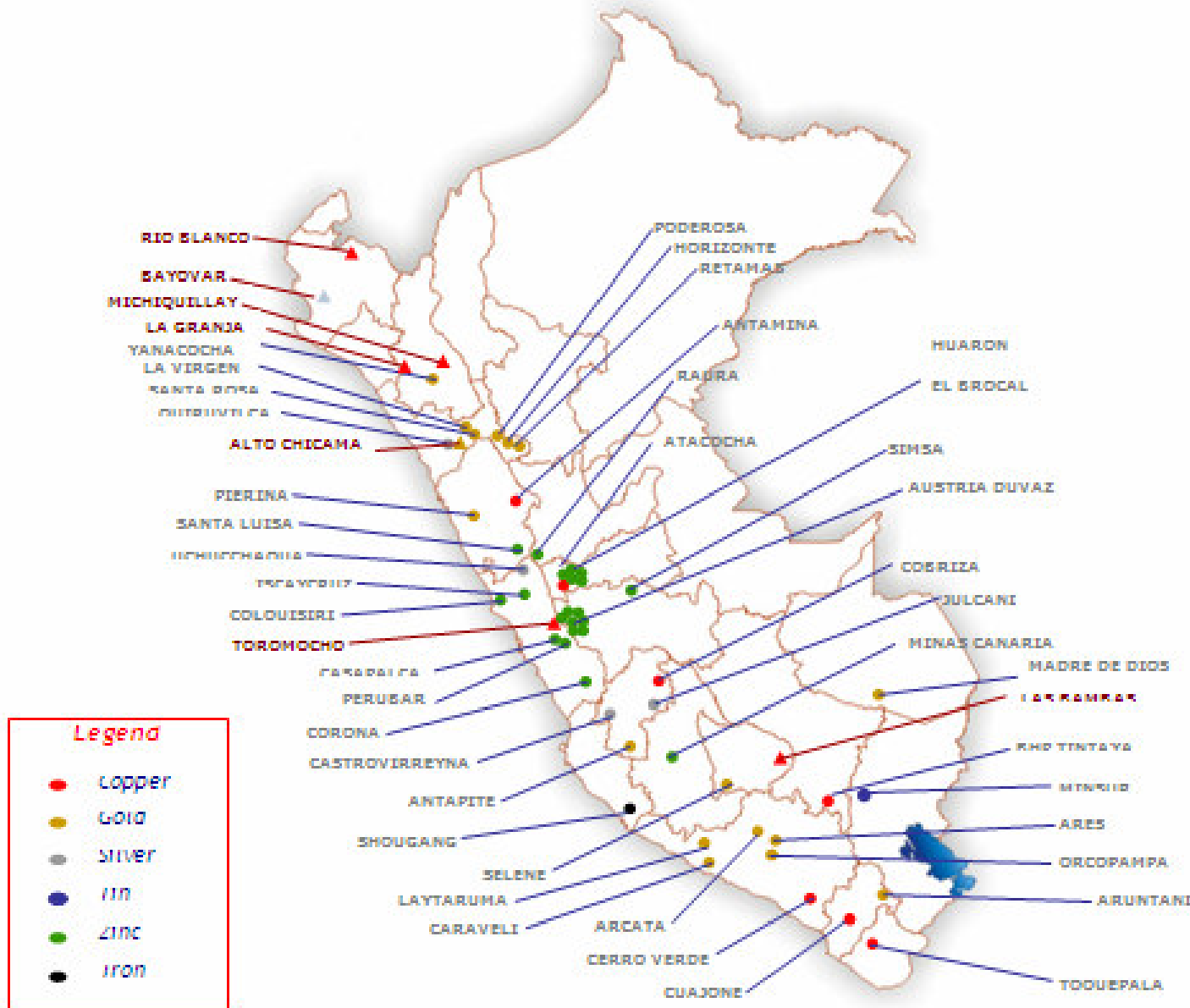
e: Estimated.

Source: BCR, INEI, MEF, MEM, SUNAT

The National Mining Society, Petroleum and Energy (SNMPE), has indicated that the geologic potentiality of the country counts with more of 90% of its territory without exploring. On May of 2008, 270 mining projects existed in Peru that are in stage of exploration or investigation and with possibilities of discovering new deposits of copper, gold, lead, zinc and silver. The president of the SNMPE, Isaac Cruz has manifested the following:

- ◆ "Of these 270 projects some are in advanced exploration, others in initial exploration and others in the stage of studies of pre feasibility or feasibility, that are the previous steps taken before initiating production, we are speaking mainly of copper mines, later gold, lead, zinc and silver.
- ◆ The projects that have their studies of feasibility more advanced are Toromocho (Peru Copper - Chinalco) in Junín, Majaz (White River Copper) in Piura, Galen (Northern Peru Copper - Chinese Minerals) in Cajamarca and Tía Maria (Southern Copper Corporation) in Arequipa.

MINING PROJECTS - PERU



- ◆ All those projects would have to finish their feasibility studies in the present year and, and for the following one, be in the stage of obtaining permissions and licenses to initiate the construction. The operating companies of these projects already have the respective social licensing agreements with the communities that surround the deposits, reason why they will not have problems to initiate the construction and operation of their mines.
- ◆ The SNMPE has calculated that the portfolio of mining projects in Peru is more than 15.000 million dollars for the next five-year, that is to say, between the years 2008 and 2013. The projects in portfolio will allow Peru to increase its capacity of production of gold, lead, silver and zinc, which will serve to maintain their leadership between Latin American countries."

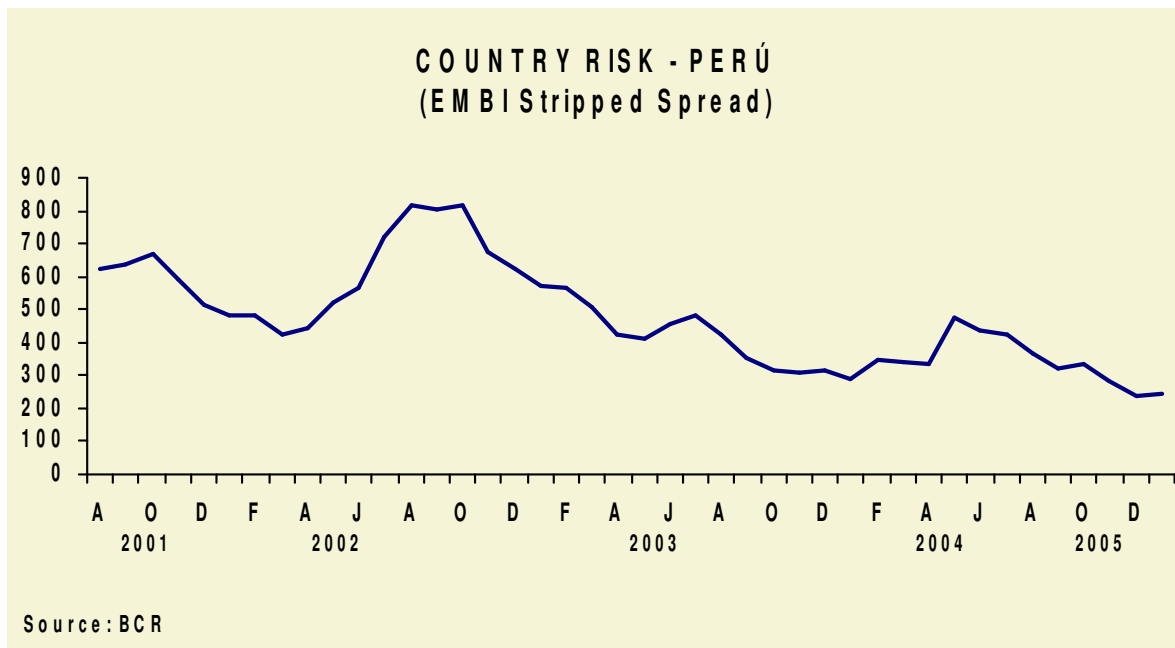
METALS EXPORT- PERU											
<i>US(\$ million)</i>											
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
TOTAL	1.970,8	2.615,7	2.654,4	2.730,5	2.746,7	3.008,0	3.220,1	3.205,3	3.809,0	4.597,1	6.880,5
Gold	337,8	462,9	579,3	500,1	928,5	1.192,5	1.144,7	1.166,2	1.500,7	2.044,7	2.361,8
Copper	823,6	1.198,3	1.052,2	1.096,3	778,8	776,3	932,6	985,6	1.187,1	1.260,5	2.446,0
<i>Zinc</i>	303,6	325,5	400,8	539,3	445,2	462,4	495,8	419,4	428,9	528,7	576,8
<i>Lead</i>	195,1	258,3	274,3	237,0	208,7	177,1	190,4	196,0	210,8	201,4	398,1
<i>Tin</i>	81,6	87,7	108,6	133,2	118,6	132,9	170,2	149,5	155,4	175,2	299,2
<i>Silver</i>	97,9	109,7	119,5	104,8	130,6	169,3	179,5	168,6	173,7	191,0	260,2
<i>Iron</i>	105,0	100,1	83,9	76,5	96,4	66,7	66,6	81,4	82,9	94,1	128,5
<i>Other metals</i>	26,1	73,3	35,7	43,4	39,9	30,8	40,4	38,5	69,5	101,5	409,9

Source: Central Resource Bank of Peru

- ◆ Peru occupies the first places at a Latin American and worldwide level in the mining production of copper and gold, among others.

Also, in the mentioned Symposium, Peruvian minister of Energy and Minas, mentioned that Peru next to Mexico were the countries that destined more

funds to the search of new deposits, followed by Chile, Brazil and Argentina.



Peru: Ranks on Mining Production - 2004

	World	Latinamerica
Copper	3	2
Gold	6	1
Zinc	2	1
Silver	2	2
Lead	4	1
Tin	3	1
Molybdenum	4	2
Bismuth	2	1
Selenium	7	2
Tellurium	3	1

Source: USGS

In Peru, during 2007, the national production of gold concentrates rose to 170,1 million fine grams, 16,3% less than the total produced in the 2006,

mainly because of the decrease of production of Yanacocha (- 40,1%), reducing its contribution in the national production (from 40,1 to 28,6%). The main national gold producer, during the period January - December 2007, was Miner Barrick Misquichilca, with contribution of 29,4%.

Moreover, the mining in Peru is regulated mainly by the General Law of Mining; in addition different regulations exist which are: the Regulation of Mining Procedures, the Regulation of Security and Mining Hygiene, the Regulation for the Environmental Protection in the Mining-Metallurgical Activity, the Environmental Regulation for the Activities of Mining Exploration, the Law of Control of the Mining Activities, among others.

ADVANTAGES

- Tax stability agreements with the Government – with duration terms of 10 or 15 years – for mining companies with sizeable mining operations.
- Freedom to dispose of foreign currency.
- Investment in public service infrastructure is deductible from the taxable Profit.
- Freedom to make remittances of profits, dividends and financial resources Abroad.
- Freedom to commercialize mining products on the domestic and foreign Markets.
- Refund of the Value Added Tax (19%) paid on goods and services in Exploration activities.

5. MANAGEMENT

ANDREA GOLD S.A is lead by Pablo Neyra Rodriguez, the General Manager. He is responsible of technical, operational and legal management. He counts on Accounting, legal and environmental Consultants and with them; there is a specialized technician's team that is in charge of daily operations, in an independent way, according to each project requirements, as it is shown in the organization chart.

Also, will be hired a group of people who is in charge of operational functions in order to fulfill the production process properly. These are: mechanics, pump operators, mill operators, welders, guards, and workers, become an invaluable Human Capital.

The extracted product sales, its distribution and negotiation will need a structure complement, which makes it easy to achieve the expected outcomes. Since, it is a local activity of international connotations, it is important to point out that the company will count on solid equipment that is specialized and formed according to the commercial activity.

The resume summary of the main executives of the company is as follows:

◆ **Alejandro Diaz**, President

B.S. in Geological Sciences at San Diego State University U.S.A. with a broad experience in all fields, from field & underground geology, photo geology, geochemistry and geophysics exploration programs, core drilling, equipment selection, processing plant layout, start up operations, to chief geologist, mine manager, project director, exploration & general manager, consultant, university professor and chief executive for several mining companies in Colombia and Ecuador.

◆ **Pablo Neyra**, General Manager.

Metallurgical engineer graduated from the National University of Ica, Peru. With over 20 years experience in Mine Operations, Consulting, processing plant start up, plant operation, supervision and management of mining operations in Ecuador and Peru as well. General manager of. Cía. Minera El Paraíso S.A. Bella Rica, Ecuador. Results: Ore production from 5 MTD to 300 MTD. General manager of. Cía. Minera Liga de Oro S.A. Bella Rica, Ecuador, improving ore production from 2 MTD up to 200 MTD. Project coordinator for several Canadian Junior Mining Companies in Ecuador through Cia Minera DMG S.A. Ecuador.

◆ **Enrique Rivera**, Operations Manager

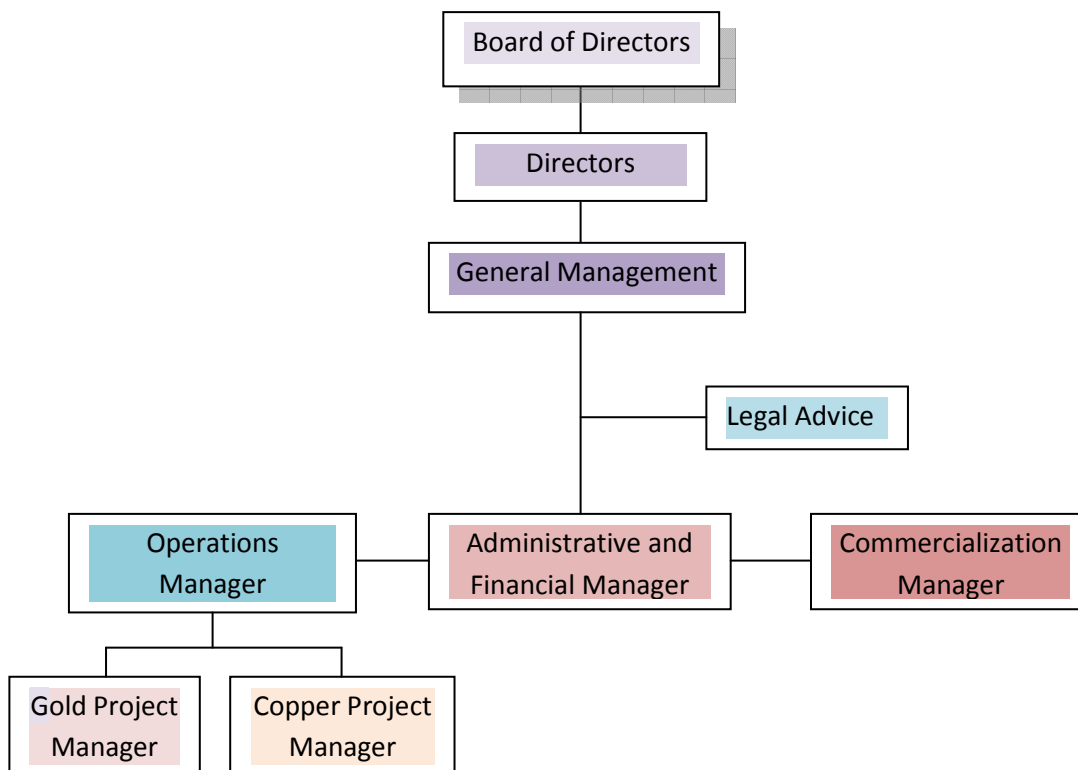
Metallurgical engineer graduated in 1977 from " **Universidad Nacional San Agustín de Arequipa, PERU**" with 25 years of experience in Unitary Operations in the mineral processing of greater application in plants from 200 to 500 t/d by the method of Flotation, oxidized copper mineral Leaching, gold Cyaniding by the process of Adsorption: Carbon in pulp (CIP) and process Merrill Crowe. Has occupied the Administrative directorate and Supervision of different Plants, handling of Metallurgical Laboratory in studies of different types of minerals.

◆ **Jose Mere**, Commercialization Manager

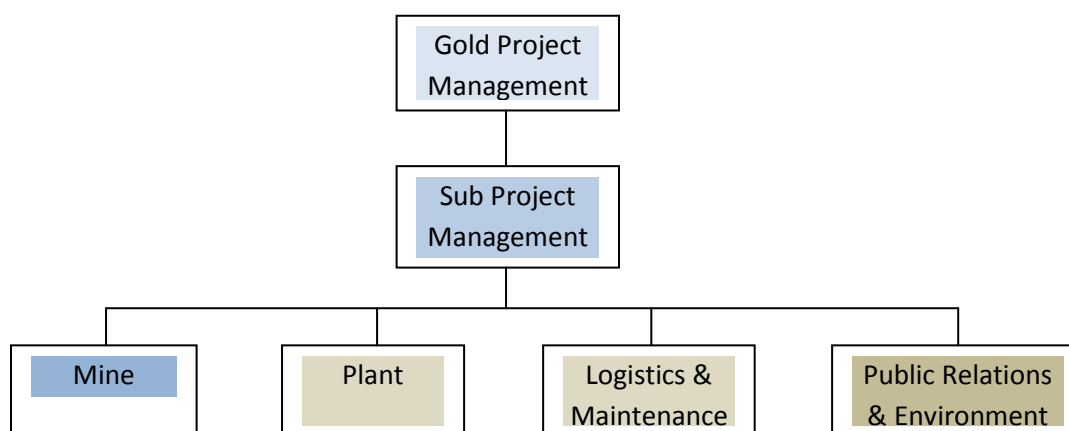
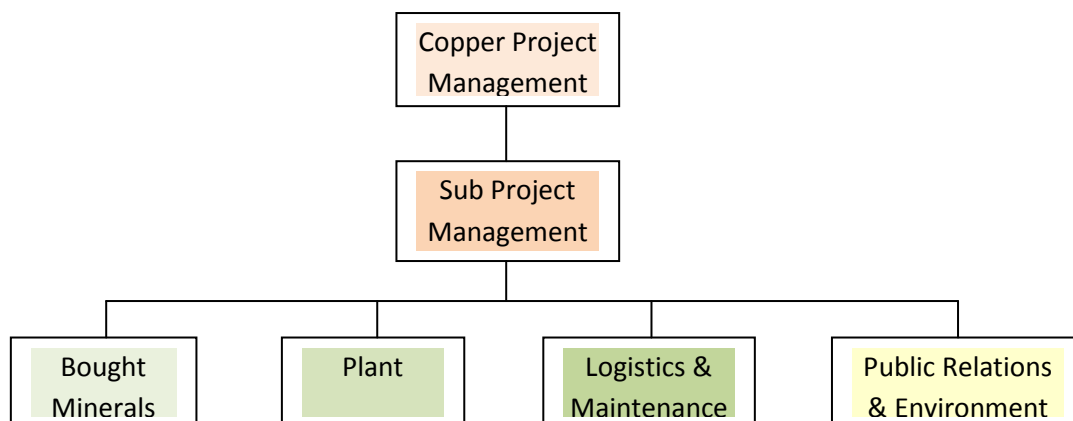
Metallurgical Engineer from National University, Peru, with 40 years experience in Mining Business in different fields: Operation, scientific research, formulation, evaluation and supervision of mining projects, mining safety auditor, environmental auditor, teaching, metallurgical results assessment, ore financial balance evaluator, metallurgical evaluator and mining companies consultant.

Ana María Caller, Administrative and Finance Manager.

Industrial Engineer (Pontificia Universidad Católica del Perú). Magíster in Administration with Minor in Finances (University of Chile). Received a Masters in Project Management and Social Programs (Peruvian University Cayetano Heredia). Has held management positions in administration and more than ten years of experience in economic and financial analysis in the formulation and evaluation of mining projects.



The corresponding Organizational chart appears at level of each Productive Unit:



Required Personnel:

		YEAR 0		YEAR 1		YEAR 2		YEAR 3-4-5	
		Nº	\$ / month	Nº	\$ / month	Nº	\$ / month	Nº	\$ / month
1	HUILA PROJECT (COPPER)			124	105.056	214	163.466	302	223.773
2	ANDREA GOLD III PROJECT	32	39.551	124	105.056	211	157.773	211	157.773
3	MANAGEMENT	5	24.750	9	39.600	9	39.600	9	39.600
	TOTAL (1+2+3)	37	64.301	257	249.711	434	360.839	522	421.146

6. OPERATIONS

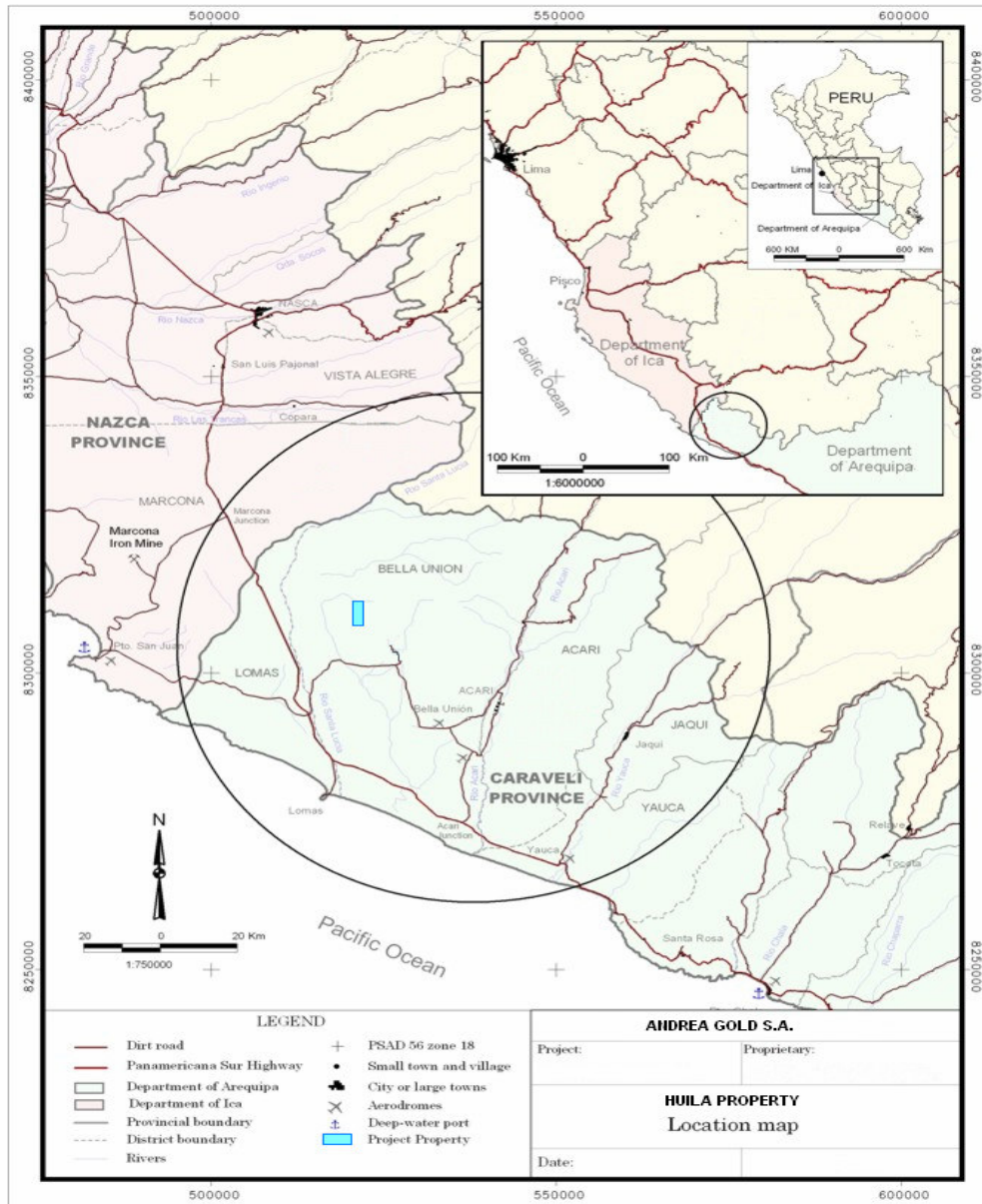
6.1. HUILA - COPPER PROJECT

6.1.1. LOCATION AND ACCESSIBILITY

Location

The Huila copper Project is located approximately 430 straight-line kilometers southeast of Lima, at the junction between the Departments of Ica (Nazca Province, Marcona District) and Arequipa (Caraveli Province, and districts of Lomas, Bella Union and Acari). The Project area is located 45 km southeast of Nazca (coordinates: 527,000E, 8,320,000N, UTM PSAD 56 Datum, Zone 18) and 430 straight-line kilometers southeast of Lima. The city of Nazca, from which all Project-related field work was conducted, lies 470 km by road from Lima.





Accessibility

Access to the Property is via the Pan-American Sur Highway from Lima (470 km to Nazca, approximately six hours), then 50 km via the Pan-American Sur Highway from Nazca to a dirt road junction via Pantaka, then 20 Km by local dirt roads to Quebrada Tranca Baja, the north part of the concession. Accessibility is good to the margins of the Project areas by 4x4 vehicles.

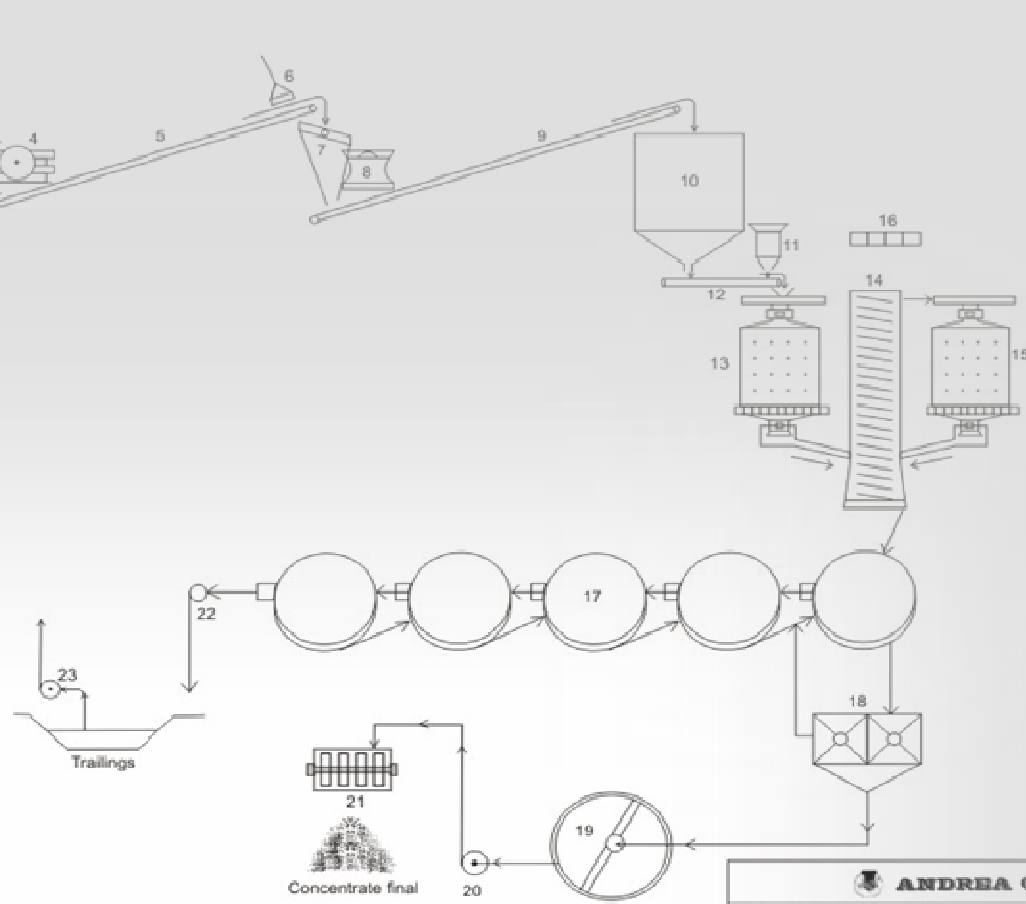
6.1.2. OPERATION DESCRIPTION

Investments in detailed property exploration and mine development would support the processing plant, as well as the acquisition of equipment for the operation of the mine and for the installation of a plant of maximum capacity of 300 MTD. The production levels are considered in: 100 MTD, 200 MTD and 300 MTD during the first year, the second year and the third year respectively.

The description of the flotation process is as follows:

1. The dump trucks will unload the ore in the coarse hopper. The material oversize 6" of thickness left on the grizzly on top of the hopper, will be demolished by hand.
2. The crushing system will have two units: A primary 10"x 24" jaw crusher and a secondary 3' cone crusher that will deliver the material to 85% 1/2" to the fine hopper.
3. The grinding section – classification, will use a 6' x 6' ball mill that will work in a opened circuit with the 38"x24" screw washer classifier and this one will work in closed circuit with a 5'x5' ball mill.
4. The material 65% pass 200 mesh will enter the circuit of 5 7'x7' flotation cells type WS rougher and scavenger, previous correction of pH and typical copper reagents like the lime, A-242, Xanthate z-11 and Frother 70. The copper concentrate goes to the cleaning system and the tailings are deposited in the respective tailings pond.
5. The cleaning will take place in a battery of two Denver flotation cells N° 24 and the de-watering will take place in a 26"x10" thickener followed by a 4 discs 6' diameter filter.
6. The finished product that is copper concentrate, it is packed and remains ready for its transport and sale.
7. The water of the tailings pond will be able to be circulating into the system without problem, which will allow us to reduce costs in liquids and reagents.

ITEM	CANT.	CHARACTERISTIC
1	1	Mine ore bin
2	1	8' x 25' Apron ore feeder
3	1	Grizzly
4	1	10' x 24" jaw crusher
5	1	49' conveyor
6	1	Estationary magnet
7	1	3' x 6' vibrating screen
8	1	3' cone crusher
9	1	49' conveyor
10	1	Fine ore bin
11	1	Lime feeder
12	1	18' x 10' belt ore feeder
13	1	6' x 6' ball mill
14	1	38" x 24" spiral classifier
15	1	5' x 5' ball mill
16	4	Reagent floor
17	5	7' x 7' celda circular ws flotation
18	2	Cleaner celda flotation N° 24
19	1	26' x 10' thickener
20	1	2 1/2' x 2' slurry pump
21	1	6" - 4 disc filter
22	1	3' x 3" slurry pump
23	1	2 1/2' x 2' water pump



ANDREA GOLD S.A.

PROJECT - COPPER - PERU

FLOWSHEET PLANT FLOTATION

Diseñado Ing. Enrique Rivera	Aprobado Ing. José Mera Quiro	Dibujado Dante Oliveros	Fecha Mayo - 2008
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6.1.3. HUILA PROJECT REQUIRED INVESTMENT

The fixed investment is US\$2,860,000.00 during the first year of investment.

	YEAR 0	YEAR 3	YEAR 4
1 300 MTD PROCESSING PLANT EQUIPMENT	1,170,000.00		
2 MINE EQUIPMENT	400,000.00		
3 ENGINEERING	97,000.00		
4 CIVIL WORKS	490,000.00	200.000,00	200.000,00
5 PROPERTY EXPLORATION BUDGET	677,000.00		
6 COMPUTER SYSTEM AND COMMUNICATION	26,000.00		
TOTAL PRODUCTION AND MANAGEMENT FIXED ASSETS	2.860,000.00	200.000,00	200.000,00
FIXED ASSETS	1,596,000.00		
INTANGIBLES TOTAL	1,264,000.00	200.000,00	200.000,00

The civil work investment includes the construction of the tailings pond for US\$ 600.000, of which US\$ 200.000 are invested at the beginning and the remaining US\$400,000 during years 3 and 4, destined to the extension of the tailings pond capacity.

The initial working capital required is US\$230,000.00 that corresponds to one-month operation costs, without including the costs of depreciation and amortization of intangibles.

6.1.4. FIXED ASSETS AND WORKING CAPITAL SUMMARY:

	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets (US\$)	2,860,000			200,000	200,000	
Working Capital (US\$)	230,000	150,000	180,000			
Total Investment	3,140,000	150,000	180,000	200,000	200,000	

6.1.5. PRODUCTION

The programmed levels of production for (mine & plant) are:

Cu-PRODUCTION	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
MTD	100	200	300	300	300
MTA	33,600	67,200	100,800	100,800	100,800

HUILA COPPER PROJECT GANTT TABLE

PROJECT START UP										
MONTH	1	2	3	4	5	6	7	8	9	10
1.- Metallurgical tests										
2.- Basic Engineering										
3.- Detail Engineering										
4.- Acquire Equipment										
5.- Civil Works										
6.- Mechanical Mounting										
7.- Electrical Mounting										
8.- Construction Tailing Deposit										
9.-Envinromental Studies (EIS)										
10.-Mine Development										

HUILA COPPER PROJECT FUNDS TIMELINE TABLE

PROJECT START UP										
MONTH	1	2	3	4	5	6	7	8	9	10
1. - Metallurgical tests, mine. Assay.	\$20.000,00		\$15.000,00							\$35.000,00
2.- Basic Engineering	\$10.500,00									\$10.500,00
3.- Detail Engineering				\$20.000,00						\$20.000,00
4.- Acquire Equipment		\$550.000,00		\$450.000,00		\$596.000,00				\$1.596.000,00
5.- Civil Works		\$75.000,00		\$25.000,00						\$100.000,00
6.- Mechanical Mounting					\$75.000,00		\$25.000,00			\$100.000,00
7.- Electrical Mounting								\$50.000,00	\$40.000,00	\$90.000,00
8.- Construction Tailing Deposit					\$200.000,00					\$200.000,00
9.- Environmental Studies (EIS)							\$31.500,00			\$31.500,00
10.-Mine Development	\$91.800,00		\$250.000,00		\$300.000,00		\$35.200,00			\$677.000,00
TOTAL	\$122.300,00	\$625.000,00	\$265.000,00	\$495.000,00	\$575.000,00	\$596.000,00	\$91.700,00	\$50.000,00	\$40.000,00	\$2.860.000,00

6.1.6. OPERATING MARGIN

(I) Product Value

The value of the ore by MT of mineral and copper concentrate by MT, has been calculated considering the metallurgical balance, conditions of commercialization, like the following quotations:

Price Forecast	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Cu (MT)	\$7.900	\$7.700	\$7.600	\$7.500	\$7.500	\$7.500
Au (Oz)	\$850	\$850	\$850	\$850	\$850	\$850

The unitary value by MT of ore, copper concentrate and the total of annual income are:

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Net Value \$/ MT Concentrate	1.879	1.852	1.826	1.826	1.826
Total ore value \$ / MT	206,9	204,0	201,0	201,0	201,0
TURNOVER US\$/year	6.952.372	13.706.456	20.262.253	20.262.253	20.262.253

(II) Operating Costs

Unit costs (variable & fixed) by MT of mineral and the total annual costs are:

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
TOTAL VARIABLE COST (US\$/MT)	34,4	34,3	36,5	36,5	36,5
PLANT OPERATION SUPPLIES (US\$/MT)	7,2	7,2	7,2	7,2	7,2
MINE OPERATION SUPPLIES (US\$/MT)	19,1	19,1	21,3	21,3	21,3
ORE HAULAGE MINE-PLANT	8	8	8	8	8
TOTAL FIXED COSTS (US\$/MT)	46,9	33,8	29,7	29,7	29,7
MINE & PLANT LABOR	37,4	29,2	26,6	26,6	26,6
CENTRAL OFFICE LABOR	7,1	3,5	2,4	2,4	2,4
ADMINISTRATIVE COSTS & SALES	2,1	1,1	0,7	0,7	0,7
TOTAL COST (US\$/MT)	80,9	68,1	66,2	66,2	66,2
TOTAL COSTS (US\$)	\$ 2,718,227	\$ 4,576,295	\$ 6,672,922	\$ 6,672,922	\$ 6,672,922

(III) Operating Margin

The operating margin by MT of mineral (without including the depreciation and amortization of intangible), that differs in each year by effect of the projected quotations and the variation in production costs are:

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
SALE VALUE (US\$/MT)	206,9	204,0	201,0	201,0	201,0
OPERATING COST (US\$/MT)	80,9	68,1	66,2	66,2	66,2
OPERATING MARGIN (US\$/MT)	126,0	135,9	134,8	134,8	134,8

(EBITDA) Earnings before Interests, Taxes, Depreciation and Amortization are:

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
TURNOVER	\$ 6.952.372	\$13.706.456	\$ 20.262.253	\$ 20.262.253	\$ 20.262.253
COSTS	\$ 2,718,227	\$ 4,576,295	\$ 6,672,922	\$ 6,672,922	\$ 6,672,922
<u>EBITDA</u>	\$ 4,234,144	\$ 9,130,161	\$ 13,589,330	\$ 13,589,330	\$ 13,589,330

6.2. GOLD PROJECT OPERATIONS

6.2.1. LOCATION AND ACCESSIBILITY

Location

The property is located approximately 8.5 km northeast of Las Lomas town and 40 km north-northeast of the Tambo Grande town, where the Tambo Grande Mining Project is settled down. The regional capital, Piura, is 70 km southwest, and Lima lies about 900 km south. The project area is 30 km south of the Ecuadorian border and comprises 1 mining concession named "Andrea Gold III" which covers an area of 300 ha. General details of this concession and coordinates of the corner points are given in table 1.

Accessibility

The Andrea Gold III mining concession is located approximately 950 km north of Lima, the capital city of Peru and about 80 km north-northeast of Piura, and approximately 120 km northeast of the Port of Paita. Access to the Andrea Gold III property from Lima to Paita can be gained by two ways, driving about eight hours through the North Pan-American Highway, or using daily commercial air services from Lima to Paita. Finally from Paita to the Andrea Gold III property accessibility is obtained by paved highways and secondary roads. The Ecuadorian border is about 25 km to the north.





Local Resources and Infrastructure

There are not good local resources or infrastructure in the Andrea Gold III property or in the nearer Las Lomas town. This entire zone is economically very poor being the artisan mining works the only economic activity; therefore a good understanding among local population and mining companies is expected. Current administrative facilities consist of offices for communication and engineering functions in Las Lomas. An electric power line that runs from Las Lomas to El Progreso Ranch passes through the Andrea Gold III property. Many skilled and unskilled workers live around this zone. Basic food supplies and accommodation can be obtained locally.

6.2.2. OPERATION DESCRIPTION



At the moment, the Gold unit, which counts with an operative 50t/d processing plant, is functioning buying ore from the local artisan miners for its processing and commercialization. Right now, there are not any available processing plant in the area to process the Mining district ore production, besides the Company's plant.

For this project, investments in explorations and development of the mine, as well as the acquisition of equipment for the mine operation and the improvement of the processing plant up to a capacity of 200 MTD, have been projected to guarantee the proper operation of the mining business. The production levels are considered in: 100 MTD and 200 MTD during the first year and the second year respectively.

The description of the gold circuit process in the plant is as follows:

1. The dump trucks will unload the ore in the coarse hopper. The material oversize 6" of thickness left on the grizzly on top of the hopper, will be demolished by hand.
2. The crushing system will have two units: A primary 10"x 16" jaw crusher and a secondary 3' cone crusher that will deliver the material to 85% 1/2" to the fine hopper.
3. The grinding section – classification, will use a 6' x 6' ball mill that will work in a opened circuit and at the same time it will create closed circuit with the 5'x5' ball mill.

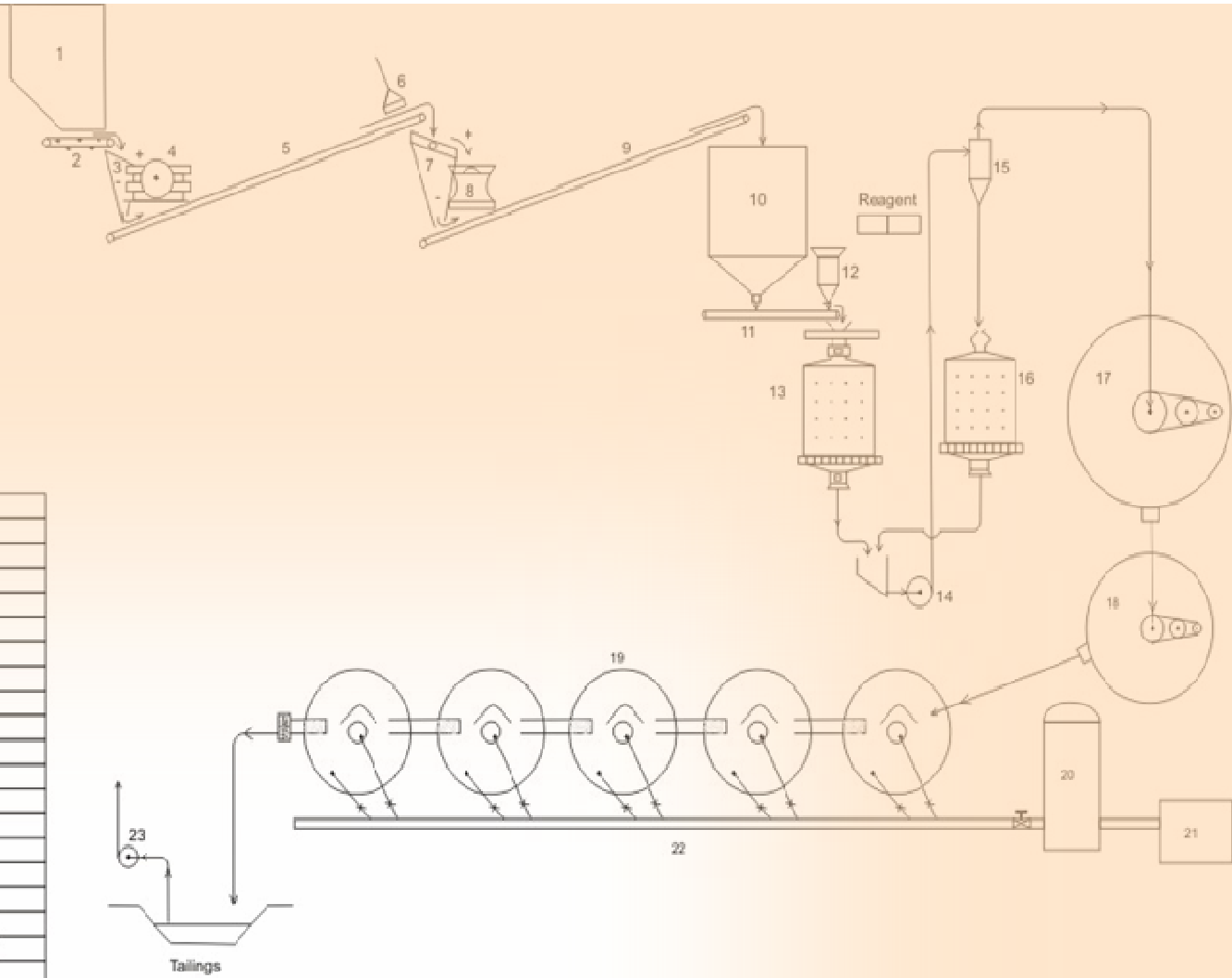


4. The cyaniding will begin in the ball mill where 50% of the required reagent will be fed. The cyaniding will continue in two pregnant solution tanks of 18'x18' and 15'x15' during a total time of 24 hours (green tanks). Previous alkalization took place with ph 10,5.
5. The capture of dissolved gold with activated carbon, will take place in 5 tanks of 11'x11'.
6. The coal will be brought to Lima for its treatment by third parties and soon given back to the Plant for its reuse; the regeneration of coal will be done in this same plant. End product: Gold Bars.

7. Tailings will be deposited in the respective tailing pond and the surplus cyanide destroyed.

The 50t/d processing plant that is processing material at the moment is using a primary Chilean mill with four wheels to grind the ore and then, the free gold is recovered on sluice boxes. The tailings are sent by the slurry pump to three circular WS160 flotation cells system (blue tanks) to concentrate the material with gold for later cyaniding.





ITEM	CANT.	CHARACTERISTIC
1	1	Mine ore bin
2	1	8' x 25' Apron ore feeder
3	1	Estationary Grizzly
4	1	10' x 16" jaw crusher
5	1	50' conveyor
6	1	Estationary magnet
7	1	3' x 6' vibrating screen
8	1	2' cone crusher
9	1	50' conveyor
10	1	Fine ore bin
11	1	10' x 12' belt ore feeder
12	1	Lime cone feeder
13	1	6' x 6' ball mill
14	2	2 1/2" x 2" slurry pump
15	1	D-10 hidrociclone
16	1	5 x 5 ball mill
17	1	18' x 18" pregnant solution tank
18	1	15' x 15' pregnant solution tank
19	5	Air lift agitators
20	1	Air tank
21	1	Air compresor
22	1	Air tubing
23	2	2 1/2" x 2" water pump

ANDREA GOLD S.A.

FLWSHEET PLANT GOLD CYANIDATION

Diseño Ing. Enrique Rivera	Aprobado Ing. José Mene Oulpe	Dibujado Dante Oliveros	Fecha Mayo - 2008
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6.2.3. REQUIERED INVESTMENT

The fixed initial investment is of US\$ 2,150,000 that includes investments executed of \$ 270,000 and investments to be executed of \$1,880,000.

	YEAR 0		YEAR 3
	To Invest	Invested	Total
1. EQUIPMENT	927,000.00	220,000.00	
2. ENGINEERING	97,000.00		
3. CIVIL WORKS	255,000.00	50,000.00	200,000.00
4. PROPERTY EXPLORATION BUDGET	577,000.00		
5. COMPUTER SYSTEM AND COMMUNICATION	24,000.00		
SUB-TOTAL	1,880,000.00	270,000.00	200,000.00
TOTAL	\$2,150,000.00		200,000.00

The civil work investment includes the construction of the tailings pond for US\$ 250.000, of which US\$ 50.000 are invested at the beginning and the US\$ 200.000 during year 3 and 4, destined to the extension of its capacity for the tailings pond.

The initial working capital required is US\$470,000, that corresponds to one-month operation costs (labor & ore bought), without including the costs of depreciation and amortization of intangibles.

6.2.4. FIXED ASSETS AND WORKING CAPITAL SUMMARY:

	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets (US\$)	2,150,000			200,000		
Working Capital (US\$)	470,000	390,000				
Total Investment (US\$)	2,620,000	390,000		200,000		

6.2.5. PRODUCTION

The production considers the bought mineral and own mineral treatment.

CONCENTRATES OF AU	YEAR0	YEAR1	YEAR2	YEAR3	YEAR4	YEAR5
OWN PRODUCTION						
MTD		50	100	100	100	100
MTA		16.800	33.600	33.600	33.600	33.600
MINERAL BOUGHT						
MTD	50	50	100	100	100	100
MTA	16.800	16.800	33.600	33.600	33.600	33.600
TOTAL PRODUCTION						
MTD	50	100	200	200	200	200
MTA	16.800	33.600	67.200	67.200	67.200	67.200

GOLD PROJECT GANTT TABLE

	MONT H	PROJECT START UP								
		1	2	3	4	5	6	7	8	9
1.- Metallurgical tests		█	█	█						
2.- Basic Engineering			█	█						
3.- Detail Engineering					█	█				
4.- Acquire Equipment			█	█	█	█	█			
5.- Civil Works				█	█	█				
6.- Mechanical Mounting						█	█	█	█	
7.- Electrical Mounting									█	█
8.- Permits & Authorization			█	█	█	█				
9.- Construction Tailing Deposit						█	█	█	█	█
10.-Envinromental Studies (EIS)				█	█	█	█	█	█	█
11.-Trails and Starting Operation										█
12.-Mine Development		█	█	█	█	█	█	█	█	

GOLD PROJECT FUNDS TIME LINE TABLE

PROJECT START UP

MONTH	1	2	3	4	5	6	7	8	9	TOTAL
1.- Metallurgical tests, min. Anal.	\$20.000,00									\$20.000,00
2.- Basic Engineering	\$10.500,00									\$10.500,00
3.- Detail Engineering				\$20.000,00						\$20.000,00
4.- Acquire Equipment		\$550.000,00		\$250.000,00		\$127.000,00				\$927.000,00
5.- Civil Works			\$50.000,00		\$40.000,00					\$90.000,00
6.- Mechanical Mounting					\$40.000,00		\$45.000,00			\$85.000,00
7.- Electrical Mounting								\$50.000,00	\$19.000,00	\$69.000,00
8.- Construction Tailing Deposit					\$50.000,00					\$50.000,00
Envinromental Studies (EIS)			\$15.000,00				\$16.500,00			\$31.500,00
10.-Trails and Starting Operation										\$0,00
11.-Mine Development	\$91.800,00		\$150.000,00		\$200.000,00		\$135.200,00			\$577.000,00
TOTAL	\$122.300,00	\$550.000,00	\$230.000,00	\$270.000,00	\$280.000,00	\$151.000,00	\$196.700,00	\$50.000,00	\$30.000,00	\$1.880.000,00

6.2.6. OPERATING MARGIN

The operating margin by MT differs in the bought mineral from the own mineral, as the conditions of commercialization, as well as the operating costs changes.

In both cases we consider the same prices projections:

Price Forecast	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Cu (MT)	\$7.900	\$7.700	\$7.600	\$7.500	\$7.500	\$7.500
Au (Oz)	\$850	\$850	\$850	\$850	\$850	\$850

(I) Product Value

The unit value by MT of bought mineral, own mineral and the annual turnover generated are:

	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
ORE VALUE (US\$/Mt)						
Own Ore		\$298,7	\$298,7	\$298,7	\$298,7	\$298,7
Bought Ore	\$298,7	\$298,7	\$298,7	\$298,7	\$298,7	\$298,7
TOTAL ORE VALUE (US\$)	\$5,017,914	\$10,035,828	\$20,071,656	\$20,071,656	\$20,071,656	\$20,071,656
Own Ore	\$0	\$5,017,914	\$10,035,828	\$10,035,828	\$10,035,828	\$10,035,828
Bought Ore	\$5,017,914	\$5,017,914	\$10,035,828	\$10,035,828	\$10,035,828	\$10,035,828

(II) Operating Costs

Unit costs (variable & fixed) by MT of mineral and the total annual costs are:

US\$/MT	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
OWN MINERAL COSTS		101,4	87,5	87,5	87,5	87,5
VARIABLE MINE COSTS		21,1	21,1	21,1	21,1	21,1
VARIABLE PLANT COSTS		14,8	14,8	14,8	14,8	14,8
FIXED MINE COSTS		37,7	37,7	37,7	37,7	37,7
FIXED PLANT COSTS		6,3	3,2	3,2	3,2	3,2
OTHER FIXED COSTS		21,5	10,8	10,8	10,8	10,8
BOUGHT MINERAL COSTS	245,1	233,2	219,3	219,3	219,3	219,3
PURCHASE COST	190,5	190,5	190,5	190,5	190,5	190,5
VARIABLE PLANT COSTS (US\$)	14,8	14,8	14,8	14,8	14,8	14,8
FIXED MINE COSTS (US\$)	12,7	6,3	3,2	3,2	3,2	3,2
OTHER FIXED COSTS (US\$)	27,0	21,5	10,8	10,8	10,8	10,8
TOTAL COSTS (US\$)	4,117,440	5,622,505	10,308,074	10,308,074	10,308,074	10,308,074
Own mineral	0	1,704,253	2,940,037	2,940,037	2,940,037	2,940,037
Bought mineral	4,117,440	3,918,252	7,368,037	7,368,037	7,368,037	7,368,037

The average purchase of Bought mineral is:

Gold tenor g/t	12g
Humidity penalty (%)	2%
Metallurgical recuperation (%)	90%
Processing Fee (US\$/MT)	50
Gold price (US\$/Oz)	850
Management fee US\$	9
Average purchase value (US\$/MT)	190,5

(III) Operating Margin

The operating margin by MT of mineral (without including the depreciation and amortization of intangible), are:

	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
OWN MINERAL						
Sale value (US\$/MT)		298.7	298.7	298.7	298.7	298.7
Operation cost (US\$/MT)		101.4	87.5	87.5	87.5	87.5
Operating margin (US\$/MT)		197.2	211.2	211.2	211.2	211.2
Operating margin (%)		66%	71%	71%	71%	71%
BOUGHT MINERAL						
Sale value (US\$/MT)	298.7	298.7	298.7	298.7	298.7	298.7
Operation cost (US\$/MT)	245.1	233.2	219.3	219.3	219.3	219.3
Operating margin (US\$/MT)	53.6	65.5	79.4	79.4	79.4	79.4
Operating margin (%)	18%	22%	27%	27%	27%	27%

(EBITDA) Earnings before Interests, Taxes, Depreciation and Amortization are:

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
TURNOVER (US\$)	5,017,914	10,035,828	20,071,656	20,071,656	20,071,656
TOTAL COSTS (US\$)	4,117,440	5,622,505	10,308,074	10,308,074	10,308,074
EBITDA	900,474	4,413,323	9,763,582	9,763,582	9,763,582

7. FINANCIALS

7.1. HUILA Cu PROJECT

7.1.1. FINANCIAL SUMMARY

5 Year Projection

Investment :		\$ 3.140.000	
Estimated sales volume:		\$ 81,445,585	
Total Operation Cost:		\$ 30,216,289 (BITDA)	
Net Income		\$ 30,642,126	
Self- sufficiency:	Sustainability with the implementation of several concessions	Margin:	EBIT Margin: 63% After tax EBIT 38%
Expected results:		Economic: NPV \$15,125,000 IRR 137%	
		Financing: NPV \$11,380,000 IRR 165%	
Project Budget:		Shareholders contribution: \$2.360.000 - 75%	
		Financing: \$ 780.000 - 25%	
		Pre-operative interests: \$ 50.000	

7.1.2. FINANCING PROGRAM

The project will seek a Bank overseas to get financial leverage of 25% of capital employed.

The period of execution of the investment is of 10 months, capitalizing the interests of the loan until the beginning of the operations.

The financing conditions are as follows:

- Debt: \$ 780,000.00
- Interest rate: 14% annual
- Time: 5 years

DEBT AMOUNT	\$780,000.00
Pre-operating Interests	\$50,000.00
Total	\$830,000.00

YEAR	FINANCIAL COST	K AMORTIZ	DEBT SERVICE	K BALANCE
0				830,000
1	108,488	123,264	231,752	706,736
2	90,080	141,672	231,752	565,064
3	68,924	162,828	231,752	402,237
4	44,606	187,146	231,752	215,091
5	16,656	215,091	231,747	0

7.1.3. EXPECTED RESULTS

The projected results that show the economic capacity of the project, is reflected in the generation of revenue and availability of funds.

(US\$)	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Turnover		6,952,372	13,706,456	20,262,253	20,262,253	20,262,253
EBITDA		4,234,144	9,130,161	13,589,330	13,589,330	13,589,330
- Depreciation and amortization		712,600	712,600	712,600	349,267	415,933
EBIT		3,521,544	8,417,561	12,876,730	13,240,064	13,173,397
- Interests		108,488	90,080	68,924	44,606	16,656
- Taxes and Deductions		1,358,396	3,314,337	5,097,507	5,251,792	5,236,383
NET INCOME		2,054,660	5,013,144	7,710,299	7,943,665	7,920,358

7.1.4. CASH FLOW PRESENT VALUE

(US\$)	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Investment	(3,140,000)	(150,000)	(180,000)	(200,000)	(200,000)	0
<u>EBITDA</u>	0	4,234,144	9,130,161	13,589,330	13,589,330	13,589,330
Taxes and Deductions	0	(1,358,396)	(3,314,337)	(5,097,507)	(5,251,792)	(5,236,383)
Free cash flow	(3,140,000)	2,725,748	5,635,824	8,291,823	8,137,538	8,352,947
Financing	780,000					
Debt payments	0	(231,752)	(231,752)	(231,752)	(231,752)	(231,747)
Free cash flow (financing)	(2,360,000)	2,493,996	5,404,072	8,060,072	7,905,786	8,121,201
		NPV	IRR (%)	NPV / Investment		
ECONOMIC EVALUATION		15,125,000	137%	4.8x		
FINANCIAL EVALUATION		11,380,000	165%	4.8x		
MAIN ASSUMPTIONS	Weighted Average Capital Cost			20,0%	-	-
	Shareholders Capital Cost			30,0%		

7.2. ANDREA GOLD III PROJECT

7.2.1. FINANCIAL SUMMARY

5-Year Projection

Investment :		Total \$ 2,620,000			
		- To Invest: \$ 2,150,000			
		- Invested: \$ 470,000			
		(\$270,000 Fixed assets; \$200,000 Working capital)			
		\$ 95,340,366			
Sales volume estimated:		\$ 53,001,827 (BITD)			
Total Operation Cost:		\$ 25,316,458.			
Net Income:					
Self- sufficiency:	Sustainability with the implementation of several concessions	Margin:	EBIT Margin: 44%		
			After tax EBIT: 27%		
Expected Results:		Economic: NPV	\$12,981,000	IRR	182%
		Financing: NPV	\$10,035,000	IRR	230%
Project Budget:		Shareholders contribution:			Project Budget: 77%
		\$ 2,010,000			
		Executed: \$ 470,000			
		To Execute: 1.540,000			
		Financing: \$ 610,000			23%
		Total: \$ 262,000			

7.2.2. FINANCING PROGRAM

The project will seek a lending institution overseas to get financial leverage of 23% of capital employed.

The period of execution of the investment is of 10 months, canceling the interests of the loan during the period of investment.

The conditions of financing are as follows:

- Debt: \$ 610,000.00
- Interest Rate: 14% annual
- Time: 5 years

The charges that Project support, as current debt, is exposed in the next chart:

DEBT AMOUNT \$610,000,00

Pre-Operating

Interests \$43,000,00

YEAR	FINANCIAL COST	K AMORTIZ	DEBT SER-VICE	K BALANCE
0	43,000		43,000	610,000
1	79,735	90,589	170,324	519,411
2	66,206	104,118	170,324	415,294
3	50,654	119,670	170,324	295,624
4	32,785	137,539	170,324	158,086
5	12,243	158,086	170,329	0

7.2.3. EXPECTED RESULTS

The projected results that show the economic capacity of the project is reflected in the generation of revenue and availability of funds.

<i>(US\$)</i>	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Turnover	5,017,914	10,035,828	20,071,656	20,071,656	20,071,656	20,071,656
EBITDA	900,474	4,413,323	9,763,582	9,763,582	9,763,582	9,763,582
- Depreciation and amortization	49,667	506,383	506,383	489,717	238,717	238,717
EBIT	850,807	3,906,939	9,257,198	9,273,865	9,524,865	9,524,865
- Interests	43	79,735	66,206	50,654	32,785	12,243
- Taxes and Deductions	321,507	1,523,227	3,658,015	3,670,838	3,777,848	3,786,024
NET INCOME	486,3	2,303,977	5,532,977	5,552,373	5,714,232	5,726,598

7.2.4. CASH FLOW PRESENT VALUE

<i>(US\$)</i>	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Investment	(2,620,000)	(390,000)	0	(200,000)	0	0
EBITDA	900,474	4,413,323	9,763,582	9,763,582	9,763,582	9,763,582
Taxes and Deductions	(321,507)	(1,523,227)	(3,658,015)	(3,670,838)	(3,777,848)	(3,786,024)
Free cash flow (economic)	(2,041,034)	2,500,095	6,105,567	5,892,744	5,985,734	5,977,558
Debt	610,000					
Debt Payments	(43,000)	(170,324)	(170,324)	(170,324)	(170,324)	(170,329)
Free cash flow (financing)	(1,474,034)	2,329,772	5,935,243	5,722,420	5,815,410	5,807,229

	NPV	IRR (%)	NPV / Investment
ECONOMIC EVALUATION	12,981,000	182%	5.0x
FINANCIAL EVALUATION	10,035,000	230%	5.0x
MAIN ASSUMPTIONS	Weighted Average Capital Cost		20,0%
	Shareholders Capital Cost		30,0%

7.3. CONSOLIDATED RESULTS

7.3.1. REQUIRED INVESTMENT AND FINANCING

The total required investment is \$5,760,000.00 of which \$3,140,000.00 corresponds to the copper project and 2,620,000.00 to the gold project.

The required investment is covered with \$1,390,000.00 million debt and a shareholder contribution of \$4,370,000.00. The Company has invested \$ 470,000.00 and \$ 3,900,000.00 are needed additionally to develop the projects.

	SHAREHOLDERS CONTRIBUTION			FINANCING	TOTAL
	Invested	To Invest	Total		
Cu - Project		2.360.000	2.360.000	780.000	3.140.000
Au - Project	470.000	1.540.000	2.010.000	610.000	2.620.000
TOTAL	470.000	3.900.000	4.370.000	1.390.000	5.760.000

Five Year Projection Total Investment:

	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Cu – Project Investment	3.140.000	150.000	180.000	200.000	200.000	
Au – Project Investment	2.620.000	390.000		200.000		
Total	5.760.000	540.000	180,000	400.000	200.000	

7.3.2. CAPITALIZATION STRATEGY

The capitalization strategy is to issue new shares to offer them on the public market.

TREASURY SHARES	10'000.000
Price	0.50

7.3.3. EXPECTED RESULTS

The results show the economic capacity of the company with the execution of both projects:

	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Turnover	5,017,914	16,988,200	33,778,112	40,333,909	40,333,909	40,333,909
EBITDA	900,474	8,647,467	18,893,743	23,352,912	23,352,912	23,352,912
Depreciation and amortization	49,667	1,218,983	1,218,983	1,202,317	587,983	654,650
EBIT	850,807	7,428,484	17,674,759	22,150,595	22,764,929	22,698,262
Interests	43,000	188,223	156,286	119,578	77,391	28,899
Taxes and Deductions	321,507	2,881,624	6,972,352	8,768,345	9,029,640	9,022,406
NET INCOME	486,300	4,358,637	10,546,121	13,262,672	13,657,898	13,646,956

7.3.4. CASH FLOW PRESENT VALUE

	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Investment	(5,760,000)	(540,000)	(180,000)	(400,000)	(200,000)	0
EBITDA	900,474	8,647,467	18,893,743	23,352,912	23,352,912	23,352,912
Taxes and Deductions	(321,507)	(2,881,624)	(6,972,352)	(8,768,345)	(9,029,640)	(9,022,406)
Free cash flow (economic)	(5,181,034)	5,225,843	11,741,390	14,184,567	14,123,272	14,330,505
Debt	1,390,000					
Debt Payments	(43,000)	(402,075)	(402,075)	(402,075)	(402,075)	(402,075)
Free cash flow (financing)	(3,834,034)	4,823,768	11,339,315	13,782,492	13,721,197	13,928,430
		NPV	IRR (%)	NPV / Investment		
ECONOMIC EVALUATION		28,106,000	155%	5.4x		
FINANCIAL EVALUATION		21,415,000	190%	5.6x		
MAIN ASSUMPTIONS	Weighted Average Capital Cost			20,0%		
	Shareholders Capital Cost			30,0%		

8. SWOT ANALYSIS

Strengths and Opportunities

- Mineral laws that allow us to be competitive and profitable
- Generation of income that facilitate to finance the operative costs and to recover the required investments.
- High operative and net yield.
- Possibility of new deposit findings.
- Increasing tendency of the gold price.
- The environment, health and safety are top priorities for the Company.
- Excellent Management Team to run the projects.
- Low labor costs.
- Labor easily available.

Weaknesses and Threats

- Price fluctuations.
- Mineral risks of operation by the possible variability in the laws and resources that the geologic structure of the deposits can require greater investments than the ones programmed.
- Political and social risk of the mining sector, by possible conflicts with the communities.
- Changes on legislation.
- Global competition continues to grow in all sectors.
- Environmental regulations are becoming increasingly complex.
- Funding for exploration is difficult to obtain.
- High rate of illegal mining.

9. INTERACTION WITH THE COMMUNITY AND ENVIRONMENT

Mining, that is one of the main economic activities of the country, it does not have to be a barrier for the development of other economic activities like agriculture, cattle ranch or fishes, on the contrary it is able to execute greater investments in the areas of influence, making it necessary to obtain agreements with the community, based on the protection of the ecosystem, as well as to the overcoming of poverty.

As to what the environment is concerned, the State establishes the regulatory frame; one of the most important ones is the Regulation of Environmental Protection in the Metallurgical Activities Mining that it establishes instruments of management like:

- The Study of Environmental Impact (EIA), required for new projects, greater extensions to 50% of the operations or mining concessions already granted in which it is desired to initiate the operation stage;
- Programs of Adjustment and Environmental Management (PAMA), required for companies with projects or operations in execution on the date published;
- Environmental evaluation (EA), required for projects of mining exploration that fulfill certain requirements;
- Annual Consolidated declaration, required annually of the mining companies in operation, like pursuit of the EIAs or PAMAs previously approved.
- Environmental auditing firms, to control the fulfillment of the commitments assumed in the Environmental Impact study.

10. CONCLUSIONS

- The company at the moment is producing revenues with its 50t/d processing plant on the Au project.
- The total estimated investment for the Cu and Au projects is US\$5,760,000.00
- The economic results, as well as the availability of funds projected are positive in all of the projected periods.

- The company on both projects has a consolidated NPV of US\$ 12.9 million, five times the total investment and an IRR of 182%.
- The figures reveal the financial feasibility of Andrea Gold S.A. through its projections; international copper and gold prices encourage the results. However, the costs can be managed in order to create the wealthy expected.
- Andrea Gold S. A. has to do a merging with a public company or an Initial Public Offering (IPO) to obtain the required investment to develop its projects.
- The company needs to increase its resources on the properties by future drilling and exploration.
- At the present time, the company has 295,000 tonnes on resources with a current value of metal content of US\$90,000,000.00 and another 295,000 tonnes of resources.

11. APPENDIX