ACERO-MARTIN EXPLORATION INC.

First Quarter Report

March 31, 2007

Unaudited - Prepared by Management

ACERO-MARTIN EXPLORATION INC.
Consolidated Balance Sheets
As at March 31, 2007

	Mar. 31, 2007	Dec. 31, 2006
ASSETS		
Current		
Cash and cash equivalents	$ 4,859,309	1,003,344
Accounts receivable - Note 3	4,108	25,992
Share subscriptions receivable	25,000	-
Taxes recoverable - Note 4	193,894	194,898
Prepaid expenses and deposit	43,021	43,021
	5,125,332	1,267,255
Deferred tax recoverable - Note 5	425,537	385,277
Property, plant and equipment - Note 6	332,429	321,777
Resource properties - Note 8	13,347,294	11,219,064
	$ 19,230,592	$ 13,193,373
LIABILITIES		
Current		
Accounts payable	$ 344,336	$ 518,196
SHAREHOLDERS' EQUITY		
Capital stock - Note 10	43,357,851	36,567,878
Shares allotted - Notes - 7 and 10(d)	175,000	350,000
Contributed surplus	3,421,689	3,301,191
Deficit	(28,068,284)	(27,543,892)
	18,886,256	12,675,177
	$ 19,230,592	$ 13,193,373

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See accompanying notes to the financial statements

ACERO-MARTIN EXPLORATION INC.
Consolidated Statements of Loss and Deficit
For the Three Month Period Ended March 31, 2007

	2007	2006
Revenue		
Other income	$ 13,350	$ 302
Expenses		
Accounting and audit	6,000	6,000
Amortization	9,314	2,989
Auto	1,817	1,124
Bank charges and interest	3,347	1,719
Consulting fee	194,702	96,883
Dues and insurance	-	1,648
Foreign exchange (gain)	(40,226)	-
Legal	99,936	15,223
Management fees	43,000	51,000
Office, rent and miscellaneous	80,342	53,354
Stock-based compensation - Note 10(a)	15,701	238,800
Stock exchange fees and filing fee	38,046	23,605
Telephone and utilities	4,596	3,266
Transfer agent fees	3,687	4,648
Travel and business development	39,374	21,018
Wages and benefits	38,106	28,704
	537,742	549,981
Net loss for the period	524,392	549,679
Deficit, beginning of the period	27,543,892	24,910,252
Deficit, end of the period	$ 28,068,284	$ 25,459,931
Loss per share	$(0.012)	$(0.017)
Basic and diluted weighted average number of shares outstanding	45,546,554	30,581,005

Unaudited - Prepared by Management
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ACERO-MARTIN EXPLORATION INC.
Consolidated Statement of Cash Flows
For the Three Month Period Ended March 31, 2007

	2007	2006
Operating activities		
Net loss for the period	$(524,392)	$(549,679)
Items not involving movement of cash		
Add: Amortization	9,314	2,989
Stock-based compensation	15,701	238,800
	(499,377)	(307,890)
Net change in non-cash working capital balances*	(175,972)	104,816
	(675,349)	(203,074)
Financing activities		
Increase in capital stock	6,466,773	3,670,266
Shares allotted	(175,000)	(175,000)
Contributed surplus	104,797	-
	6,396,570	3,495,266
Investing activities		
Purchase and expenditure on mineral property	(1,805,030)	(509,459)
Addition to property and equipment	(19,966)	(21,690)
Deferred tax recoverable	(40,260)	(31,047)
	(1,865,256)	(562,196)
Increase (decrease) in cash during the period	3,855,965	2,729,996
Cash and cash equivalent, beginning of the period	1,003,344	53,477
Cash and cash equivalent, end of the period	$ 4,859,309	$ 2,783,473

* Comprised of changes in accounts receivable, share subscriptions receivable, taxes recoverable, prepaid expenses and deposit and accounts payable.

Cash and cash equivalents consist of cash and term deposits.

Supplemental disclosure of cash flows information - Note 15.

Unaudited - Prepared by Management
See accompanying notes to the financial statements

1. Nature of Operations

The Company owns working interests in mineral properties. The Company is in the process of exploring these mineral properties and has not yet determined whether they contain reserves that are economically recoverable. Work has commenced on various mineral properties.

The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying claims, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable on a going concern basis and do not reflect adjustments related to the carrying values and balance sheet classification of assets and liabilities that would be necessary were the going concern assumption inappropriate.

2. Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 100% owned subsidiary Canper Exploraciones, S.A.C.

Mineral Property Acquisition and Deferred Exploration Expenses

Costs relating to the acquisition, exploration and development of mineral properties are capitalized by the Company. When production is attained, the costs will be amortized based on a method relating recoverable reserves to production. Non-producing mineral properties that the Company abandons its interest in are written-off in the years of abandonment.

The recoverability of amounts recorded for mineral properties is reviewed on a regular basis and written down to the net recoverable amount if the long term expectation is that the net carrying amount will not be recovered.

Property, Plant and Equipment

Capital assets are stated at cost and the Company provides for amortization computed under the straight-line method for office equipment at 25% per annum.

2. Summary of Significant Accounting Policies - cont'd

Values

The amounts shown for resource properties and deferred costs represent costs to date and do not necessarily reflect present or future values.

Significant Accounting Charges

Sources of GAAP

Effective January 1, 2004, the Company adopted the new CICA Handbook Section 1100, "Generally Accepted Accounting Principles". This section establishes standards for financial reporting in accordance with GAAP and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not explicitly dealt with in the primary sources of GAAP. The adoption of this section did not have any significant impact on the Company's consolidated financial statements.

Assets Retirement Obligations

Effective January 1, 2004, the Company adopted the CICA Handbook Section 3110, "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamations and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. At March 31, 2007, the Company has not incurred or committed any asset retirement obligations related to the development of its mineral properties in Peru or in the Yukon Territories.

Impairment of Long-Lived Assets

Effective January 1, 2004 the Company adopted the then new recommendations of CICA Handbook Section 3063 "Impairment of Long-Lived Assets" on a prospective basis. Section 3063 requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the net recoverable value is less than the carrying amount of the assets, impairment is recognized. Management believes that there has been no impairment of the Company's long-lived assets as at March 31, 2007 and the adoption of Section 3063 has no effect on the current financial statements.

Stock-based Compensation

Effective January 1, 2004, the Company has adopted the Canadian Institute of Chartered Accountants (CICA) amendments to Section 3870, "Stock-based Compensation and Other-based Payments", which requires an expense to be recognized in the financial statements for all forms of employees and directors.

2. Summary of Significant Accounting Policies - cont'd

Foreign Exchange

The accounts recorded in U.S. dollar and Peruvian Nueva Soles have been translated into Canadian dollars on the following basis:

- monetary assets and liabilities at the rate of exchange in effect at the balance sheet date;
- non-monetary assets and liabilities at the rates of exchange in effect on the respective dates of transactions; and
- revenues and expenses at average rates of exchange for the year.

Earnings Per Share

During the current period, the Company retroactively adopted the new recommendations of the CICA with respect to the computation of basic and diluted earnings (loss) per share. Under the new standards, the treasury stock method is used in determining the dilutive effect of options and warrants. Previously, the inputted earnings approach was used. For the year presented, the calculation of diluted earning (loss) per share proved to be anti-dilutive.

Income Taxes

Company accounts for and measures future tax assets and liabilities in accordance with the liability method.

Under the asset and liability method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

3. Accounts Receivable

Included in accounts receivable are 2007 - Nil (2006 - $Nil) from related parties.

4. Taxes Recoverable

The Company has qualifying exploration expenditures which generate refundable Yukon Mineral Exploration Tax Credit (YMETC) of $179,488 for the year ended December 31, 2006.

5. Deferred Tax Recoverable

The Company has tax recoverable of $425,537 in Peru. The recoverability depends on future income of the Company.

6. Property, Plant and Equipment

	2007	2006
Office equipment	$ 60,142	$ 51,371
Computers	72,530	65,018
Camp and equipment	256,595	252,911
	389,267	369,300
Accumulated amortization	(56,838)	(47,523)
	$ 332,429	$ 321,777

7. Acquisition

On May 26, 2004, Acero-Martin acquired 100% of the shares of Canper Exploraciones, S.A.C. by issuing 4,000,000 common shares of which 1,000,000 common shares are contingent on future reserves. The shares are to be issued as follows:

a) 1,000,000 common shares at approval date, November 2, 2004 (issued)
b) 500,000 common shares in six months (issued)
c) 500,000 common shares in twelve months (issued)
d) 500,000 common shares in twenty four months (issued)
e) 500,000 common shares in thirty six months (issued)
f) 500,000 common shares upon indication of not less than 750,000 oz. of gold reserves
g) 500,000 common shares upon indication of not less than 2,500,000 oz. of gold reserves.

The acquisition has been accounted for by the purchase method with the fair value of the consideration paid being allocated to the fair value of the identifiable assets and liabilities acquired. The following is a summary of the net assets acquired at fair values:

Cash	$ 3,055
Other current assets	10,625
Equipment	2,324
Mineral properties	1,550,990
Current liabilities	(446,994)
Net assets acquired	$ 1,120,000
Purchase consideration:	
Capital stock	$ 1,050,000
Finders' fees	70,000
	$ 1,120,000

8. Resource Properties

A) Canada Yukon

a) Red Mountain Property

The Company has 75% interest in 52 mineral property claims located in the Yukon Territory Canada, known as the Red Mountain Property. The agreement requires the Company to expend $1,500,000 on the property over a 30 month period. As of December 31, 2005 the total commitment has been expended. The vendor was reimbursed for 75% of total out of pocket exploration expenditure incurred previously and has retained 2% overriding net smelter royalty.

b) Hobo Creek

The Company has also entered into an option agreement in July 2004 with Regent Ventures Ltd. to acquire 50% interest in Hobo Creek, Red Mountain area owned by Regent Ventures Ltd. The Company has issued to Regent 350,000 share purchase warrants at $0.55 per share exercisable before July 15, 2005. The Company is required to incur the following expenditures:

i) Expenditures of at least $300,000 on or before November 30, 2004.
ii) Expenditures of at least $800,000 on or before November 30, 2005.
iii) Expenditures of at least $1,500,000 on or before November 30, 2006.

Regent Ventures Ltd. will retain a 1% Net Smelter Royalty with respect to its claims. The Company has decided not to continue with this project and wrote off the deferred cost in October 2005.

8. Resource Properties - cont'd

	Red Mountain	
	2007	2006
Balance at December 31, 2006	$ 1,894,368	1,865,906
Addition during the year:		
Exploration and Development		
Fuel, supplies and other	-	-
Food, lodging and travel	-	-
Drilling	-	35,985
Equipment	-	-
Field work	-	-
Helicopter	-	-
Laboratory	6,053	1,965
Wages	-	-
Road	-	-
Equipment rental	-	-
Truck rental	-	-
	6,053	37,950
Total cost	1,900,421	1,903,856
Yukon tax credit	-	(9,488)
Balance at March 31, 2007	$ 1,900,421	$ 1,894,368

B) *Peru Pinaya Property*

During 2004 the Company acquired a 100% interest in Canper Exploraciones S.A.C. Canper Exploraciones, S.A.C. owns an option to acquire the mineral rights for the Pinaya Property in southern Peru. The option agreement requires the Company to pay to the owners of the mineral rights the following amounts on the following times:

a) U.S. $200,000 when the public deed is executed on the transfer of the option agreement (May 26, 2004) (paid).
b) U.S. $100,000 payable six month from May 26, 2004 (paid)
c) U.S. $240,000 payable 12 month from May 26, 2004 (paid)
d) U.S. $860,000 payable 24 month from May 26, 2004 (paid)
e) U.S. $1,100,000 payable 36 month from May 26, 2004 (paid)

In addition the Company acquired some surface rights during the year for part of the Pinaya Property. The amount expended for surface rights total U.S. $15,000 with U.S. $15,000.

Panchito Property

The Company purchased an undivided 100% interest to certain Peruvian mining rights. The Company has paid U.S. $11,000 cash and issued 100,000 shares.

8. Resource Properties - cont'd

La Mamita Property

The Company purchased mining rights in the La Mamita Concession in Peru. The Company paid $25,000 and issued 25,000 common shares.

Don Pedro 2000

The Company purchased by way of option the rights to the property called the Don Pedro 2000 concession in Peru. The Company paid U.S. $40,000 (2005 U.S. $70,000) with additional payments of the option of U.S.$140,000 as follows:

$ U.S.	Due Date
20,000	January 9, 2007 (paid)
20,000	May 9, 2007
30,000	September 9, 2007
30,000	January 9, 2008
40,000	May 9, 2008

Manuelito 1 to 3

Pursuant to an Agreement dated December 14, 2006, the Company acquired certain concessions located in Peru and forming part of the Company's Pinaya project, namely the Manuelito 1 to 3 mineral concessions, in consideration for U.S. $20,100 and the issuance of 260,00 common shares at a value of CDN $0.57 per share.

Peruvian Properties

	2007	2006
Acquisition costs	$ 5,700,745	$ 4,219,246
Deferred exploration cost		
Geophysics	221,517	172,186
Drilling	1,993,515	1,693,818
Geological	499,503	471,603
Professional	192,358	182,306
Right of way	98,376	98,376
Truck and equipment rental	320,751	295,341
Travel	163,442	153,962
Public register and taxes	518,281	478,021
Fuel	135,971	119,478
Wages	660,291	585,359
Mapping	78,589	78,589
Contractor	9,368	9,368
Lab	455,989	405,204
Publication	44,159	41,373
Telephone	36,433	32,650
Miscellaneous	53,331	35,083
Consulting	158,658	157,518
Food and camp	105,596	95,215
Total	$ 11,446,873	$ 9,324,696

9. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivable, advances to related party, taxes recoverable and accounts payable. The fair values of these financial instruments approximate their carrying values. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of temporary cash investments, term deposits and accounts receivable and taxes recoverable. The Company does not believe it is subject to any significant concentration of credit risk since cash and term deposits are placed with major financial institutions and the Yukon Government is not subject to credit risk.

10. Capital Stock

Authorized: Unlimited (2006 - 50,000,000) common shares without par value.

	2007		2006	
	Number of Shares	Amount	Number of Shares	Amount
Opening balance, December 31, 2006	41,944,879	36,567,878	29,856,977	$ 29,157,559
Issued for cash:				
Private placement	11,478,500	5,739,250	-	-
Private placement	2,685,000	1,342,500	6,299,999	3,572,891
Exercise of options	-	-	1,635,000	924,750
Exercise of warrants	-	-	3,603,685	2,702,764
Issued for properties	760,000	323,200	550,000	210,500
Share issue costs		(614,977)		(207,109)
Issued during the period	56,868,379	43,357,851	12,088,684	7,410,905
Returned to treasury	-	-	(782)	(586)
Closing balance, March 31, 2007	56,868,379	43,357,851	41,944,879	$ 36,567,878

a) On March 24, 2006, the Company issued 5,999,999 units at $0.60 per unit by a private placement. Each unit consists of one common share and one share purchase warrant exercisable at $0.75 for the first 6 months and at $0.90 for the second 6 months. Finders fees of $207,109 was paid from the issue.

b) On May 26, 2006, the Company issued 300,000 units at $0.60 per unit by a private placement. Each unit consists of one common share and one half of one warrant. A whole warrant is exercisable at $0.75 for the first 6 months and at $0.90 for the second six month.