

ACERO-MARTIN EXPLORATIONS INC.

Consolidated Financial Statements

March 31, 2010

(unaudited – prepared by management)

ACERO-MARTIN EXPLORATION INC.
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March 31, 2010
(Unaudited – prepared by management)

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**MANAGEMENT'S COMMENTS ON
UNAUDITED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of Acero-Martin Exploration Inc., as at March 31, 2010 and for the three months then ended have been prepared by and is the responsibility of the Company's management. In accordance with National Instrument 51 – 102, the company discloses that its auditors have not reviewed the accompanying unaudited interim financial statements as at March 31, 2010 and for the three then ended.

ACERO-MARTIN EXPLORATION INC.**Consolidated Balance Sheets***(Unaudited – prepared by management)*

	<i>March 31,</i> <i>2010</i>	<i>December 31,</i> <i>2009</i>
ASSETS		
Current:		
Cash and cash equivalents	\$ 35,531	\$ 431,879
Accounts receivable	13,176	12,687
Share subscription receivable	-	129,063
Prepaid expenses and deposit	<u>3,337</u>	<u>3,256</u>
	52,044	576,885
Equipment	477,084	409,118
Resource properties	<u>5,874,301</u>	<u>5,874,301</u>
	<u>\$ 6,403,429</u>	<u>\$ 6,860,304</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	\$ 461,576	\$ 680,034
Note payable	<u>100,000</u>	<u>420,000</u>
	<u>561,576</u>	<u>1,100,034</u>
SHAREHOLDERS' EQUITY		
Capital stock	49,471,912	49,160,760
Contributed surplus	4,953,497	4,953,797
Deficit	<u>(48,583,556)</u>	<u>(48,353,987)</u>
	<u>5,841,853</u>	<u>5,760,270</u>
	<u>\$ 6,403,429</u>	<u>\$ 6,860,304</u>

APPROVED ON BEHALF OF THE BOARD:

"Michael Scholz" Director_____
"Jack Bal" Director

ACERO-MARTIN EXPLORATION INC.
Consolidated Statements of Comprehensive Loss and Deficit
(unaudited – prepared by management)

	<i>Three Months Ended March 31, 2010</i>	<i>Three Months Ended March 31, 2009</i>
Revenues		
Interest and sundry	\$ <u>6,209</u>	\$ <u>3,072</u>
Expenses		
Accounting and audit	9,393	2,500
Amortization	7,137	10,512
Bank charges and interest	1,421	1,203
Interest expense	2,178	-
Legal	6,390	4,567
Management fees	-	24,000
Mineral property exploration	30,601	50,231
Office and miscellaneous	14,673	32,239
Printing and shareholders' information	3,403	660
Rent	5,250	-
Stock exchange fees and filing fees	7,765	5,050
Telephone and utilities	4,433	7,527
Transfer agent fees	4,774	3,889
Travel and business development	2,266	9,392
Wages	<u>31,029</u>	<u>187,158</u>
	<u>130,713</u>	<u>338,928</u>
Loss before the under-noted	(124,504)	(335,856)
Gain on settlement of debt	25,381	-
Foreign exchange gain (loss)	<u>(130,446)</u>	<u>(66,443)</u>
Net loss for the period	(229,569)	(402,299)
Deficit, beginning of period	<u>(48,353,987)</u>	<u>(47,077,561)</u>
Deficit, end of period	<u>\$ (48,583,556)</u>	<u>\$ (47,479,860)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of shares	<u>30,676,371</u>	<u>97,388,510</u>

ACERO-MARTIN EXPLORATION INC.
Consolidated Statements of Changes in Equity
March 31, 2010
(unaudited – prepared by management)

	<i>Share Capital</i>		<i>Contributed Surplus</i>	<i>Deficit</i>	<i>Shareholders' Equity</i>
	<i>Number of Shares</i>	<i>Amount</i>			
Balance, December 31, 2008	24,347,524	\$ 48,022,134	\$ 4,574,762	\$ (47,077,561)	\$ 5,519,335
Issued for cash	5,160,889	978,312	-	-	978,312
Issued and unpaid	584,111	129,063	-	-	129,063
Issued for debt	150,000	24,000	-	-	24,000
Issued for acquisition of resource properties	175,000	43,750	-	-	43,750
Share issuance costs	-	(36,499)	-	-	(36,499)
Stock based compensation	-	-	23,942	-	23,942
Warrant purchase term modification	-	-	354,793	-	354,793
Net loss for the year	-	-	-	(1,276,426)	(1,276,426)
Balance, December 31, 2009	30,417,524	49,160,760	4,953,497	(48,353,987)	5,760,270
Issued for cash	1,385,000	311,625	-	-	311,625
Share issuance costs	-	(473)	-	-	(473)
Net loss for the period	-	-	-	(229,569)	(229,569)
Balance, March 31, 2010	31,802,524	\$ 49,471,912	\$ 4,953,497	\$ (48,583,556)	\$ 5,841,853

ACERO-MARTIN EXPLORATION INC.**Consolidated Statements of Cash Flows***(unaudited – prepared by management)*

	<i>Three Months Ended March 31, 2010</i>	<i>Three Months Ended March 31, 2009</i>
Cash flows from (used in) operating activities		
Net loss for the period	\$ (229,569)	\$ (402,299)
Item not involving cash		
Amortization	7,137	10,512
Unrealized foreign exchange loss (gain)	<u>(75,103)</u>	<u>11,690</u>
	(297,535)	(380,097)
Changes in non-cash working capital		
Accounts receivable	(489)	(3,941)
Prepaid expenses and deposit	(82)	(6,287)
Accounts payable and accrued liabilities	<u>(218,457)</u>	<u>222,799</u>
	(516,563)	(167,526)
Cash provided by financing activities		
Note payable	(320,000)	-
Subscriptions receivable	129,063	
Issuance of capital stock	<u>311,152</u>	
	120,215	
Decrease in cash during the period	(396,348)	(167,526)
Cash, beginning of period	<u>431,879</u>	<u>199,628</u>
Cash and cash equivalents, end of period	\$ 35,531	\$ 32,102
Supplementary information:		
Interest paid	<u>\$ 2,049</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

ACERO-MARTIN EXPLORATION INC.

Notes to the Consolidated Financial Statements

March 31, 2010

(Unaudited – prepared by management)

1. NATURE AND BASIS OF OPERATIONS

Acero-Martin Exploration Inc. (the “Company”), is a junior resource public company incorporated under the laws of the province of British Columbia, Canada. The Company’s shares are listed on the Frankfurt Stock Exchange under the trading symbol of “AMX” and TSX Venture Exchange (“TSX.V”) under the trading symbol “AMG”.

The Company is a mineral exploration and development company with mineral properties in Yukon Territory, Canada and in Peru, South America.

The Company is in the process of exploring its resource properties and has not yet determined whether the resource properties contain reserves that are economically recoverable. The recoverability of amounts shown for the resource properties are dependent upon the discovery of economically recoverable reserves, confirmation of the company’s interest in the underlying mineral claims, the ability of the company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition thereof. The business of mining and exploring for resources involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. Changes in future conditions could require material write-downs of the carrying values of resource properties.

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the company’s most recently completed year ended December 31, 2009. These statements do not include all disclosures required in annual financial statements but rather are prepared in accordance with recommendations for interim financial statements in conformity with Canadian generally accepted accounting principles. These statements follow the same accounting policies and methods of their application as those followed in the December 31, 2009 consolidated financial statements.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception and does not currently have any revenue generating operations. The Company’s ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominately by the issuance of equity to the public, will be sought to finance the operations of the Company. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

	March 31, 2010	December 31, 2009
Working capital (deficit)	\$ (509,532)	\$ (523,149)
Deficit	\$ (48,583,556)	\$ (48,353,987)

ACERO-MARTIN EXPLORATION INC.
Notes to the Consolidated Financial Statements
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2. FUTURE ACCOUNTING POLICIES

International financial reporting standards (“IFRS”)

In 2006, the Accounting Standards Board (AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to apply IFRS. The changeover is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement of comparative amounts reported by the Company for the year ending December 31, 2010. The Company has begun assessing the implications of adoption of IFRS for fiscal 2012, the financial reporting impact of the transition to IFRS, and it expects that the impact of the adoption of IFRS will not have a significant impact on the financial reporting of the Company.

Business combinations

In January 2009, the Accounting Standards Board (“AcSB”) issued CICA Handbook Section 1582, “Business Combinations”, which replaces Section 1581, “Business Combinations”. The AcSB also issued Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-Controlling Interests”, which replace Section 1600, “Consolidated Financial Statements”. These new sections are based on the International Accounting Standards Board’s (“IASB”) International Financial Reporting Standard 3, “Business Combinations”. These new standards replace the existing guidance on business combinations and consolidated financial statements. These new standards require that most assets acquired and liabilities assumed, including contingent liabilities, to be measured at fair value and all acquisition costs to be expensed. These new standards also require non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests. The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards. The Non-Controlling Interests standard should be applied retrospectively except for certain items. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

3. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business.

The Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate available or committed financial resources to complete such acquisitions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable.

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Notes to the Consolidated Financial Statements
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3. CAPITAL MANAGEMENT, continued

There were no changes in the Company's approach to capital management during the period ended March 31, 2010. The Company is subject to externally imposed capital requirements.

4. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with reputable financial institutions, from which management believes the risk of loss to be remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2010, the Company had cash balances of \$35,531 (December 31, 2009 - \$431,879) to settle current liabilities of \$561,576 (December 31, 2009 - \$1,100,034). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Market risk is the risk of loss that may arise from changes in market factor such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

The Company's main exploration programs are located in Peru. The local currency is in Soles and therefore, the Company is subject to currency risk with respect to its exploration expenditures and mineral properties.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of natural resources, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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4. FINANCIAL RISK FACTORS, continued

Sensitivity analysis

The Company has, for accounting purpose, designated its cash as held-for-trading, which are measured at fair value. Accounts payable and accrued liabilities are classified for accounting purpose as other financial liabilities which are measured at amortized cost.

As at March 31, 2010, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by interest rate risk, and price risk. The Company does hold significant balances in foreign currencies which give rise to exposure to foreign exchange risk. Commodity price risk could affect the Company. In particular, the Company's future profitability and viability of development depends upon world market of natural resources. As of March 31, 2010, the Company was not a producing entity. As a result, commodity price risk could affect the completion of future equity transaction such as equity offerings and the exercise of stock options and warrants. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action be taken by the Company.

5. EQUIPMENT

	<i>March 31,</i> <i>2010</i>	<i>December 31,</i> <i>2009</i>
Office equipment	\$ 75,314	\$ 75,071
Computers	102,604	99,522
Camp and equipment	463,671	428,781
	<u>641,589</u>	<u>603,374</u>
Accumulated amortization	(164,505)	(194,256)
	<u>\$ 477,084</u>	<u>\$ 409,118</u>

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6. ACQUISITION

On May 26, 2004, the Company 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		1,505,490
Current liabilities		(446,994)
		<hr/>
Net assets acquired	\$	1,074,500
Purchase consideration:		
Capital Stock	\$	1,004,500
Finder's fees		70,000
		<hr/>
	\$	1,074,500
		<hr/>

Based on the purchase method used, consideration received including certain mineral properties exploration rights in Peru while purchase consideration rendered including share capital allotted to be issued in future years in accordance to dates mentioned above.

7. RESOURCE PROPERTIES

	Red Mountain	Pinaya	Total
Balance as of December 31, 2008	\$ 1	\$ 5,830,550	\$ 5,830,551
Cost incurred	43,750	-	43,750
Write off	-	-	-
			<hr/>
Balance as of December 31, 2009 and March 31, 2010	\$ 43,751	\$ 5,830,550	\$ 5,874,301
			<hr/>

ACERO-MARTIN EXPLORATION INC.
Notes to the Consolidated Financial Statements
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7. RESOURCE PROPERTIES, continued

a) Yukon Territory, Canada

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, 2006 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.

The Red Mountain property has been basically inactive for three years with only insignificant amount of exploration activities done. In accordance with the Canadian GAAP, cost capitalized at mineral properties that have been inactive for three years should be written off. The Company is still planning to perform some exploration activities on the Yukon properties but the timing is unsure due to limits in financing resources. As a result, the Company decided to write off the Red Mountain property in the prior year to a nominal value of \$1.

During the year, the Company entered into an amended agreement to earn an 80% interest in the property subject to a 2% Net Smelter Royalty to be paid to the vendor following commencement of commercial production. In consideration, the Company has issued 175,000 post consolidated common shares of the Company to the vendor. The deemed value per share on the date the shares were issued was \$0.25 per share.

	March 31, 2010	December 31, 2009
Acquisition costs	\$ 43,751	\$ 43,751

b) Peru, South America

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:

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7. RESOURCE PROPERTIES, continued

b) Peru, South America, continued

- i) U.S. \$200,000 when the public deed is executed on the transfer of the option agreement (May 26, 2004) (paid).
- ii) U.S. \$100,000 payable six month from May 26, 2004 (paid)
- iii) U.S. \$240,000 payable 12 month from May 26, 2004 (paid)
- iv) U.S. \$860,000 payable 24 month from May 26, 2004 (paid)
- v) 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.

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.

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 (paid)		
30,000	September 9, 2007 (paid)		
30,000	January 9, 2008 (paid)		
40,000	May 9, 2008 (paid)		
<i>Peruvian Properties</i>	March 31,	December 31,	
	2010	2009	
Acquisition costs	<u>\$ 5,830,550</u>	<u>\$ 5,830,550</u>	

In addition to the four main concessions above, the Peruvian properties consist of other numerous concessions in one contiguous area in Peru of which detail breakdown is not shown.

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8. CAPITAL STOCK

Authorized:

Share capital consists of an unlimited number of common shares without par value.

On October 7, 2009, the Company, effected a consolidation of its common shares on a consolidated basis of one (1) post-consolidated common shares for every four (4) pre-consolidated common shares held. All shares and per share amounts in the financial statements have been adjusted to reflect the one for four share consolidation.

Issued:

Period ended March 31, 2010:

On January 14, 2010, the Company issued 1,000,000 Units at \$0.225 per Unit by way of private placement. Each unit consists of one common share of the Company and one share purchase warrant. Every two share purchase warrants are exercisable into one common share at a price of \$0.275 per share until August 11, 2011.

On February 11, 2010, the Company issued 385,000 Units at \$0.225 per Unit by way of private placement. Each unit consists of one common share of the Company and one share purchase warrant. Every two share purchase warrants are exercisable into one common share at a price of \$0.275 per share until August 11, 2011. Finder's fees of \$473 were paid in relation to the private placement.

Year ended December 31, 2009:

On December 31, 2009, the Company issued 2,895,000 Units at \$0.225 per Unit by way of private placement. Each unit consists of one common share of the Company and one share purchase warrant. Every two share purchase warrants are exercisable into one common share at a price of \$0.275 per share until June 30, 2011. Finder's fees of \$32,459 were paid in relation to the private placement.

On November 4, 2009, the Company issued 175,000 common shares of the Company at a deemed value of \$0.25 per share pursuant to the amended agreement dated August 31, 2009 with respect to the Red Mountain Property.

On August 21, 2009, the Company issued 3,000,000 Units at \$0.16 per Unit by way of private placement. Each unit consists of one common share of the Company and one share purchase warrant. Every two share purchase warrants are exercisable into one common share at a price of \$0.20 per share until August 21, 2010. Finder's fees of \$1,540 were paid in relation to the private placement.

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Notes to the Consolidated Financial Statements
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8. CAPITAL STOCK, continued

Stock Options:

The Company has a stock option plan (the “Plan”) for directors, senior officers, employees, consultants, and management. The Plan provides for the issuance of stock options to acquire up to a maximum of 10% of the issued and outstanding common shares of the Company. The Plan provides that the vested terms of the options and the option price may be fixed by the directors subject to the price restrictions and other requirements of the TSX Venture Exchange. Options are granted for a term not exceeding five years and the exercise price must be paid in full upon exercise price of the option.

A summary of the status of the Company’s stock options as at March 31, 2010 and December 31, 2009, and changes during those years is presented below:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance, December 31, 2009	51,250	\$2.96	1.15 years
Options issued	-	-	
Cancelled/Expired	(51,250)	\$2.96	
Balance, March 31, 2010	-	-	-

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance, December 31, 2008	1,593,750	\$1.84	3.43 years
Options issued	-	-	
Cancelled/Expired	(1,542,500)	\$1.80	
Balance, December 31, 2009	51,250	\$2.96	1.15 years

During the period ended March 31, 2010, the compensation expense recorded for options fully vested was \$Nil (December 31, 2009 – \$23,942).

The fair value of the options granted was estimated on the date of grant using the Black-Scholes options-pricing model with the following assumptions:

	March 31 2010	December 31, 2009
Risk-free interest rate	-	-
Experienced life of options	-	-
Annualized volatility	-	-
Dividend rate	-	-

Options pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

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8. CAPITAL STOCK, continued

Share purchase warrants

As at March 31, 2010, the Company had share purchase warrants outstanding enabling holders to acquire the following:

878,500 share purchase warrants at an exercise price of \$2.00 per share until April 2, 2010. Each share purchase warrant entitles the holder thereof to acquire one common share of the Company

2,973,122 share purchase warrants at an exercise price of \$0.24 per share until September 15, 2010. Each share purchase warrant entitles the holder thereof to acquire one common share of the Company

409,638 share purchase warrants at an exercise price of \$0.40 per share until September 15, 2010. Each share purchase warrant entitles the holder thereof to acquire one common share of the Company

345,211 share purchase warrants at an exercise price of \$0.24 per share until October 8, 2010. Each share purchase warrant entitles the holder thereof to acquire one common share of the Company

44,377 share purchase warrants at an exercise price of \$0.40 per share until October 8, 2010. Each share purchase warrant entitles the holder thereof to acquire one common share of the Company

3,000,000 share purchase warrants at an exercise price of \$0.20 per share until August 21, 2010. Two share purchase warrant entitles the holder thereof to acquire one common share of the Company

2,895,000 share purchase warrants at an exercise price of \$0.275 per share until June 30, 2011. Two share purchase warrant entitles the holder thereof to acquire one common share of the Company

1,000,000 share purchase warrants at an exercise price of \$0.275 per share until August 11, 2011. Each 2 share purchase warrants entitles the holder thereof to acquire one common share of the Company

385,000 share purchase warrants at an exercise price of \$0.275 per share until August 11, 2011. Each 2 share purchase warrants entitles the holder thereof to acquire one common share of the Company

A summary of the Company's issued and outstanding share purchase warrants as at December 31, 2009 and December 31, 2008 and changes during those years is presented below:

	March 31 2010	December 31 2009
Balance, beginning of period	10,545,848	4,650,847
Issued	1,385,000	9,667,348
Expired/cancelled	-	(3,772,347)
Exercised	-	-
Balance, end of period	11,930,848	10,545,848

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8. CAPITAL STOCK, continued

Share purchase warrants, continued

In November 2009 3,772,348 warrants which had previously expired were re-priced and the expiry date extended by one year. The fair value of these warrants of \$354,793 have been estimated using the Black-Scholes option-pricing model using the following assumptions:

	March 31 2010	December 31, 2009
Risk-free interest rate	-	0.56%
Experienced life of options	-	1 year
Annualized volatility	-	153.93%
Dividend rate	-	0%

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, subscriptions receivable, accounts payable and accrued liabilities, due to related parties and notes payable. The carrying values of the Company's financial instruments, excluding amounts due to related party, approximate their fair value due to the short term to maturity. The fair value of the amount due to related party is not determinable as there are no set terms of repayment.

The Company has made the following designations of its financial instruments:

Cash and cash equivalents	Held for trading
Subscriptions receivable	Loans and other receivables
Accounts payable and accrued liabilities	Other financial liabilities
Notes payable	Other financial liabilities

At March 31, 2010, the levels in the fair value into which the Company's financial assets and liabilities are measured and recognized in the balance sheet at fair value are categorized as follows:

	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 35,531	\$ -	\$ -
Account payable and accrued liabilities	\$ -	\$ 461,576	\$ -
Note payable	\$ -	\$ 100,000	\$ -

10. NOTE PAYABLE

Notes payable consists of a note in the amount of \$100,000 bearing interest at an annual rate of 24% with no specific terms for repayment. Included in accounts payable is \$129 accrued interest.

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11. RELATED PARTY TRANSACTIONS

During the period ended March 31, 2010, the Company incurred management fees of \$Nil (2009: \$24,000) with directors and companies owned by directors.

During the period ended March 31, 2010, the Company incurred exploration expenditures and geological consulting fees of \$28,134 (2009: \$50,231) with companies owned by directors.

During the period ended March 31, 2010, the Company incurred legal fees of \$1,853 (2009: \$4,460) with an officer who is a principal of a law firm.

As at March 31, 2010, accounts payables includes \$8,706 (2009: \$49,610) owing to officers, directors and companies controlled by common directors and officers of the Company.

12. SEGMENTED FINANCIAL INFORMATION

The Company's business is considered as operating in one segment, mineral exploration and development. The geographical division of the Company's total assets are as follows:

Assets	March 31, 2010	December 31, 2009
Canada	88,432	553,874
Peru	6,314,997	6,306,430
	<u>6,403,429</u>	<u>6,860,304</u>

13. SUBSEQUENT EVENTS

- i). Subsequent to March 31, 2010, the Company issued 4,000,000 Units at \$0.20 per Unit by way of private placement. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant will be exercisable into one common share at a price of \$0.20 for a period of two years.
- ii). Subsequent to March 31, 2010, the Company announced the intention to issue 1,500,000 Units at \$0.22 per Unit by way of private placement. Each unit consists of one flow through share of the Company and one share purchase warrant. Every two warrants will be exercisable into one flow through share at a price of \$0.30 for a period of two years.
- iii). Subsequent to March 31, 2010, the option agreement with Solitaire Minerals to grant up to an 80% interest in the Pinaya property was terminated.
- iv). Subsequent to March 31, 2010, the Company issued 126,875 common shares through exercise of warrants.
- v). Subsequent to March 31, 2010, the Company granted up to 3,500,000 common shares pursuant to incentive stock options for granting to certain of its directors, employees, and consultants under the Company's 2009 Rolling Stock Option Plan. The options will be granted at the exercise price of \$0.35 per share for a five year period, subject to approval by regulatory authorities.
- vi). Subsequent to March 31, 2010, the Company approved a name change to AM Gold Inc. subject to the approval by regulatory authorities.