



**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2009

Dated April 30, 2010

# **ACERO-MARTIN EXPLORATION INC.**

Management Discussion & Analysis  
For the Year Ended December 31, 2009

This Management Discussion & Analysis ("MD&A") of Acero-Martin Exploration Inc. ("Acero-Martin", or the "Company") is dated April 30<sup>th</sup>, 2010 and provides an analysis of the Company's performance and financial condition for the year ended December 31<sup>st</sup>, 2009.

This MD&A should be read in conjunction with the Company's audited consolidated financial statements for year ended December 31<sup>st</sup>, 2009 and the audited consolidated financial statements for the year ended December 31<sup>st</sup>, 2008, including the related note disclosure, both of which are prepared in accordance with Generally Accepted Accounting Principles in Canada. All amounts are in Canadian dollars unless otherwise specified.

Additional information relating to the Company, including the consolidated financial statements for the year ended December 31, 2009 are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) or on the Company's website [www.acero-martin.com](http://www.acero-martin.com)

## **OVERALL PERFORMANCE**

### **DESCRIPTION OF BUSINESS**

**Acero-Martin Exploration Inc.** is a publicly held mineral exploration company listed on the TSX Venture Exchange under the symbol "AMG" and the Frankfurt Exchange under the symbol "AMX." The Company's main business focus is to acquire and explore mineral properties for precious and base metals and other minerals. Since 2004, the Company has been focused on developing its 100% controlled Pinaya gold-copper Project located in southern Peru. The Company also maintains an 80% interest in the Red Mountain gold Project located in the Yukon Territory, Canada and 100% interest in two grassroots gold projects located in Peru: La Mamita and Minas Lucho. To date, Acero-Martin has not earned any revenues from its mineral property interests and is considered to be in the exploration stage.

Acero-Martin believes there is great potential to expand the current resource base and prove up a major deposit at the Pinaya project.

### **RESOURCE PROPERTIES**

Acero-Martin currently has interests in the following mineral properties:

#### **a) Pinaya Project, Southern Peru**

The Pinaya gold-copper Project is located in southern Peru approximately 775 kilometers southeast of Lima, the capital of Peru, and 110 kilometers north-northeast of Arequipa, the second largest city in Peru. The property consists of twenty-nine mineral concessions covering approximately 14,500 hectares. Acero-Martin holds a 100% interest in the concessions through its wholly owned Peruvian subsidiary Canper Explorations S.A.C ("Canper").

Canper originally held the rights to thirteen of the twenty-nine mineral concessions that make up the project. In April of 2004, Acero-Martin acquired Canper for a total of three million shares over a three year period.

An additional 250,000 shares of the Company may be issued as follows:

- a) If a probable reserve of 750,000 ounces of gold is outlined at Pinaya, then 125,000 shares will be issued; and
- b) If a probable reserve of 2,500,000 ounces of gold is outlined at Pinaya, then a further 125,000 shares will be issued.

Compañía Minera Aurifera Los Andes de Pinaya S.A.C ("COMAPI") originally owned three of the twenty-nine mineral concessions. Acero-Martin completed a property option agreement with COMAPI to earn 100% interest in these concessions by paying COMAPI US\$2,500,000 over a three-year period.

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One of the mineral concessions, Don Pedro 2000, was originally owned by Minera Pinaya. To earn a 100% interest in the concession, Acero-Martin had to make staged payments to Minera Pinaya totalling US\$250,000 over three years.

All of the other concessions were acquired by direct application to the Peruvian Ministry of Mines

During the year, the company signed a letter of intent with Solitaire Minerals Inc. to grant an option to acquire up to 75% interest in the Pinaya property. The option agreement requires Solitaire Minerals Inc. to incur exploration expenses and make payments of the following amounts on the following times:

- i) CAD \$150,000 advanced as a refundable deposit (amended to \$300,000) (paid)
- ii) U.S. \$1,600,000 to Canper Exploraciones S.A.C. by December 31, 2009 (not paid)
- iii) U.S. \$1,600,000 in exploration expenditures incurred by December 31, 2011
- iv) U.S. \$1,600,000 in exploration expenditures incurred by December 31, 2012
- v) U.S. 2,400,000 payable by December 31, 2012

Subsequent to December 31, 2009 the agreement was terminated. The amount repayable has been included in accrued liabilities.

### b) Red Mountain Project, Yukon Territory Canada

Acero-Martin carries an 80% participatory interest in 52 mineral property claims located in the Yukon Territory Canada, known as the Red Mountain Project. As part of the acquisition of the Red Mountain Property, the Company agreed to spend \$1.5 million on the property within 30 months from the date of the acquisition. To date, the Company has spent in excess of \$2.4 million on the property (before Yukon tax credits of approximately \$500,000) and has met the exploration expenditure requirements under the Option Agreement. The vendor retains a 2% NSR.

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 prior years 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. Management is currently planning to perform active exploration on the property and as such have not written off the capitalized costs of the 2009 share issuance.

	2009	2008
Acquisition costs	\$ 43,751	\$ 1

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### c) La Mamita Property, Peru

La Mamita is located in northern Peru in the Ancash mining camp near the multi-million ounce Alto Chicama gold deposit (Barrick Gold). Acero-Martin has 100% interest in the project which consists of a single concession and covers an area of about 1,000 hectares. Results from a recent surface sampling program showed highly anomalous gold values ranging from 0.23 to 6.37 g/t gold, and averaging 1.43 g/t gold. La Mamita is a grassroots to early exploration stage project with evaluation continuing. The Company paid U.S. \$25,000 cash and issued 25,000 shares to acquire the project.

### d) Minas Lucho Property, Peru

Acero-Martin has 100% interest in the Minas Lucho Project which consists of four mineral concessions which cover an area of about 2,400 hectares. The project is located southeast of the Pinaya Project on the Andahuaylas-Yauri metallogenic belt. The claim covers an extensive zone of alteration, which lies along a trend of structurally controlled zones of gold mineralization. Minas Lucho is a grassroots project being evaluated for further exploration. The Company paid U.S. \$11,000 cash and issued 100,000 shares to acquire the project.

## EXPLORATION REVIEW

Acero-Martin is continuing its evaluation of exploration efforts to date on its Pinaya gold-copper Project in Southern Peru. No drilling was conducted during the quarter with the project on care and maintenance.

For the 2008 drilling program, the first eight holes, PDH-150 to 158, were all wide 100 to 200 meter step out holes drilled at the North Western Porphyry Zone to increase the projects overall resource base. For hole PDH-159, a deep drilling rig was brought to the site. The hole was drilled at the North Western Porphyry Zone to a depth of 800 meters and bottomed in mineralization. It was the first hole ever drilled to test the depth potential of the deposit beyond 550 meters. The final hole, PDH-160, was drilled at the Los Vientos Zone, a recently discovered target located one kilometer to the southeast of the main deposit with a strong geophysical signature and trenching highlights of **2.0 g/t gold over 6.7 meters**, including **10.7 g/t gold over 1.2 meters** (trench PTR-152).

## SELECTED ANNUAL & QUARTERLY INFORMATION

### SELECTED ANNUAL INFORMATION

For the years ended December 31, 2009, 2008 and 2007 (\$)

<b>Audited</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Total assets	6,860,304	6,711,494	7,521,310
Total Liabilities	1,100,034	1,192,159	177,346
Shareholders equity	5,760,270	5,519,335	7,343,964

Revenues	1,089	49,629	88,229
<b>Major expense items</b>			
Mineral property exploration	(81,006)	2,938,547	5,864,408
Accounting and audit	99,930	64,775	81,608
Consulting fee	17,150	89,177	260,820
Office, rent and misc.	302,641	207,618	133,460
Legal	76,180	132,830	174,605
Management fees	28,000	195,000	180,900
Public relations	40,504	87,566	237,770
Stock exchange and filing fees	18,109	31,368	58,098
Stock based compensation	23,942	548,192	620,582

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Transfer agent fees	55,899	26,513	25,791
Net loss	1,276,426	4,638,256	7,946,590
Loss per share	0.05	0.24	0.56

### SELECTED QUARTERLY INFORMATION

By recent eight Quarters (\$)

	Dec 30, 2009	Sept 30, 2009	June 30, 2009	Mar 31, 2009	Dec 30, 2008	Sept 30, 2008	June 30, 2008	Mar 31, 2008
Total assets	6,860,304	6,466,947	6,454,763	6,531,994	6,711,494	6,954,887	6,623,464	6,637,672
Total liabilities	1,100,034	1,146,679	1,517,822	1,414,958	1,192,159	889,301	1,127,356	403,328
Shareholders equity	5,760,270	5,320,268	4,936,941	5,117,036	5,519,335	6,065,586	5,496,108	6,234,344
Revenues	0	53,276	17,174	3,072	44,432	531	2,237	2,629
Other Income Statement Items	(72,433)							
<b>Major expense items</b>								
Mineral property exploration	(176,902)	710	44,955	50,231	953,352	415,608	941,164	628,423
Accounting and audit	87,792	(1,638)	11,169	2,607	46,200	6,700	6,875	5,000
Legal	(8,375)	76,686	3,409	4,460	40,587	12,367	35,640	44,236
Management fees	(4,000)	0	8,000	24,000	33,000	63,000	47,000	52,000
Consulting fees	17,150	0	0	0	1,000	27,758	35,190	25,229
Office, rent and misc.	205,823	4,293	60,286	32,239	53,742	55,651	67,482	30,743
Stock-based compensation	(15,562)	0	39,504	0	(57,150)	20,430	77,208	507,704
Stock exchange and filing fees	6,316	6,743	0	5,050	16,067	2,674	9207	11,707
Transfer agent fees	26,157	18,953	6,900	3,889	4,117	4,741	10,215	7,440
Net loss	561,896	88,133	224,098	402,299	827,296	928,730	1,417,298	6,892,156
Loss per share	0.02	0.04	0.04	0.04	0.04	0.04	0.08	0.52

### SUMMARY OF QUARTERLY RESULTS

For the quarter ended December 31, 2009, net loss increased by \$473,763 to \$561,896 due largely to increased office, rent and miscellaneous expenses as compared to the same period last year. Management is also actively managing and reducing its expenditures to reflect the decreased amount of activity.

### OPERATIONS – YEAR TO DATE

For the year ended December 31<sup>st</sup>, 2009 operating expenses totaled \$895,533 and net loss was \$1,276,426. The Company had \$4,965,673 in operating expenses and a net loss of \$4,638,256 for the year ended December 31<sup>st</sup>, 2008. The biggest difference between this year and the comparative year in 2008 was due largely to the decreased mineral property exploration expenditure expenditures which was a direct result of decreased level of exploration activities.

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Major administrative expenditures for the year ended December 31, 2009 were:

	\$
Office and miscellaneous	273,822
Wages	189,662
Professional fees	176,110

No contracts exist with respect to management fees, office, or rent.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company's working capital was (\$523,149) as at December 31<sup>st</sup>, 2009. The Company does not have sufficient funds to meet its current commitments, and must raise further funds through additional share issuances in the future.

On June 22, 2009, the Company entered into a Letter of Intent ("LOI") with Solitaire Minerals Corp. (TSX Venture: SLT) whereby Solitaire will acquire up to a 75% interest in the Company's Pinaya Gold/Copper Deposit located in Southern Peru as well as the Minas Lucho property and the La Mamita Property for incurring exploration costs totaling \$6,400,000, plus a payment to the Company of \$2,400,000 on or before December 31, 2012. Pursuant to the transaction, the Company will retain a 1.5% net smelter royalty. The final LOI will be subject to regulatory approval, and a final definitive agreement.

### **OUTSTANDING SHARE DATA**

The total number of common shares outstanding as of December 31<sup>st</sup>, 2009 was 30,417,522.

### **WARRANTS**

As at December 31<sup>st</sup>, 2009, the following warrants were outstanding:

Number of Warrants	Exercise price	Expiry date
878,500	\$2.00	April 2, 2010
1,500,000	\$0.20	August 21, 2010
2,973,122	\$0.24	September 15, 2009
409,638	\$0.40	September 15, 2009
345,211	\$0.24	October 8, 2010
44,377	\$0.40	October 8, 2010
1,447,500	\$0.275	June 30, 2011

### **STOCK OPTIONS**

As at December 31<sup>st</sup>, 2009 there were 51,250 outstanding stock options exercisable at prices from \$2.00 to \$3.60 up to 2012.

### **TRANSACTIONS**

#### **RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2009, the Company incurred management fees of \$28,000 (2008: \$195,000) with directors and companies owned by directors.

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### **RELATED PARTY TRANSACTIONS continued.**

During the year ended December 31, 2009, the Company incurred exploration expenditures and geological consulting fees of \$120,994 (2008: \$198,168) with directors and companies owned by directors.

During the year ended December 31, 2009, the Company incurred consulting fees of \$Nil (2008: \$1,250) with officers of the Company.

During the year ended December 31, 2009, the Company incurred office and rental fees of \$7,000 (2008: \$nil) with a company related by a director.

During the year ended December 31, 2009, the Company incurred legal fees of \$42,790 (2008: \$88,089) with an officer who is a principal of a law firm.

During the year ended December 31, 2009, the Company was advanced funds of \$400,000 by promissory note bearing interest of 24% annually on October 15 from a company related by a director. Interest of \$20,000 was incurred for the advance.

During the year ended December 31, 2009, the Company was advanced funds of \$264,526 from a company related by a director. A total of \$10,000 interest and administration fees were incurred for the advances. The advances and interest and administration fees were repaid through cash of \$38,526 and issuance of 1,475,000 shares at a price of \$0.16 per Unit included in the August 21 private placement.

As at December 31, 2009, accounts payable includes \$125,121 (2008: \$13,648) owing to officers, directors and companies controlled by common directors and officers of the Company.

As at December 31, 2009, notes payable includes \$420,000 (2008: \$nil) owing to a company related by a director.

Included in 3,000,000 Units of the private placement at a price of \$0.16 per Unit issued August 21, 2009 were 150,000 shares issued to officers of the Company through reduction of amounts owed to them.

At December 31, 2009, subscriptions receivable includes \$97,675 (2008 – nil) owed by a company related by a director.

All the above expenditures were incurred during the normal course of business.

### **OFF- BALANCE SHEET TRANSACTIONS**

The Company has not entered into any off-balance sheet arrangements.

### **PROPOSED TRANSACTIONS**

There are no proposed transactions at this time.

### **SUBSEQUENT EVENTS**

Subsequent to December 31, 2009, the Company issued 1,385,000 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.

Subsequent to December 31, 2009, the Company announced intention to issue 4,000,000 Units at \$0.20 per Unit by way of private placement. Each unit will consist 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.

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### **SUBSEQUENT EVENTS, continued**

Subsequent to December 31, 2009, the Company announced intention to issue 1,500,000 Units at \$0.22 per Unit by way of private placement. Each unit will consist 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.

Subsequent to December 31, 2009, the Company re-paid a loan of \$400,000 plus \$22,049 interest to a company related by a director.

Subsequent to December 31, 2009, the option agreement with Solitaire Minerals to grant up to an 80% interest in the Pinaya property was terminated.

Subsequent to December 31, 2009, the Company issued 108,375 common shares through exercise of warrants.

Subsequent to December 31, 2009, the Company received \$214,000 as part of private placement proceeds.

### **ACCOUNTING PRONOUNCEMENTS**

#### **Accounting changes**

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under Section 3862, *Financial Instruments Disclosures*, Section 3863, *Financial Instrument - Presentation* and Section 1535, *Capital Disclosures*. *Financial Instruments* Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3863 and Section 3865, *Hedges*. Section 3863 is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The adoption of Sections 3862 and 3863 had no impact on the Company's consolidated financial statements. *Capital Disclosures* Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed.

#### **Critical Accounting Estimates**

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition, exploration and development are capitalized by project. Costs are deferred until commencement of commercial production and will be depleted over the useful lives of the properties, or written off. The carrying values of mineral interests are reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the mineral interest will be written down to its net recoverable value.

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## **FUTURE ACCOUNTING POLICY CHANGES**

In 2006, the CICA 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 use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## **DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

The Company did not have significant revenues in its last three financial years.

## **ADVISORY REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute forward-looking statements. The use of any of the words "believe", "expect", "estimate", "will", "should", "intend" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes these expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements included herein should not be unduly relied upon. Actual results and developments may differ materially from those contemplated by the forward looking statements. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A and, accordingly, is subject to change after such date. We expressly disclaim any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law.

## **BOARD OF DIRECTORS**

Michael Scholz  
Dr. Stewart Jackson  
Peter MacLean  
Jatinder (Jack) Bal  
Donald Wedman  
Martin Wood  
Winston Wong

## **OFFICERS**

President and CEO – Dr. Stewart Jackson  
Chairman of the Board - Michael Scholz  
Chief Financial Officer – Michael Scholz