



MANAGEMENT DISCUSSION AND ANALYSIS

For the Six Months ended June 30th, 2008

Dated August 27th, 2008

ACERO-MARTIN EXPLORATION INC.

Management Discussion & Analysis
For the Six Months Ended June 30th, 2008

This Management Discussion & Analysis ("MD&A") of Acero-Martin Exploration Inc. ("Acero-Martin," or the "Company") is dated August 27th, 2008 and provides an analysis of the Company's performance and financial condition for the six months ended June 30th, 2008.

This MD&A should be read in conjunction with the Company's consolidated financial statements for the six months ended June 30th, 2008 and the audited consolidated financial statements for the year ended December 31st, 2007, 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 quarter ended June 30, 2008 are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com or on the Company's website www.acero-martin.com

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.

OVERALL PERFORMANCE

DESCRIPTION OF BUSINESS

Acero-Martin Exploration Inc. is a publicly held mineral exploration company listed on the Toronto Venture Exchange under the symbol "ASD" 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 a 75% 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. The Company's exploration efforts are bolstered by robust prices and fundamentals for metals, particularly gold and copper, where demand continues to exceed mine supply.

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 owns 100% of the property through its wholly owned Peruvian subsidiary Canper Explorations S.A.C ("Canper").

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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 one million shares of the Company may be issued as follows:

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

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.

One of the mineral concessions, Don Pedro 2000, was originally owned by Minera Pinaya. To earn a 100% interest in the concession, Acero-Martin made 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

b) Red Mountain Project, Yukon Territory Canada

Acero-Martin has 75% 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 of which 1% may be purchased from the vendor for \$1 million.

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 approximately 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 100,000 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 covering an area of about 2,400 hectares. The project is located southeast of the Pinaya Project on the Andahuaylas-Yauri metallogenic belt. The project 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 to focus its exploration efforts on its Pinaya gold-copper Project in southern Peru. This quarter, the Company completed phase one of its 2008 diamond drilling program. A total of 5,588 meters (18,333 feet) was drilled in eleven holes to expand upon the gold-copper deposit outlined by previous drilling and to test a large undrilled geophysical anomaly to the east of the main mineralized body.

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Revenues	2,237	2,629	16,536	32,984	25,359	13,350	7,382	10,652
Major expense items								
Mineral property exploration	941,164	628,423	5,864,408			646,731	2,499,112	
Accounting and audit	6,875	5,000	68,096	7,512	0	6,000	19,625	6,000
Legal	35,640	44,236	21,560	14,722	38,387	99,936	62,179	(3,560)
Management fees	23,000	52,000	54,000	37,500	46,400	43,000	48,000	46,000
Consulting fees	61,970	25,229	37,960	43	28,115	194,702	14,311	270,388
Office, rent and misc.	67,482	30,743	(117,713)	79,177	91,654	80,342	11,348	28,501
Stock-based compensation	77,208	507,704	527,648	12,028	65,205	15,701	6,228	820,528
Stock exchange and filing fees	920	11,707	14,846	0	5,206	38,046	550	1,206
Transfer agent fees	10,215	7,440	3,681	3,626	14,797	3,687	3,988	5,307
Net loss	1,417,298	1,495,520	6,892,156	196,180	333,862	1,171,123	2,701,645	1,352,193
Loss per share	0.02	0.02	0.13	0.01	0.01	0.01	0.07	0.03

RESULTS OF OPERATIONS

For the quarter ended June 30th, 2008, operating expenses totaled \$1,442,831 and net loss was \$1,417,298. The Company had \$357,524 in operating expenses and a net loss of \$333,862 for the quarter ended June 30th, 2007. The biggest difference between this quarter and the comparative quarter in 2007 was due largely to the mineral property exploration expenditure of \$941,164 in 2008.

Major administrative expenditures for the quarter ended June 30th, 2008 are:

	\$
Mineral property exploration	941,164
Stock-based compensation	77,208
Consulting fees	61,970
Office, rent and miscellaneous	67,482
Wages	107,154
Legal	35,640

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

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital was \$(876,870) as at June 30th, 2008. The Company has sufficient funds to meet its current commitments, but may raise further funds through additional share issuances in the future.

OUTSTANDING SHARE DATA

The total number of common shares outstanding as of June 30th, 2008 was 66,736,279.

WARRANTS

As at June 30th, 2008, the following warrants were outstanding:

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Number of Warrants	Exercise price	Expiry date
2,991,948	\$0.35	November 30, 2008
3,514,000	\$0.35	April 2, 2009

STOCK OPTIONS

As at June 30th, 2008, there were 5,475,000 outstanding stock options exercisable at prices from \$0.30 to \$0.95 for up to 2013.

TRANSACTIONS

RELATED PARTY TRANSACTIONS

During the period ended June 30, 2008, the Company incurred management fees of \$75,000 (2007: \$89,400) with directors and companies owned by directors officers.

During the period ended June 30, 2008, the Company incurred exploration expenditures and geological consulting fees of \$122,479 (2007: \$201,054) with companies owned by directors.

During the period ended June 30, 2008, the Company incurred consulting fees of \$24,225 (2007: \$Nil) with officers of the Company.

During the period ended June 30, 2008, the Company incurred legal fees of \$61,343 (2007: \$107,020) with an officer who is principal of a law firm.

As of June 30, 2008, accounts payable included \$64,946 owing to officers, directors and companies controlled by common directors and officers of the Company.

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.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

In January 2005, the Canadian Institute of Chartered Accountants issued four new accounting standards: Handbook Section 1530, Comprehensive Income, Handbook Section 3251, Equity, Handbook Section 3855, Financial Instruments - Recognition and Measurement and Handbook Section 3865, Hedges. The Company has adopted these new standards effective January 1, 2008.

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from those estimates.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts payable and accruals. Unless otherwise noted, it is management's opinion that the Company is not exposed

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to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

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

DISCLOSURE CONTROLS AND PROCEDURES

Management has assessed the effectiveness of the Company's disclosure controls and procedures used for the financial statements and MD&A as at June 30th, 2008. Management has concluded that the disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely manner. The required information was effectively recorded, processed, summarized and reported within the time period necessary to prepare the annual filings. The disclosure controls and procedures are effective in ensuring that information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

BOARD OF DIRECTORS

Michael Scholz
Dr. Stewart Jackson
Donald Gee
Don Currie
Victor L. McCall

OFFICERS

President and CEO – Dr. Stewart Jackson
Chairman of the Board - Michael Scholz
Chief Operating Officer – Ralph Stricklen
Chief Financial Officer – Wan Jung
Corporate Secretary – Des Balakrishnan