



**MANAGEMENT DISCUSSION AND ANALYSIS**

For the Nine Months ended September 30<sup>th</sup>, 2008

Dated November 27<sup>th</sup>, 2008

# **ACERO-MARTIN EXPLORATION INC.**

Management Discussion & Analysis  
For the Nine Months Ended September 30<sup>th</sup>, 2008

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This Management Discussion & Analysis ("MD&A") of Acero-Martin Exploration Inc. ("Acero-Martin," or the "Company") is dated November 27<sup>th</sup>, 2008 and provides an analysis of the Company's performance and financial condition for the nine months ended September 30<sup>th</sup>, 2008.

This MD&A should be read in conjunction with the Company's consolidated financial statements for the six months ended September 30<sup>th</sup>, 2008 and the audited consolidated financial statements for the year ended December 31<sup>st</sup>, 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 September 30, 2008 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)

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.

### **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").

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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 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

### **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 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 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 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 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. The drill core samples have been submitted to the lab and the assay results will be reported once all of the results have been received.



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Mineral property exploration	415,608	941,164	628,423	5,864,408			646,731	2,499,112
Accounting and audit	6,700	6,875	5,000	68,096	7,512	0	6,000	19,625
Legal	12,367	35,640	44,236	21,560	14,722	38,387	99,936	62,179
Management fees	63,000	47,000	52,000	54,000	37,500	46,400	43,000	48,000
Consulting fees	30,697	35,190	25,229	37,960	43	28,115	194,702	14,311
Office, rent and misc.	55,651	67,482	30,743	(117,713)	79,177	91,654	80,342	11,348
Stock-based compensation	20,430	77,208	507,704	527,648	12,028	65,205	15,701	6,228
Stock exchange and filing fees	2,674	920	11,707	14,846	0	5,206	38,046	550
Transfer agent fees	4,741	10,215	7,440	3,681	3,626	14,797	3,687	3,988
Net loss	898,142	1,417,298	1,495,520	6,892,156	196,180	333,862	1,171,123	2,701,645
Loss per share	0.01	0.02	0.02	0.13	0.01	0.01	0.01	0.07

### **RESULTS OF OPERATIONS**

For the quarter ended September 30<sup>th</sup>, 2008, operating expenses totaled \$801,262 and net loss was \$898,142. The Company had \$226,847 in operating expenses and a net loss of \$196,180 for the quarter ended September 30<sup>th</sup>, 2007. The biggest difference between this quarter and the comparative quarter in 2007 was due largely to the mineral property exploration expenditure of \$415,608 and an exchange loss of \$97,411 in 2008.

Major administrative expenditures for the quarter ended June 30<sup>th</sup>, 2008 are:

	\$
Mineral property exploration	415,608
Wages	110,165
Management fees	63,000
Office, rent and miscellaneous	55,651
Consulting fees	30,697
Travel & business development	24,520

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

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company's working capital was \$(294,012) as at September 30<sup>th</sup>, 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 September 30<sup>th</sup>, 2008 was 94,048,359.

### **WARRANTS**

As at September 30<sup>th</sup>, 2008, the following warrants were outstanding:

Number of Warrants	Exercise price	Expiry date

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2,991,948	\$0.35	November 30, 2008
3,514,000	\$0.35	April 2, 2009
13,656,039	\$0.10	September 15, 2009

### STOCK OPTIONS

As at September 30<sup>th</sup>, 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 September 30, 2008, the Company incurred management fees of \$162,000 (2007: \$126,900) with directors and companies owned by directors officers.

During the period ended September 30, 2008, the Company incurred exploration expenditures and geological consulting fees of \$152,235 (2007: \$269,689) with companies owned by directors.

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

During the period ended September 30, 2008, the Company incurred legal fees of \$70,915 (2007: \$111,216) with an officer who is principal of a law firm.

As of September 30, 2008, accounts payable and accrued liabilities included \$38,312 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 September 30<sup>th</sup>, 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](http://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