

ACERO-MARTIN EXPLORATION INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FORM 51-102F1
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007

The following discussion and analysis of the operations, results and financial position of **ACERO-MARTIN EXPLORATION INC.** ("Acero-Martin" or the "Company") for the three month period ended March 31, 2007 and should be read in conjunction with the unaudited financial statements and notes for the three month period ended March 31, 2007. Additional information for the Company may be obtained from www.sedar.com. This discussion is dated May 30, 2007.

FORWARD LOOKING STATEMENTS

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Issuer. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements. The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

Acero-Martin Exploration Inc. (the "Company") is engaged in mineral exploration for base metal deposits. The Company's flagship property is the Pinaya Property located in southern Peru. The Company is actively developing the Pinaya Property towards mineral production. The Company maintains its option agreement with respect to the Red Mountain Property in the Yukon Territories.

Red Mountain Property

The Red Mountain Property consists of a 75% interest in 52 contiguous mineral property claims located in the Mayo Mining District, Yukon, Canada.

As part of the acquisition of the Red Mountain Property, the Company has agreed to spend \$1.5M on the property within 30 months from the date of the acquisition. The Company has spent in excess of \$2.4 M (before Yukon Tax credits of approximately \$500,000) on the property to-date 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.

The Company's last drilling and exploration program was completed in 2005 on the Ice Claims. The main focus of the 2005 program was to expand the mineralization on the Midway zone along the Jethro Structure. Eight HQ core drill holes, totaling 1513.63 metres (4965.97 feet) were completed and over 1200 samples were submitted for analyses at Eco-Tech Laboratories of Kamloops, B.C. Highlights include 104.91 metres grading 1.07 g/t Au within hole DD05-20, and 63.57 metres grading 1.13 g/t Au in hole DD05-21. Results for holes DD05-20 through 25 are in the following table. Results from holes 26 and 27 have no significant results.

Mineralization along the Jethro Structure consists of intense sheeted veining hosted within a quartz monzonite intrusion, and within hornfels proximal to the intrusion. The following table summarizes the results:

SUMMARY OF RESULTS, RED MOUNTAIN PROPERTY

Drill Hole	From metres	To metres	Interval metres	g/t Au
DD-05-20	122.47	227.38	104.91	1.07
Includes	122.47	148.90	26.43	0.81
Includes	148.90	186.23	37.33	1.47

Drill Hole	From metres	To metres	Interval metres	g/t Au
	186.23	227.38	41.15	0.88
	227.38	304.00	76.62	0.67
DD-05-21	42.83	106.40	63.57	1.13
Includes	42.83	74.15	31.32	0.64
Includes	74.15	106.40	32.25	1.60
	161.10	183.18	22.08	0.62
DD-05-22	4.27	32.48	28.21	1.24
	32.48	60.65	28.17	0.53
	60.65	75.36	14.71	0.70
	75.36	94.60	19.24	0.54
	119.30	135.30	16.00	0.55
DD-05-23	118.00	132.16	14.16	0.94
DD-05-24	6.66	19.77	13.11	0.74
	60.86	79.74	18.88	1.07
	148.50	165.80	17.30	0.56
DD-05-25	107.46	113.34	5.88	1.15
	124.28	145.28	21.00	0.68

A NI 43-101 compliant report on the Red Mountain property titled "Technical Report on the 2005 Exploration Drilling Program Ice Claims Red Mountain Area, Yukon" by R. Allan Doherty, B.Sc. P.Geo of Aurum Geological Consultants Inc. was released on October 31, 2006 and may be obtained from www.sedar.com.

Pinaya Property, South-Central Peru

On April 30, 2004, the Company entered into an agreement (the "Acquisition Agreement") to purchase all the outstanding shares of Canper Exploraciones S.A., a Peruvian based mineral exploration company. Canper's assets include nine wholly owned mineral concessions covering an area 4300 hectares and an agreement with Compañía Minera Andes de Pinaya S.A. (COMAPI) to acquire a 100 per cent interest in the Pinaya Copper-Gold Project consisting of three concessions covering an area 1700 hectares. Canper's agreement to acquire concessions from COMAPI has been filed and accepted by the Public Registries in Peru on May 26, 2004. The Pinaya Project also consists of the recently acquired Don Pedro 2000 and Panchito concessions. Terms are discussed below.

In order to acquire a 100 per cent interest in the Pinaya Copper-Gold Project, Canper has agreed to pay a total of \$2.5 M US to COMAPI (the payment obligations are assumed by the Company as part of the Acquisition Agreement):

- \$ 200,000 US upon execution of the public deed agreement (the "Signing Date")(paid);
- \$ 100,000 US payable 6 months after the Registration Date of public deed; (paid)
- \$ 240,000 US payable 12 months after the Registration Date of the public deed; (paid)
- \$ 860,000 US payable 24 months after the Registration Date of the public deed; (paid)
- \$1,100,000 US payable 36 months after the Registration Date of the public deed. (paid)

The concessions are not subject to any underlying royalties to the community, or any other back in rights.

To acquire all the outstanding shares of Canper Exploraciones S.A., the Company has agreed to issue the following:

- 1 million common shares of the Company within 7 days of the date of TSX Venture Exchange approval (the "Approval Date");(shares has been issued January 2005 having received consent from the Vendors)
- 500,000 common shares of the Company 6 months from the Approval Date (shares have been issued);
- 500,000 common shares of the Company 12 months from the Approval Date (shares have been issued);
- 500,000 common shares of the Company 24 months from the Approval Date (shares have been issued);
- 500,000 common shares of the Company 36 months from the Approval Date;

500,000 common shares of the Company upon the receipt of an independent report indicating probable reserves of not less than 750,000 ounces of gold;

500,000 common shares of the Company upon the receipt of an independent report indicating probable reserves of not less than 2,500,000 ounces of gold. The TSX Venture Exchange approved the acquisition of the Pinaya Project on November 2, 2004.

Don Pedro Concession: Canper Exploraciones S.A.C also entered into an agreement with Minera Pinaya S.A. on February 14, 2005 to acquire the Don Pedro 2000 concession located immediately east and adjacent to the concessions owned by COMAPI. The property covers an area 400 hectares. The terms of the option agreement are payments of \$250,000 US over three years. The option agreement was accepted by the public registries in Peru on May 4, 2005. The payment schedule is as follows:

\$30,000 US upon registration of the public deed agreement (the "Registration Date")(paid);

\$20,000 US payable 4 months after the Registration Date(paid);

\$20,000 US payable 8 months after the Registration Date(paid);

\$20,000 US payable 12 months after the Registration Date(paid);

\$20,000 US payable 16 months after the Registration Date(paid);

\$20,000 US payable 20 months after the Registration Date(paid);

\$20,000 US payable 24 months after the Registration Date(paid);

\$30,000 US payable 28 months after the Registration Date;

\$30,000 US payable 32 months after the Registration Date;

\$40,000 US payable 36 months after the Registration Date;

Panchito Concession: The Company entered into a purchase agreement to acquire the remaining 50-per-cent interest in a mineral concession located directly south and adjacent to the concessions option from COMAPI known as the Panchito concession. Canper Exploraciones S.A.C, owns an undivided 100 per cent in the 300 hectare concession. Consideration paid for the additional 50% interest was \$11,000 (U.S.) (paid) and 100,000 shares in the capital of the company.

La Mamita Concession: The Company purchased the La Mamita mining right (comprising 1,000 hectares) located in the Ancash mining department in northern Peru. Consideration for La Mamita was \$25,000 (U.S.) (paid) and 25,000 common shares (issued).

The Pinaya Project currently covers some 13,500 hectares in total.

UPDATE ON THE PINAYA PROPERTY:

A. Drilling Program

A total of 19 holes for 4,370 meters were drilled on Pinaya in 2007. To date a total of 25,610 meters have been drilled in 111 holes(as of March 31, 2007).

A QA/QC program designed by James McCrea P. Geo. is used during the drilling and sampling programs. Standards, blanks, and duplicates were inserted every 20 samples in order to verify laboratory reliability.

An expanded geotechnical program was initiated in October of 2006 under Minefill Services Inc. of Vancouver for engineering purposes. This includes detailed geotechnical logging and point load testing. Samples were also selected for unconfined stress testing.

Metallurgical samples were collected from the rejects of mineralized intervals to send to Vancouver for metallurgical kinetic and flotation leach tests at Process Research Associates Ltd. (PRA) in Richmond, B.C. the results are eminent and will be released when available.

B. Preliminary Resource Calculation

In August 2006, an independent geologist, Doug Blanchflower, P. Geo., visited the project for the purpose of a preliminary resource calculation for the Western Porphyry and Gold Oxide Skarn Zones.

Following his visit, Doug authored an NI 43-101 compliant report titled "Technical Report on the Pinaya Copper-Gold Property" which released on October 06, 2006 and may be obtained from www.sedar.com.

The initial resource calculation was based on the results from the first 70 drillholes. This information also helped to direct the drilling program, in terms of filling in holes in known areas of mineralization.

Using the tonnages calculated by the gross metal value method (\$5.50/TM), the two zones were calculated to contain:

Gold Oxide Skarn Zone:

- Indicated Resource – 13.87 MT @ 0.286% Cu and 0.42 g/TM Au
- Inferred Resource – 7.18 MT @ 0.267% Cu and 0.31 g/TM Au

Western Porphyry Zone:

- Indicated Resource – 15.26 MT @ 0.542% Cu and 0.63 g/TM Au
- Inferred Resource – 5.54 MT @ 0.595% Cu and 0.55 g/TM Au

Adding the tonnages from the two zones calculates out to:

- Indicated Resource - 269,000,000 lb. Cu and 498,000 troy oz. Au
- Inferred Resource - 115,000,000 lb. Cu and 168,000 troy oz. Au

For continuing assays of drill results, please go to www.sedar.com or www.acero-martin.com.

C. Surface Work Program

Pinaya has an ongoing surface work program, which includes trenching, mapping and sampling. Using reconnaissance surface sampling to target trenching has been very successful on the project. The trenching is also used to help direct the drilling program.

Val D'Or Geofisica del Peru S.A.C. (Val D'Or Geophysics) has conducted three geophysical campaigns on the project, the most recent was in 2006. 122 line kilometers of magnetic and topographical surveying (using a differential GPS system) were carried out, as well as 49.6 line kilometers of deep IP survey.

A surveying program was implemented for topographical and drill collar control. New geodesic survey points were installed in 2006 to assure accurate survey data.

An ongoing program of 1:2000 geological mapping was initiated in 2005.

D. Social Projects and Environmental Monitoring

Community relations are important with the Pinaya Project. Constant contact and communication is maintained with the community. Acero-Martin also has an ongoing series of community related projects. Some of these include:

- Medical assistance to the local communities (Pinaya, Orduña, and Atecata) with regular visits from our site doctor
- Refinishing the local medical post in Pinaya
- Refinishing the Pinaya, Orduña, and Atecata schools and providing new desks
- Digging new rubbish dumps in Pinaya with heavy equipment
- Buying and installing a satellite telephone system in Pinaya
- Working with local livestock producers to improve breeds by buying high quality male alpaca breeders, and providing materials for the construction of small barns for breeding
- Helping with road maintenance with heavy equipment to improve access
- At every opportunity offering work to local community members to assist in our daily Operations

Social Capital Group has commenced a program of surveying community members to provide a sociological profile of the community. This will help to understand the needs and concerns of the local people, and help Acero-Martin to direct resources to address these needs and concerns.

In October 2006, Vector Engineering (Vector Peru S.A.C.) started environmental baseline studies in Pinaya as a requirement for the application for mining permits.

FINANCING

In November, 2005, the Company closed a \$600,000 non-brokered private placement for 1,000,000 units. Each unit consists of one common share and one half non transferable share purchase warrant entitling the holder of one whole warrant to purchase one additional common share for \$0.75 up to April 21, 2006. The Company has paid cash finders fees totaling \$34,495. The placement has received regulatory approval.

In March, 2006, the Company closed a \$3,600,000 non-brokered private placement for 5,999,999 units. Each unit comprises of one common share and one half non transferable share purchase warrant entitling the holder of one whole warrant to purchase one additional common share for \$0.75 up to and including September 24, 2006 and at a price of \$0.90 per share up to and including March 24, 2007. The units are subject to a four month hold period. Finders' fees of \$207,109 were paid in cash. The placement has received regulatory approval.

In May, 2006, the Company closed a \$180,000 non-brokered private placement for 300,000 units. Each unit comprises of one common share and one half non transferable share purchase warrant entitling the holder of each whole warrant to purchase one additional common share for \$0.75 up to and including November 26, 2006 and at a price of \$0.90 per share up to and including May 26, 2007. The units are subject to a four month hold period. The placement has received regulatory approval.

In March, 2007, the Company closed a \$5,739,250 brokered private placement for 11,478,500 units. Each unit comprises of one common share and one non transferable share purchase warrant entitling the holder of each warrant to purchase one additional common share for \$0.75 up to and including March 5, 2008. The units are subject to a four month hold period. The Company paid \$459,140 to the broker and issued 1,147,850 broker units. Each broker unit consist of one common share and one share purchase warrant exercisable at \$0.75 per share for a period of 12 months up to March 5, 2008. The placement has received regulatory approval.

In March, 2007, the Company closed a \$1,342,500 non-brokered private placement for 2,685,000 units. Each unit comprises of one common share and one non transferable share purchase warrant entitling the holder of each warrant to purchase one additional common share for \$0.75 up to and including March 16, 2008. The units are subject to a four month hold period. Finders' fees of \$51,040 were paid in cash. The placement has received regulatory approval.

Stock Options

As at March 31, 2007, there were 3,467,500 outstanding stock options exercisable at prices from \$0.60 to \$0.95 for up to 2011.

Warrants

As at March 31, 2007, the following warrants were outstanding:

Number of Warrants	Exercise price	Expiry date
150,000	\$0.75 & \$0.90	May 26, 2007
11,478,500	\$0.75	March 05, 2008
2,685,000	\$0.75	March 16, 2008

SELECTED FINANCIAL INFORMATION

For the years ended December 31, 2006, 2005 and 2004 (\$)

Audited	2006	2005	2004
Total assets	13,193,373	7,261,851	6,069,476

Total Liabilities	518,196	291,210	205,458
Shareholders equity	12,675,177	6,970,641	5,864,018

Revenues	27,480	14,926	3,126
Major expense items			
Accounting and audit	37,625	87,868	27,423
Consulting fees	510,507	63,429	26,270
Office, rent and misc.	119,850	96,346	87,587
Legal	152,391	156,189	159,434
Management fees	253,000	112,000	11,000
Public relations	227,608	29,108	24,000
Stock exchange and filing fees	30,106	17,482	14,636
Stock based compensation	1,102,856	433,125	1,393,000
Transfer agent fees	23,720	20,738	23,290
Net loss	2,633,640	1,396,297	1,901,015
Loss per share	0.07	0.05	0.09

By recent eight Quarters (\$)

	Mar 31, 2007	Dec 31, 2006	Sep 30, 2006	June 30, 2006	Mar 31, 2006	Dec 31, 2005	Sep 30, 2005	Jun 30, 2005
Total assets	19,230,592	13,193,373	13,227,895	11,077,998	10,470,833	7,261,851	6,998,209	6,558,675
Total liabilities	344,336	518,196	356,414	644,350	315,805	291,210	300,234	274,653
Shareholders equity	18,886,256	12,675,177	12,871,481	10,433,648	10,155,028	6,970,641	6,697,975	6,284,022
Revenues	13,350	7,382	10,652	9,144	302	963	7,777	6,139
Major expense items								
Accounting and audit	6,000	19,625	6,000	6,000	6,000	81,426	1,000	3,000
Legal	99,936	62,179	(3,560)	78,549	15,223	(159,802)	111,659	105,029
Management fees	43,000	48,000	46,000	108,000	51,000	30,000	24,000	32,000
Consulting fees	194,702	14,311	270,388	128,925	96,883	27,829	10,448	15,898
Office, rent and misc.	80,342	11,348	28,501	19,162	53,354	43,258	31,204	16,884
Public relations						7,273	-	-
Stock-based compensation	15,701	6,228	820,528	37,300	238,800	433,125	-	-
Stock exchange and filing fees	38,046	550	1,206	4,745	23,605	4,386	750	-
Transfer agent fees	3,687	3,988	5,307	9,777	4,648	2,319	3,410	9,523
Net loss	524,392	202,533	1,352,193	529,235	549,679	625,554	279,247	247,272
Loss per share	0.01	0.01	0.03	0.01	0.02	0.05	0.01	0.01

SUMMARY OF QUARTERLY RESULTS

For the three month period ended March 31, 2007, the Company had revenues of \$13,350 compared to \$302 for the same period last year. Net loss decreased by \$25,287 to \$524,392 due to a larger stock-based compensation for the same period last year (\$238,800 in 2006 compared to \$15,701 in 2007). Operating expenses before stock-based compensation were \$522,041, which is \$210,860 more than prior year's expenses for the same period since there

were more activities during the last quarter related to exploration, environmental studies, and feasibility studies pertaining to mining.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital was \$4,780,996 as at March 31, 2007. The Company may raise additional funds to meet its ongoing commitments.

RELATED PARTY TRANSACTIONS

For the three month period ended March 31, 2007, the Company incurred management fees of \$43,000 for two Directors and one Officer. The management fees were incurred in the normal course of business.

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 March 31, 2007. 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."

OFF- BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

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.

DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

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

DIRECTORS AND OFFICERS

Directors

Donald Gee
Jeffrey Reeder
Michael Scholz
Len De Melt
Jody Dahrouge
Greg Hall

Officers

Donald Gee- President and CEO
Jeffery Reeder- Vice President Exploration
Michael Scholz- Chairman of the Board
Wan Jung- Chief Financial Officer
Des Balakrishnan- Secretary