

GITENNES EXPLORATION INC.

ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2009

April 20, 2010

This Annual Management Discussion and Analysis supplements, but does not form part of, the audited consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2009. Consequently, the information set forth below should be read in conjunction with the consolidated financial statements for the year ended December 31, 2009 and related notes therein, which have been prepared in accordance with Canadian generally accepted accounting principles.

Additional information, including the audited consolidated financial statements and the notes thereto, for the year ended December 31, 2009, can be found filed on SEDAR at www.sedar.com.

Description of the Business

Gitennes Exploration Inc. (the "Company") is in the business of exploring for mineral deposits in Perú. The Company acquires properties directly by staking and through option agreements with prospectors or other exploration companies. The Company also develops new projects through reconnaissance programmes and by liaison with a network of industry contacts. None of the properties that the Company currently owns or holds under option have been adequately explored to prove the existence of ore reserves.

Overview

The Company's primary focus is the exploration and discovery of gold, silver and copper deposits. The Company has been exploring in Peru since 1996, where its principal properties are situated.

Starting in the middle of 2008 and continuing into the year ending December 31, 2009, world economies went into a series of corrections accompanied by dramatic declines in the stock markets and metal prices. Corporations large and small went through serious devaluations, and equity disappeared amidst illiquid markets. During 2009, the Company was faced with limited resources, so it reduced staff and exploration expenditures, cut costs, moved its listing to the TSX Venture board and explored numerous alternatives ranging from new property acquisitions to possible mergers with companies having exceptional assets that would increase shareholder value.

During the year ending December 31, 2009, the Company undertook a programme of geochemical analyses of core samples from its Urumalqui Property. The results verify the exceptionally low contents of arsenic, antimony and mercury in the main zone, and add support to the exploration model that the portion drilled to date is at the very top of the epithermal system, strengthening its exploration potential. Also during 2009 the Company renewed its community and landowner agreements. During the year ending December 31, 2008, the Company undertook an exploration programme at Urumalqui, which included 12 core holes totaling 2,433 metres, metallurgical tests, detailed core-logging, topographic surveys and re-habilitating an area of old underground workings. Subsequent to year-end, in February 2010 the Company announced an Option Agreement with AndeanGold Ltd. (see "*Subsequent Events*").

During the year ended December 31, 2009 there was no field work undertaken at the TotoRoko Project, save renewing community agreements. A detailed review of prior geophysical surveys has highlighted several undrilled areas on the property and downgraded other targets. The Company wishes to restart exploration at TotoRoko in 2010, subject to raising the necessary capital. During 2007 the Company undertook a field programme at the TotoRoko project located in southern Perú, which included 1,138 metres of core drilling in seven holes, followed by a programme of soil geochemistry during the first quarter of 2008. TotoRoko was acquired during 2006 and 2007 for its copper, silver and gold potential.

The Company did not undertake any new exploration at its Tucumachay and Titimina projects during the year ended December 31, 2009, however, the Company concluded an agreement with Inmet Mining Corp that transferred ownership of the Tucumachay property to Gitennes in exchange for a net smelter returns royalty (see "*Properties*").

On December 18, 2008, the Company was advised by the Toronto Stock Exchange (the "TSX") that the TSX was reviewing the eligibility for continued listing of the common shares of the Company on the TSX. It is the Company's understanding that the TSX was primarily concerned with the Company's working capital position and market capitalization, which was below the minimum required level. The Company de-listed from the TSX, and began trading on the TSX-Venture Exchange at the close of October 16, 2009.

On August 25, 2009 the Company completed a private placement of 4,358,264 units at a price of \$0.07 per unit for net proceeds of \$286,339 (see “*Outstanding Share Data*”).

Overall Performance

Unless noted otherwise, all figures are in Canadian dollars.

The Company’s cumulative resource property costs to December 31, 2009 were \$2,343,361, which is up from the cumulative balance of \$2,267,203 as at December 31, 2008. The increase for the period includes current additions of \$109,768 in expenditures, \$60,435 of which were incurred on the Urumalqui property, and write-downs of \$33,610 (see “*Results of Operations*”).

The Company incurred a loss of \$716,539 for the year ended December 31, 2009, which compares to a loss of \$3,923,888 for the year ended December 31, 2008, in which the Company wrote down its resource properties by \$2,970,162.

Selected Annual Information

The following table summarizes selected financial data for the Company for each of the three most recent fiscal years. The information herein is prepared in accordance with Canadian generally accepted accounting principles:

	Years Ended December 31		
	2009	2008	2007
Total assets	\$ 2,512,034	\$ 2,906,223	\$ 6,653,687
Cash and cash equivalents	\$ 96,444	\$ 543,661	\$ 2,031,587
Current assets	\$ 114,923	\$ 568,597	\$ 2,060,990
Cumulative resource property expenses	\$ 2,343,361	\$ 2,267,203	\$ 4,504,669
Current liabilities	\$ 111,710	\$ 79,507	\$ 248,763
Long term liabilities	\$ -	\$ -	\$ -
Total shareholders' equity	\$ 2,400,324	\$ 2,826,716	\$ 6,404,924
General and administrative expenses	\$ 659,875	\$ 952,279	\$ 919,773
Stock-based compensation	\$ 3,808	\$ 280,680	\$ 146,337
Income from royalty	\$ -	\$ -	\$ 40,118
Income from sale of royalty	\$ -	\$ -	\$ 1,532,614
Write-off of mineral property costs	\$ 33,610	\$ 2,970,162	\$ 195,696
Net income (loss) from continuing operations	\$ (716,539)	\$ (3,923,888)	\$ 318,731
Basic and diluted earnings (loss) per share	\$ (0.01)	\$ (0.08)	\$ 0.01

Financial Data for the Last Eight Quarters

Quarter Ended	Dec 31 2009	Sept 30 2009	June 30 2009	Mar 31 2009	Dec 31 2008	Sept 30 2008	Jun 30 2008	Mar 31 2008
Total revenues	-	-	-	-	-	-	-	-
Loss before the under-noted	\$ (205,701)	\$ (146,456)	\$ (142,552)	\$ (174,373)	\$ (168,103)	\$ (148,711)	\$ (177,944)	\$ (201,790)
Stock-based compensation	-	(3,808)	-	-	-	(280,680)	-	-
Foreign exchange	(3,598)	1,603	(9,663)	1,619	26,445	6,747	(18,862)	9,172
Write-down of Mineral properties	-	-	(33,610)	-	(2,894,237)	-	(75,925)	-
Loss for the quarter	\$ (209,299)	\$ (148,661)	\$ (185,825)	\$ (172,754)	\$ (3,035,895)	\$ (422,644)	\$ (272,731)	\$ (192,618)
Loss per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.06)	\$ (0.01)	\$ (0.01)	\$ (0.007)

The Company has no ongoing source of operating revenue. In addition to the normal expenses associated with its exploration and administrative activities, the Company had certain infrequent or non-recurring transactions that produced significant variances in its operating results.

During the quarter ended June 30, 2008, the Company abandoned certain exploration properties with limited potential, and wrote off \$75,925 in mineral property costs. During the quarter ended September 30, 2008, the Company granted stock options resulting in the recognition of \$280,680 in stock-based compensation. In addition, the Company reduced certain investor relations expenses. During the quarter ended December 31, 2008, the Company wrote down the Tucumachay property by \$2,894,237. Due to market conditions in 2009, the Company reduced expenses wherever possible. During the quarter ended December 31, 2009, the Company incurred additional legal, tax, and accounting costs associated with a thorough due diligence process related to one particular opportunity. Certain expenses for the first and second quarters are traditionally higher than for the other quarters due to the costs of the Company's annual filings, preparation of annual general meeting materials, and increased shareholder information costs, which are not experienced in the other quarters.

After factoring in the effect of non-recurring items, which are an inherent part of the mineral exploration industry, all other operating results remain reasonably consistent among the quarters presented.

Results of Operations

Expenses

A summary of the Company's significant income and expense items for the three most recent fiscal years follows:

	2009	2008	2007
Audit, accounting, legal and professional fees	\$ 190,041	\$ 132,484	\$ 145,087
Filing, transfer fees and investor relations	\$ 137,525	\$ 125,413	\$ 167,155
Office rent, utilities and miscellaneous	\$ 83,026	\$ 121,372	\$ 112,543
Salaries and benefits	\$ 194,860	\$ 241,913	\$ 286,075
Stock-based compensation	\$ 3,808	\$ 280,680	\$ 146,337
Write-down of mineral properties	\$ 33,610	\$ 2,970,162	\$ 195,696
General exploration	\$ 18,927	\$ 39,869	\$ 36,078
Foreign exchange loss (gain)	\$ 10,039	\$ (23,502)	\$ 113,217
Income from royalty	\$ -	\$ -	\$ 40,118
Income from sale of royalty	\$ -	\$ -	\$ 1,532,614

Audit, accounting, legal and professional fees for 2009 increased relative to those of the prior year due primarily to the cost of legal work relating to the Company moving to the TSX Venture Exchange, the transfer of the Tucumachay property, and professional fees related to one particular opportunity .

Filing, transfer and investor relations expenses increased due to the transfer to the TSX Venture Exchange.

Salaries and benefits can vary depending upon the amount of time allocated for certain employees between exploration projects and general and administrative duties. For the year ended December 31, 2009, salaries and benefits were lower than the prior year due to cost cutting measures and staffing reductions in the current year.

Office costs and general exploration costs are lower due to cost cutting measures.

During 2009, the Company wrote off \$33,610 relating to properties abandoned in Perú which compares to \$2,970,162 in the prior year, which included a \$2,894,237 write-down on the Tucumachay property.

Stock-based compensation expense fluctuates with the number of options that vest in the period. During the current year, 25,000 options vested compared to 1,975,000 in the comparative year.

During 2009, the U.S. dollar weakened against the Canadian dollar and the Peruvian sole resulting in the Company recording a small foreign exchange loss during the year. In 2008, the U.S. dollar had strengthened against the Canadian dollar and Peruvian sole. In 2007, the Company held a significant amount of U.S. cash due to the sale of the Virgen royalty, and the U.S. dollar subsequently weakened against the Canadian dollar and Peruvian sole.

The income from royalty and income from the sale of royalty relate to the sale of the Virgen royalty in 2007.

Properties

The Company has four mineral projects in Perú. Work is supervised principally by J. Blackwell, P.Geo., who is the President of the Company and also a qualified person as defined in National Instrument 43-101.

Urupalqui Property

The Company's 100%-held Urupalqui property is a silver-gold prospect situated in north-central Perú. The property was explored during 2003 and 2004 in joint venture with Meridian Gold Inc., which withdrew from the venture June 17, 2005. Work at the time included geophysical and geological surveys and two diamond drill programmes. During 2008 the Company completed a programme of 12 core holes totaling 2,433 metres with metallurgical testing of composite samples obtained from drill cores, topographic surveys, data verification, detailed re-logging of the core and continued community information exchanges. An area of underground exploration tunneling (pre-1981) was re-opened and the shaft rehabilitated so as to gain access. The old shaft has since been capped and the site secured from unlawful or accidental entry. During 2009, the Company completed its initial metallurgical testing of Urupalqui mineralization, completed a programme of analyzing existing samples from earlier drilling campaigns for trace elements, renewed land owner agreements, and continued its programme of community consultation. Cumulative expenditures to December 31, 2009 are \$1,522,463. In February 2010, the Company signed an option agreement with AndeanGold Ltd. granting them the right to earn a 60% interest in the Urupalqui property (see "*Subsequent Events*").

TotoRoko Property

The Company has a 100% interest in this 1,700-hectare property in southern Perú. The property covers a discovery of copper-silver-gold mineralization within Jurassic-aged volcanic, sedimentary and intrusive rocks. The Company's activities during 2007 included community consultations, environmental assessments, mapping, prospecting, geophysical surveys, and 1,138 metres of core drilling in seven holes. Drilling was hampered by hard, highly fractured rocks and poor drill performance. Overall drill results are inconclusive, however the last hole intersected 0.78% copper over a core length of 29.65 metres, suggesting that continued drilling is warranted. During 2008 a programme of soil sampling delineated a high-contrast soil geochemical anomaly that is coincident with an area of strong alteration and a geophysical anomaly. Further drilling is recommended. No field work was undertaken during 2009; however efforts have been made to maintain community agreements and to ensure the site is secure from unlawful entry. A detailed review of prior geophysical surveys has highlighted several undrilled areas on the property and downgraded other targets. The Company wishes to restart exploration at TotoRoko in 2010, subject to raising the necessary capital. The property has been reduced in size. Cumulative expenditures to December 31, 2009 are \$676,933.

Tucumachay Property

The Company conducted no exploration activities at Tucumachay during 2008 and 2009. However the Company maintains a minimal camp at the site, is continuing its environmental assessments of the property and region, and is active in several local community initiatives and community consultation. During the year, the Company and Inmet Mining Corp. concluded an agreement whereby the concessions that comprise the Tucumachay property were transferred to the Company in exchange for a sliding-scale NSR on any future gold production. The NSR will apply as follows: 1.25% at gold prices above US\$400 per ounce; 1.0% at gold prices between US\$400 and US\$330 per ounce; and 0.75% at gold prices below US\$330 per ounce. The size of the property has been reduced to 2,500 hectares.

As the Company anticipated no significant work programmes during 2009, it wrote the project down to a nominal value as at December 31, 2008. Expenditures incurred in 2009 total \$28,051.

Titimina Property

The Company has staked a 2,600-hectare property adjacent to the western and northern portions of the Tucumachay property. Titimina covers extensions to the same geological formations that host mineralization at Tucumachay. Several showings have been found on the Titimina property, the most important of which is the Alpha zinc target, consisting of a large area of carbonate-hosted zinc – lead – silver mineralization. During 2006 and 2007, the Company completed geological mapping, surface sampling and four lines of induced polarization geophysical surveys. Results are favourable, suggesting additional work, including drilling, is warranted. There were no exploration programmes undertaken at the project during 2008 and 2009. The property has been reduced to 2,600 hectares. Cumulative expenditures to December 31, 2009 are \$114,778.

La Chivona Property

During the year, the Company abandoned its 100% interest in La Chivona, located in north-coastal Perú and wrote off \$8,484 in associated costs. The concessions have been relinquished.

Other Properties

The Company has staked and conducted preliminary exploration of various 100%-owned prospective mineral claims located in Perú. During 2008 and 2009, the Company abandoned certain properties with accumulated costs totaling \$75,925 and \$25,126 respectively. Cumulative costs on properties remaining at December 31, 2009 total \$1,136.

Liquidity

The Company's cash and cash equivalents decreased by \$447,217 during the year due to the cash used in operating and investing activities exceeding the cash raised through the issuance of shares. As at December 31, 2009, cash and cash equivalents totaled \$96,444 compared to \$543,661 at December 31, 2008. Working capital as at December 31, 2009 totaled \$3,213 compared to working capital of \$489,090 at December 31, 2008.

Capital Resources

As discussed in note 1 to the December 31, 2009 annual consolidated financial statements, management has identified certain conditions, inherent in the mining exploration industry, which cast significant doubt upon the Company's ability to continue as a going concern. Due to prevailing market conditions, the Company has had to finance at a relatively low share price and take measures to reduce its operating overhead, reduce its technical support group and reduce exploration at its existing projects.

The Company has met the terms of its option agreements. Its current capital resources are not sufficient to meet its 2010 operating overhead. Typically, there are three avenues to raise capital and maintain a reasonable level of exploration activity: a) equity financings utilizing treasury shares; b) farm-in agreements with third parties; and c) selling assets. The Company is continuing to pursue all of its options in this regard.

The Company has a five-year operating lease for its office premises and storage space in Vancouver that expires on October 31, 2010. The current monthly rent is \$4,310. In Lima, Perú, the Company's affiliates lease office space for US\$1,600 per month on a rental agreement that is renewed semi-annually.

Fourth Quarter

The Company reported a loss during the fourth quarter of \$209,299 or \$0.00 per share. The current fourth quarter loss compares to a loss of \$3,035,895 or \$0.06 per share in the fourth quarter of 2008. The significant variance in these fourth quarter results is the write-down of mineral properties of \$2,894,237 in 2008 for which there was no comparative amount in 2009. After factoring in this item, the quarterly loss of 2009 is \$67,641 higher than that of 2008, which results mainly from legal, tax, and accounting costs incurred in an attempted merger transaction. Mineral property expenditures for the quarter were \$2,237 and compare to \$79,739 in the fourth quarter of 2008, which reflects the Company's efforts to conserve cash in 2009.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements at December 31, 2009 or at the date hereof.

Transactions with Related Parties

During the year ended December 31, 2009, the Company incurred \$61,809 (2008 - \$18,833) in legal fees and disbursements paid to a law firm in which a director of the Company is a partner; accounts payable and accrued liabilities includes \$33,120 (2008 - \$801) payable to this firm. The increase in related legal fees is due to additional work undertaken regarding due diligence in respect of one particular opportunity. In addition, the Company paid \$60,000 (2008 - \$129,916) in geological and administrative consulting fees to the President of the Company, who is also a director, during the year. Accounts payable and accrued liabilities include \$20,350 (2008 - \$20,350) payable to this director. The decrease for 2009 reflects the Company's cost-cutting measures.

Outstanding Share Data

During the year, the Company issued 4,358,264 units at a price of \$0.07 per unit. Each unit consisted of a one share and one-half of one warrant with each whole warrant entitling the holder to purchase one additional share of the Company at a price of \$0.12 per share until February 25, 2011.

The authorized capital of the Company consists of an unlimited number of common shares without par value. As at December 31, 2009, the number of issued and outstanding common shares was 51,860,495 (57,259,625 on a diluted basis). As at December 31, 2008, the number of issued and outstanding common shares was 47,502,231 (52,062,231 on a diluted basis). The increase in outstanding shares since December 31, 2008 results from the issuance of 4,358,264 shares under a private placement. In addition, the increase in outstanding shares on a diluted basis since December 31, 2008 reflects the issuance of 2,179,130 warrants under the private placement and the expiry of 1,340,000 stock options during the year.

As at the date hereof, there were 51,860,495 shares issued and outstanding (56,879,625 on a diluted basis). The subsequent decrease in the number of diluted shares outstanding from December 31, 2009 results from the expiry of 380,000 stock options.

The Company has a rolling stock option plan under which the Company may grant options to its directors, employees, and other service providers for up to 10% of the outstanding common shares. The Board of Directors determines the exercise price per share and the vesting period under the plan.

Details of the stock options outstanding at December 31, 2009 are as follows:

	Exercise Price	Expiry Date
380,000	\$ 0.47	April 1, 2010
40,000	\$ 0.30	November 10, 2010
400,000	\$ 0.40	March 12, 2011
35,000	\$ 0.41	August 30, 2012
200,000	\$ 0.47	March 18, 2015
515,000	\$ 0.26	June 5, 2017
1,650,000	\$ 0.17	August 7, 2018
3,220,000		

At December 31, 2009, all options are vested.

As at December 31, 2009, there were 2,179,130 share purchase warrants outstanding with an exercise price of \$0.12 per share and an expiry date of February 25, 2011.

Subsequent Events

Subsequent to 31 December 2009, the Company:

- a) signed a Memorandum of Understanding ("MOU") with AndeanGold Ltd. ("Andean") whereby the Company has granted to Andean the right to earn a 60% interest in the Urumalqui Project by:
- spending \$3,000,000 of qualifying expenditures on the Project over a four-year term ("Term");
 - completing 3,000 metres of drilling by the end of the second year of the Term and 7,000 metres of cumulative drilling by the end of the third year of the Term; and
 - issuing 800,000 shares to the Company in four tranches of 200,000 shares. The first tranche is to be issued within five days of delivery of the related agreements in Peru, with the remaining tranches upon the first, second and third year anniversaries of the agreements.

Except for the first payment, Gitennes may elect to receive cash in lieu of shares, with the amount not to exceed \$25,000, \$50,000 and \$100,000 with respect to the first, second and third year anniversary date payments, respectively. If the market value of the shares on the respective payment dates exceeds the maximum cash payment amount on such date, the difference will be paid in equivalent shares.

Upon Andean meeting the terms and exercising its option, the Company and Andean will form a joint venture to further the development of the property. The transaction is subject to receipt of all required regulatory approvals, including acceptance by the TSX Venture Exchange

- b) announced that it intends to undertake a private placement financing of 7,000,000 units at a price \$0.07 per unit. Each unit will consist of one common share and one share-purchase warrant, each warrant entitling the holder to purchase one additional common share at an exercise price of \$0.12 within 12 months of closing. Insiders of the Company may subscribe for up to 20% of the units. Finder's fees may be payable on a portion of the financing to registered dealers who assist in the placement.

The Company has completed the first Tranche of the financing and issued 1,750,000 units for gross proceeds of \$122,500.

Critical Accounting Estimates

Stock-based Compensation

The Company uses the Black-Scholes Option-Pricing Model to estimate stock-based compensation. The Black-Scholes model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the highly subjective input assumptions can materially affect the calculated values, management believes that the accepted Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

Mineral Properties

The Company is in the process of exploring its mineral properties and has not yet determined the amount of reserves available in its properties. Management of the Company regularly reviews the carrying value of each mineral property. Where information and conditions suggest that there has been impairment in their carrying value, management reviews the project for impairment and a write-down to the estimated fair value is recorded in the statement of operations.

With stabilization in the financial markets and improvements in the metals markets and the Company's share price during 2009, management considers there to have been no events or circumstances that constitute triggering events that would require management to test its mineral properties for impairment at December 31, 2009. The Company's stock price indicates a market capitalization that supports the carrying value of our net assets. Management is satisfied that all of its properties are of merit and warrant further exploration. Despite the difficulty that junior exploration companies may have raising equity finances in the current market, the Company is optimistic that it will be able to raise sufficient funds to advance the properties.

Changes in Accounting Policies

There were no changes in accounting policies during the year ended December 31, 2009, however, Section 3862 - *Financial Instruments* – Disclosures, was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The amendment to this standard had no significant effect upon the Company's consolidated financial statements.

In addition, in March 2009 the Company adopted EIC 174 – *Mining Exploration Costs*, which provides guidance on accounting for capitalization and impairment of exploration costs. The adoption of this abstract did not have a significant impact on the Company's consolidated financial statements.

Disclosure for Venture Issuers Without Significant Revenue

Consistent with other companies in the mineral exploration industry, the Company has no source of operating revenue. The Company's December 31, 2009 consolidated statement of operations provides a breakdown of the expenses for the year and Note 4 to the consolidated financial statements provides an analysis of the capitalized and expensed exploration and development costs incurred on the Company's mineral properties.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canada's current generally accepted accounting principles ("GAAP") for publicly accountable profit-orientated enterprises for interim and annual financial statements effective January 1, 2011. Accordingly, the Company will prepare its financial statements for fiscal 2010 using Canadian GAAP. In 2011, the Company will present its fiscal 2011 financial statements, with comparatives for fiscal 2010, using IFRS.

The company is currently in the initial assessment and scoping phase of its IFRS change-over process. In this phase, the Company is identifying significant differences between existing Canadian GAAP and IFRS; identifying policy choices and changes required to the Company's current accounting policies; and assessing the impact of such choices and changes, including the impact of adopting IFRS 1 – *First Time Adoption of IFRS*. At the end of this phase, the Company will make specific accounting policy changes. Such choices will be made in consultation with the audit committee and will be based on improving the overall usefulness of our financial statements and comparability with our industry peers.

Upon completion of this phase, the Company will move into the implementation phase, in which it will update its significant accounting policies, adjust its accounting systems, and design tools and processes for the preparation of IFRS information, including comparative and opening balance sheet information. The Company will also design model IFRS financial statements. These tools and the model IFRS financial statements will be tested and run parallel during 2010 to ensure a smooth and accurate change-over in 2011.

The Company is continuing with its initial assessment and scoping phase. Although its impact assessment activities are underway, continued analysis and discussion is required before the Company can prudently disclose change-over accounting policy differences. Due to the small and simple organizational, administrative and accounting structure of the Company, management is confident that once the policy choices are finalized, the implementation phase could be completed by mid-2010.

To date, management has identified a number of differences between Canadian GAAP and IFRS that relate to the Company, many of which are not expected to have a material impact on the reported results and financial position of the Company. Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During 2010, management will meet with the Audit Committee and the Board of Directors to finalize key issues and transitional choices under IFRS 1 applicable to the Company. Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may result in write downs where the carrying value of assets was previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Share-Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share-based transactions with only a few differences. Canadian GAAP allows either accelerated or straight-line method of amortization for the fair value of stock options under graded vesting.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur.

Exploration and Evaluation Assets

Under the Company's current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized. With the adoption of IFRS, the Company will have to determine its accounting policy for exploration and evaluation assets. The Company may decide to apply the International Accounting Standards Board ("IASB") Framework which requires exploration expenditures to be expensed and only allows capitalization of expenditures after the completion of a feasibility study. Alternatively, the Company may keep its existing policy. Management has yet to decide on whether or not to apply the IASB framework.

Foreign Currency

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Currently the functional currency of the consolidated entity is the Canadian dollar ("CAD") which is also the presentation currency of the Company's financial statements. If events and conditions change the Company will re-consider the primary and secondary indicators, as described in IAS 21, in determining the functional currency for each entity. Going forward under IFRS, management will assess the appropriate functional currency based on existing circumstances which may have a significant impact on the Company's consolidated financial statements prepared under IFRS.

Future Income Taxes

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward-traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company has not yet assessed the impact of implementing IAS 12, Income Taxes, on the financial statements.

General

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose the impact of the IFRS adoption at the transition date on our financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management's assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more detail than those required under Canadian GAAP and, therefore, will result in more lengthy note references. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. Cash and cash equivalents are classified as Assets Held-For-Trading and carried at fair value measured using a Level 1 fair value measurement. All of the Company's other financial instruments are carried at amortized cost. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

All of the Company's Canadian cash is held in an account at a major Canadian bank. The Company also maintains U.S. and Peruvian cash in a major bank in Perú, which it uses to fund its Peruvian projects and operations. As at December 31, 2009, the Company held the equivalent of \$18,782 in U.S. dollars and \$5,656 in Peruvian soles. The cash balances and payables that are denominated in U.S. dollars and Peruvian soles are subject to currency risk due to fluctuations in the exchange rates with the Canadian dollar. To manage this currency risk, the Company maintains only the minimum amount of foreign cash that is considered necessary to fund its ongoing exploration expenditures and foreign operations. Accounts payable are settled in a timely manner.

It is management's opinion that the Company is not exposed to significant credit, interest rate, liquidity, or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current year.

Risk and Uncertainties

The business of exploration and mining is risky and there is no assurance that current exploration programmes will eventually result in profitable mining operations. The recoverability of money spent on the resource properties is dependent upon various factors. These include actually discovering a potentially economic mineral deposit and then transforming the deposit into ore reserves through a series of stringent technical programmes. Following upon this is the ability of the Company to obtain all necessary financings to complete the development of a property and place it into commercial production. The Company must also raise funds for corporate and administrative expenses. While the Company has been successful in the past at raising funds, there can be no assurance that it will continue to do so.

The mineral industry is intensely competitive and there are inherent risks in all its phases. The Company competes with other companies, many of which have greater financial resources and experience. Metal prices are volatile and cannot be controlled.

The Company has no mining operations and its mineral projects are at an early stage. It is therefore exposed to many risks common to comparable companies, including under-capitalization, lack of revenue, cash shortages, and limitations with respect to personnel, financial and other resources.

The consolidated financial statements for the year ended December 31, 2009 have been prepared on the basis of accounting principles applicable to a going concern. The assumption is that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Excepting those quarters in which the Company has realized revenues from royalties or the sale of assets, the Company has consistently reported operating losses. The Company has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding will be available to further explore and develop its mineral property projects, or to cover the overhead costs necessary to maintain a publicly reporting company.

The Company's exploration activities outside of Canada make it subject to foreign currency fluctuations and this may affect the Company's financial position and results of operations. The Company does not engage in currency hedging activities. It does maintain varying amounts of cash in U.S. dollar and Peruvian sole accounts until such time as the funds are drawn upon.

The government of Perú has implemented a royalty scheme on mining operations. The Company believes that this royalty does not impact significantly on operations at this stage of the Company's development.

Approval

The Board of Directors of the Company has approved the disclosure contained in this Annual MD&A, a copy of which will be provided to any interested parties upon request.

Additional Information

The Company's publicly filed documents are available on the Company's website or on SEDAR at www.sedar.com.

Cautionary Note

This document contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Corporation, its subsidiaries and its projects, the future supply, demand, inventory, production and price of minerals, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of minerals; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this document and the Corporation disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.