

GITENNES EXPLORATION INC.
ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

March 25, 2009

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, 2008. Consequently, the information set forth below should be read in conjunction with the consolidated financial statements for the year ended December 31, 2008 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, 2008, 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 for gold, silver, copper, and zinc deposits. The last three quarters of the year ending December 31, 2008 witnessed a dramatic decline in metal prices and a sharp reduction in equity financings for mineral exploration. The last quarter brought a severe reduction in market capitalizations of most listed companies, an interruption in money supplies and credit.

During the year ended December 31, 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. During the same period the Company undertook a detailed review of its Urumalqui silver-gold project in northern Perú. As a result of the recommendations from this review, the Company resumed drilling at the Urumalqui Project in January 2008 with a programme of 12 core holes totaling 2,433 metres, metallurgical tests, detailed core-logging, topographic surveys and re-habilitating an area of old underground workings.

The Company did not undertake any new exploration at its Tucumachay and Titimina projects in the year ending December 31, 2008. During the year ended December 31, 2006, and continuing through the first quarter of the year ending December 31, 2007, the Company completed a major field programme at the Tucumachay project in central Perú. The Tucumachay project is subject to an agreement dated June 30, 2004 with Inmet Mining Corp. ("Inmet"). The Company also explored its 100%-owned Titimina property, located in the same belt as Tucumachay, during the same period.

On December 18, 2008 the Company was advised by the Toronto Stock Exchange (the "TSX") that the TSX is reviewing the eligibility for continued listing on the TSX of the common shares of the Company. It is the Company's understanding that the TSX is primarily concerned with the Company's market capitalization, which is currently below the minimum required level of Cdn\$3 million. The Company was granted 210 days in which to regain compliance with these requirements, pursuant to the TSX's Remedial Review Process.

As of December 31, 2008, commodity prices had suffered a significant decline, private capital was scarce and stock markets were illiquid. The Company has taken necessary measures to reduce its operating overhead, reduced its technical support group and is doing minimum exploration at its existing projects.

Overall Performance

Unless noted otherwise, all figures are in Canadian dollars.

The Company's cumulative resource property costs to December 31, 2008 were \$2,267,203, which is down from the cumulative balance of \$4,504,669 as at December 31, 2007. The decrease for the period includes current additions of \$732,696 in expenditures, \$605,202 of which were incurred on the Urumalqui property, and write-downs of \$2,970,162 (see "Results of Operations").

The Company incurred a loss of \$3,923,888 for the year ended December 31, 2008, which compares to net income of \$318,731 for the year ended December 31, 2007, in which the Company recognized royalty income of \$40,118 and income from the sale of royalty of \$1,532,614.

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		
	2008	2007	2006
Total assets	\$ 2,906,223	\$ 6,653,687	\$ 4,550,152
Cash and cash equivalents	\$ 543,661	\$ 2,031,587	\$ 278,325
Current assets	\$ 568,597	\$ 2,060,990	\$ 546,795
Cumulative resource property expenses	\$ 2,267,203	\$ 4,504,669	\$ 3,941,051
Current liabilities	\$ 79,507	\$ 248,763	\$ 102,196
Long term liabilities	\$ -	\$ -	\$ -
Total shareholders' equity	\$ 2,826,716	\$ 6,404,924	\$ 4,447,956
General and administrative expenses	\$ 952,279	\$ 919,773	\$ 746,581
Stock-based compensation	\$ 280,680	\$ 146,337	\$ -
Income from royalty	\$ -	\$ 40,118	\$ 421,307
Income from sale of royalty	\$ -	\$ 1,532,614	\$ -
Write-off of mineral property costs	\$ 2,970,162	\$ 195,696	\$ 413,658
Net income (loss) from continuing operations	\$ (3,923,888)	\$ 318,731	\$ (746,598)
Basic and diluted earnings (loss) per share	\$ (0.08)	\$ 0.01	\$ (0.02)

Financial Data for the Last Eight Quarters

Quarter Ended	Dec 31 2008	Sept 30 2008	Jun 30 2008	Mar 31 2008	Dec 31 2007	Sept 30 2007	Jun 30 2007	Mar 31 2007
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss before the under-noted	\$ (168,103)	\$ (148,711)	\$ (177,944)	\$ (201,790)	\$ (205,655)	\$ (212,929)	\$ (189,934)	\$ (190,233)
Stock-based compensation	-	(280,680)	-	-	-	(17,045)	(129,292)	-
Foreign exchange	26,445	6,747	(18,862)	9,172	38,495	(31,545)	(94,250)	(25,917)
Write-down of mineral properties	(2,894,237)	-	(75,925)	-	(195,696)	-	-	-
Income from royalty	-	-	-	-	-	-	-	40,118
Income from sale of royalty	-	-	-	-	-	-	-	1,532,614
Income (loss) for the quarter	\$(3,035,895)	\$ (422,644)	\$ (272,731)	\$ (192,618)	\$ (362,856)	\$ (261,519)	\$ (413,476)	\$1,356,582
Income (loss) per share – basic	\$ (0.06)	\$ (0.01)	\$ (0.01)	\$ (0.007)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ 0.03
Income (loss) per share – diluted	\$ (0.06)	\$ (0.01)	\$ (0.01)	\$ (0.007)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ 0.03

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.

The Company accrued \$40,118 in royalty income during the quarter ended March 31, 2007, in which it also recorded income from the sale of the royalty in the amount of \$1,532,614. The loss for the quarter ended June 30, 2007 was affected by a foreign exchange loss of \$94,250, which resulted from the effects of a weakening U.S. dollar on a significant balance of U.S. cash held due to the sale of the royalty. The Company also recorded \$129,292 in stock-based compensation during this quarter. For the quarter ended September 30, 2007, the Company experienced foreign exchange losses of \$31,545 and incurred higher investor relations costs due to various new initiatives in this area. During the fourth quarter of 2007, the Company experienced foreign exchange gains of \$38,495, due primarily to the weakening of the US dollar against the Peruvian sole, and wrote off \$195,696 in costs relating to the La Chivona property. 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 (see "Properties"). Due to market conditions, the Company has been reducing expenses wherever possible since early in 2008. 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 the royalty income and other 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:

	2008	2007	2006
Audit, accounting, legal and professional fees	\$ 132,484	\$ 145,087	\$ 123,920
Filing, transfer fees and investor relations	\$ 125,413	\$ 167,155	\$ 191,721
Office rent, utilities and miscellaneous	\$ 121,372	\$ 112,543	\$ 108,928
Salaries and benefits	\$ 241,913	\$ 286,075	\$ 262,960
Stock-based compensation	\$ 280,680	\$ 146,337	\$ -
Write-down of mineral properties	\$ 2,970,162	\$ 195,696	\$ 413,658
General exploration	\$ 39,869	\$ 36,078	\$ 29,540
Foreign exchange loss (gain)	\$ (23,502)	\$ 113,217	\$ (7,853)
Income from royalty	\$ -	\$ 40,118	\$ 421,307
Income from sale of royalty	\$ -	\$ 1,532,614	\$ -

Audit, accounting, legal and professional fees for 2008 decreased relative to those of the prior year due primarily to the cost of some additional legal work relating to statutory filings required in 2007 that were not required in 2008.

Filing, transfer fees, and investor relations costs were considerably lower in the current period due to certain investor relations initiatives undertaken in 2007 that were not undertaken in 2008.

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, 2008, salaries and benefits were slightly lower than the prior year due to staffing reductions in the current year.

Stock-based compensation fluctuates with the number of stock options that vest in a given year. The Company granted 2,000,000 options in the current year compared to 605,000 in the prior year.

The Company wrote off mineral property costs of \$2,970,162 during 2008 and \$195,696 during 2007 (see "Properties").

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

The royalty income and the income from the sale of the royalty were not applicable in the current year.

Properties

The Company has four mineral projects in Perú. Work is supervised principally by J. Blackwell, P.Geo., who is also the President of the Company. Alvaro Fernandez-Baca, P.Geo., and J. Foster, P.Geo. have provided supervision on the Company's projects as well. All are qualified persons as defined in National Instrument 43-101. Selected expenditure information on the Company's main projects is as follows:

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 the year ending December 31, 2007 the Company continued its programmes of community consultation, engaged a geologist to work full-time on the project, and undertook a detailed review of the project. The review recommended that the Company advance the property through a programme of core drilling and metallurgical tests. The recommended work commenced in January 2008 with a programme of 12 core holes totaling 2,433 metres that continued through the year ending December 31, 2008 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. Cumulative expenditures to December 31, 2008 are \$1,462,028.

TotoRoko Property

The Company has a 100% interest in this 5,000-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 the year ending December 31, 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. Additional field work was undertaken during the year ending December 31, 2008, the highlight of which is the delineation of a high-contrast soil geochemical anomaly that is coincident with an area of strong alteration and a geophysical anomaly. Further drilling is recommended. Cumulative expenditures to December 31, 2008 are \$664,754.

Tucumachay Property

The Tucumachay property is located in the Andes Mountains of central Perú. On June 30, 2004 the Company signed a letter-of-intent with Inmet (the "Tucumachay Agreement"), under the terms of which the Company had an option to earn a 100% interest in the property. During the year ending December 31, 2006, the Company served notice that it had earned a 100% interest in the property, and Inmet has acknowledged that Gitennes has met its earn-in expenditure requirements. Certain legal concerns and taxation issues have delayed the transfer of the property to Gitennes. The Company and Inmet are now working to complete the transfer in exchange for an NSR royalty on any future gold production.

During the year ended December 31, 2006, and continuing into the first quarter of the year ending December 31, 2007, the Company completed both reconnaissance and grid soil geochemical and rock sampling programmes, IP and VLF-EM grid geophysical surveys, and three drill programmes totaling 38 core holes and 28 reverse circulation holes. Total metres drilled stand at 5,294 metres. Results are favourable and indicate the occurrence of a near-surface zone of mineralization in the La Nariz area that warrants continued exploration. 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. The Company has reduced its overall level of exploration activity at the property until it receives title to the property.

There was minimal physical work completed on the property during the years ending December 31, 2007 and 2008. As the Company had no significant work programmes planned for 2009, it wrote the project down to a nominal value as at December 31, 2008.

Titimina Property

The Company has staked a 3,800-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 the year ending December 31, 2006 and through the period ending September 30, 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. Cumulative expenditures to December 31, 2008 are \$105,675.

La Chivona Property

The Company has a 100% interest in La Chivona, located in north-coastal Perú. There has been minimal exploration activity on the property since 2004, and the Company has written this property down to a nominal value.

Virgen Royalty

During the year ended December 31, 2001, the Company sold its interest in the Virgen property. Pursuant to the terms of the sale agreement, the Company retained a 2% net smelter return royalty, payable when aggregate gold production from the property exceeded 145,000 ounces. The Company received notice from the operator of the Virgen Mine that gold production had reached the threshold of 145,000 ounces on May 16, 2006. Accordingly, the Company's 2% net smelter royalty became effective, with payments to be received every six months. On February 6, 2007, the Company sold its interest in the royalty for US\$1,500,000.

Other Properties

The Company has staked and conducted preliminary exploration of various 100%-owned prospective mineral claims located in Perú. During 2008, the Company wrote off certain properties with accumulated costs totaling \$75,925. Cumulative costs on properties remaining at December 31, 2008 are \$26,262.

Liquidity

The Company's cash and cash equivalents decreased by \$1,487,926 during the year due to the cash used in operating and investing activities; no equity financings were undertaken during the year. As at December 31, 2008, cash and cash equivalents totaled \$543,661 compared to \$2,031,587 at December 31, 2007. Working capital as at December 31, 2008 totaled \$489,090 compared to working capital of \$1,812,227 at December 31, 2007.

Capital Resources

As discussed in note 1 to the December 31, 2008 audited consolidated financial statements, management has identified certain conditions, inherent in the mining exploration industry, that cast significant doubt upon the Company's ability to continue as a going concern. In addition, subsequent to the third quarter, commodity prices suffered serious declines and global markets have fallen. The Company has taken necessary measures to reduce its operating overhead, has reduced its technical support group and has reduced exploration at its existing projects.

The Company has met the terms of its option agreements. Its current capital resources may meet its 2009 operating overhead with additional reductions. 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 reviewing its options.

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 fee is \$2,034 plus operating expenses. 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 \$3,035,895 or \$0.06 per share. The current fourth quarter loss compares to a loss of \$362,856 or \$0.01 per share in the fourth quarter of 2007. The significant variance in these fourth quarter results is the write-down of mineral properties of \$2,894,237 which compares to a write-down of \$195,696 in 2007. After factoring in this item, the quarterly loss of 2008 is \$25,502 less than that of 2007. Mineral property expenditures for the quarter were \$79,739 compared to \$456,515 in the fourth quarter of 2007.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements at December 31, 2008 or at the date hereof.

Transactions with Related Parties

During the year ended December 31, 2008, the Company incurred \$18,833 (2007 - \$25,113) 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 \$801 (2007 - \$2,935) payable to this firm. In addition, the Company paid \$129,916 (2007 - \$60,492) in geological and administrative consulting fees to a director during the year; accounts payable and accrued liabilities include \$20,350 (2007 - \$nil) payable to this director.

Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of common shares without par value. As at December 31, 2008 and the date hereof, the number of issued and outstanding common shares was 47,502,231 (52,062,231 on a diluted basis), which compares to issued and outstanding shares as at December 31, 2007 of 47,002,231 (50,497,231 on a diluted basis). During the current year, 435,000 stock options expired, 500,000 stock options were exercised, and 2,000,000 stock options were granted.

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 are as follows:

2008	2007	Exercise Price	Expiry Date
-	370,000	\$ 2.80	March 31, 2008
-	500,000	\$ 0.13	May 4, 2008
670,000	690,000	\$ 0.355	April 21, 2009
180,000	180,000	\$ 0.40	July 21, 2009
460,000	470,000	\$ 0.47	April 1, 2010
80,000	80,000	\$ 0.30	November 10, 2010
400,000	400,000	\$ 0.40	March 12, 2011
55,000	55,000	\$ 0.41	August 30, 2012
200,000	200,000	\$ 0.47	March 18, 2015
515,000	550,000	\$ 0.26	June 5, 2017
1,700,000	-	\$ 0.17	August 7, 2018
300,000	-	\$ 0.17	August 21, 2013
<u>4,560,000</u>	<u>3,495,000</u>		

At December 31, 2008, 4,535,000 of these options have vested.

As at December 31, 2008, there were no share purchase warrants outstanding.

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. During 2008, the Company recorded a write-down of \$2,894,237 relating to the Tucumachay property due to the fact that there has been minimal exploration work done in the last two years, and the Company has no significant work programmes planned for 2009. The Company also wrote off \$75,925 in costs relating to certain smaller properties in Perú that the Company has no plans to pursue.

With the downturn in the financial and metals markets, and a decline in the Company's share price during 2008, management considered whether this decline constituted a triggering event that would require management to test its remaining mineral properties for impairment at year-end. While the Company's stock price indicates a market capitalization that supports the carrying value of our net assets, management still considered it appropriate to review the Company's other properties for impairment by assessing whether fair value was less than carrying value. Since none of the Company's properties have identified reserves, management considered cost to be a reasonable approximation of fair value, as costs incurred were relatively current, work to date produced results that indicated further work on the property was warranted, and management planned to continue to explore the property. Management is satisfied that all of these properties are of merit and warrant further exploration. Despite the difficulty that junior exploration companies 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. Based on this assessment, management concluded that no further impairment charge was required.

Changes in Accounting Policies

Capital Disclosures

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 1535 – *Capital Disclosures*. This Section requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes of managing capital.

Financial Instruments – Disclosures and Presentation

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Sections 3862 – *Financial Instruments – Disclosures* and 3863 – *Financial Instruments – Presentation*. These Sections require disclosure of quantitative and qualitative information in the financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosure of the measurement basis used and the criteria used to determine classification for different types of instruments is also required.

Going Concern

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 1400 – *General Standards on Financial Statement Presentation*. This Section requires management to assess the Company's ability to continue as a going concern and to disclose any uncertainties arising from such an assessment.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current generally accepted accounting principles for publicly accountable profit-orientated enterprises for interim and annual financial statements effective January 1, 2011. The Company is presently considering the effect these standards will have on its 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. 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, 2008, the Company held the equivalent of \$66,556 in U.S. dollars and \$8,332 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.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide assurance that all relevant information is gathered and reported to senior management, which includes the Company's President and its Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As of December 31, 2008, the Company's certifying officers, being the President and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the certifying officers have concluded that, as of December 31, 2008, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*) and reports filed or submitted under Canadian securities laws were recorded, processed, summarized and reported within the time periods specified by those laws and that material information was accumulated and communicated to management of the Company, including the President and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

The Company's President and the Chief Financial Officer are responsible for establishing and maintaining the Company's internal controls over financial reporting in accordance with Multilateral Instrument 52-109–*Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators. These internal controls over financial reporting were established as at December 31, 2007. There have been no changes in these controls during the year ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. As of December 31, 2008, the Company's certifying officers, being the President and the Chief Financial Officer, evaluated the effectiveness of the Company's internal controls over financial reporting. Based on that evaluation, the certifying officers have concluded that, as of December 31, 2008, the internal controls over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP (as such terms are defined under Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*).

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 period ended December 31, 2008 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.