

GITENNES EXPLORATION INC.
ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

April 12, 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, 2010. Consequently, the information set forth below should be read in conjunction with the consolidated financial statements for the year ended December 31, 2010 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, 2010 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. Until recently, its focus was primarily on the country of Peru, however its activities there have been suspended and the Company is seeking opportunities elsewhere, particularly in Canada. 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 mineral deposits. The Company has been exploring in Peru since 1996, however, in June 2010 the Company decided to suspend its exploration activities in Peru and to re-focus its efforts elsewhere.

During the year ending December 31, 2009 the Company was faced with limited financial resources and indifferent markets and, consequently, reduced administrative and exploration expenditures wherever possible. During the year ending December 31, 2010 further staff reductions and exploration cuts were implemented and the Company continued to explore numerous alternatives ranging from new property acquisitions to possible mergers with companies having exceptional assets that would increase shareholder value. The Company continued to experience difficulties in raising meaningful amounts of capital. Faced with the prospect of being unable to carry on operations, the Company decided to suspend operations in Peru, close its office and try to obtain value for its projects there through either option agreements or sales. Peruvian staff was laid-off with severance and the Company began the process of winding-up two of its Peruvian subsidiaries, Compañía Minera Seis Rios S.A. and Gitennes Exploraciones Perú S.A.

During the year ending December 31, 2010, the Company:

- entered into an option agreement whereby AndeanGold Ltd. may earn a 60% interest in the Urumalqui project;
- entered into an option agreement on the Blue Ice property, located in the province of Quebec, Canada, whereby the Company may earn a 100% interest in the property;
- entered into an agreement with the Peruvian subsidiary of Teck Resources Limited whereby it purchased the Tucumachay and Titimina projects for US\$200,000. The purchaser will make a second payment of US\$1,200,000 if it announces a decision to commence commercial production on either project;
- abandoned the TotoRoko prospect;
- completed a private placement by issuing 2,330,000 units at a price of \$0.07 per unit for gross proceeds of \$163,100;
- completed a second private placement by issuing 4,000,000 units at a price of \$0.07 per unit for gross proceeds of \$280,000.

Overall Performance

Unless noted otherwise, all figures are in Canadian dollars.

The Company's cumulative mineral property costs to December 31, 2010 totalled \$1,601,820, which is down from the cumulative balance of \$2,343,361 as at December 31, 2009, primarily due to the write off of the TotoRoko project during 2010.

The Company incurred a loss of \$1,266,868 for the year ended December 31, 2010 compared to a loss of \$716,539 for the year ended December 31, 2009. In 2010, the Company wrote down its mineral properties by \$678,069.

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		
	2010	2009	2008
Total assets	\$ 1,938,147	\$ 2,512,034	\$ 2,906,223
Cash and cash equivalents	\$ 278,298	\$ 96,444	\$ 543,661
Current assets	\$ 314,379	\$ 114,923	\$ 568,597
Cumulative mineral property expenses	\$ 1,601,820	\$ 2,343,361	\$ 2,267,203
Current liabilities	\$ 220,305	\$ 111,710	\$ 79,507
Long term liabilities	\$ -	\$ -	\$ -
Total shareholders' equity	\$ 1,717,842	\$ 2,400,324	\$ 2,826,716
General and administrative expenses	\$ 667,453	\$ 659,875	\$ 952,279
Stock-based compensation	\$ 156,136	\$ 3,808	\$ 280,680
Write-off of mineral property costs	\$ 678,069	\$ 33,610	\$ 2,970,162
Loss for the year	\$ (1,266,868)	\$ (716,539)	\$ (3,923,888)
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.08)

Results of Operations

Expenses

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

	2010	2009	2008
Audit, accounting, legal and professional fees	\$ 173,237	\$ 190,041	\$ 132,484
Filing, transfer fees and investor relations	\$ 71,373	\$ 137,525	\$ 125,413
Office rent, utilities and miscellaneous	\$ 70,312	\$ 83,026	\$ 121,372
Salaries and benefits	\$ 164,814	\$ 194,860	\$ 241,913
Stock-based compensation	\$ 156,136	\$ 3,808	\$ 280,680
Write-down of mineral properties	\$ 678,069	\$ 33,610	\$ 2,970,162
Gain on disposal of mineral properties	\$ 56,671	\$ -	\$ -
Gain on disposal of equipment	\$ 31,783	\$ -	\$ -
General exploration	\$ 16,740	\$ 18,927	\$ 39,869
Foreign exchange loss (gain)	\$ (2,841)	\$ 10,039	\$ (23,502)

Audit, accounting, legal and professional fees for 2010 increased relative to those of the 2008 fiscal year due to the costs associated with optioning the Urumalqui property, selling the Tucumachay and Titimina properties, and arranging to close down our office and legal presence in Peru. However, the 2010 costs were lower than the 2009 costs due to increased costs experienced in 2009 that related to an attempted transaction.

Filing, transfer and investor relations expenses decreased significantly in 2010 due to cost-cutting measures, primarily in non-essential expenses.

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, 2010, salaries and benefits were lower than the prior year due to cost cutting measures and staffing reductions in both Vancouver

and Peru. In addition, from 2008 to 2010, the president of the Company agreed to a significant reduction of his monthly salary; payment of a portion of these reduced amounts due for 2009 (\$15,650) and 2010 (\$64,350) has been deferred and these amounts remain in accounts payable at December 31, 2010.

Office costs and general exploration costs are lower due to cost cutting measures instituted in both 2009 and 2010.

During 2010, the Company wrote off \$678,069 relating to properties abandoned in Peru compared to \$33,610 written off in the prior year.

Stock-based compensation expense fluctuates with the number of options that vest each year. During the current year, the Company granted and vested 1,900,000 stock options and recognized \$156,136 in stock-based compensation. The Company did not grant any stock options in 2009, however, 25,000 of the 2,000,000 options granted in 2008 vested in 2009, which produced stock-based compensation of \$3,808. The Company recognized \$280,680 in stock-based compensation relating to the 1,975,000 stock options that vested in fiscal 2008.

During 2010, the Company disposed of the Tucumachay and Titimina properties for gross proceeds of US\$200,000 and recorded a gain on disposal of \$56,671. The Company also sold various exploration assets in Peru during 2010 and recorded a gain on disposal of \$31,783.

Financial Data for the Last Eight Quarters

Quarter Ended	Dec 31 2010	Sept 30 2010	June 30 2010	Mar 31 2010	Dec 31 2009	Sept 30 2009	June 30 2009	Mar 31 2009
Total revenues	-	-	-	-	-	-	-	-
Loss before the under-noted	\$ (144,220)	\$ (86,994)	\$ (119,145)	\$ (141,816)	\$ (205,701)	\$ (146,456)	\$ (142,552)	\$ (174,373)
Stock-based compensation	(156,136)	-	-	-	-	(3,808)	-	-
Foreign exchange	1,307	(1,254)	2,672	116	(3,598)	1,603	(9,663)	1,619
Gain on sale of mineral properties	56,671	-	-	-	-	-	-	-
Write-down of mineral properties	-	-	(678,069)	-	-	-	(33,610)	-
Loss for the quarter	\$ (242,378)	\$ (88,248)	\$ (794,542)	\$ (141,700)	\$ (209,299)	\$ (148,661)	\$ (185,825)	\$ (172,754)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

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 quarterly operating results.

Due to market conditions in 2009 and 2010, the Company reduced expenses wherever possible. During the quarters ended December 31, 2009 and March 31, 2010, the Company incurred additional legal, tax, and accounting costs associated with a thorough due diligence process related to one particular opportunity. In June 2010, the Company wrote off \$678,069 in exploration costs relating primarily to the TotoRoko project. The Company experienced higher professional fees, investor relation fees, and salaries in the quarter ended December 31, 2010 due to increased financing, investor relations, and project generation activities, as well as an increase in activities relating to the Company's efforts to close down its Peruvian operations. 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 operating in the mineral exploration industry, all other operating results for the quarters presented reflect the Company's efforts to reduce costs during 2009 and 2010.

Fourth Quarter

The Company reported a loss during the fourth quarter of 2010 in the amount of \$242,378, or \$0.00 per share. The current fourth quarter loss compares to a loss of \$209,299, or \$0.00 per share, in the fourth quarter of 2009. The increase in the 2010 fourth quarter loss results from the fact that in 2010 the Company recognized stock-based compensation of \$156,136 (2009 - \$nil), a gain on sale of mineral properties of \$56,671 (2009 - \$nil), and a gain on disposal of assets of \$31,783 (2009 - \$nil). After factoring in these items, the quarterly loss of 2010 is \$34,603 lower than that of 2009, which results mainly from legal, tax, and accounting costs incurred late in 2009 relating to an attempted major transaction.

Mineral property expenditures for the quarter were \$30,373, which relate mainly to exploration work done on the Blue Ice property and tenure costs on the Urumalqui property. In comparison, mineral property expenditures of \$2,237 were incurred in the fourth quarter of 2009, during which period the Company had become relatively inactive in an effort to conserve cash.

Properties

The Company has mineral projects in Peru and Canada. Work is supervised principally by J. Blackwell, P.Geo., president of the Company and a qualified person as defined in National Instrument 43-101.

Urumalqui Property

The Company's 100%-held Urumalqui property is a silver-gold prospect situated in north-central Peru. The property was explored from 2003 to 2008 initially in joint venture with Meridian Gold Inc., then on a wholly-owned basis. Work included geophysical and geological surveys, three diamond drill programmes, preliminary metallurgical testing of composite samples, topographic surveys, data verification, and community information exchanges. During 2009, the Company completed its initial metallurgical testing of Urumalqui 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. During the year ending December 31, 2010, the Company did not undertake any exploration at the project, but did maintain the property in good standing as well as its community contacts.

In the year ending December 31 2010, the Company signed an option agreement with AndeanGold Ltd. ("Andean") whereby the Company granted Andean the right to earn a 60% interest in the Urumalqui project. Andean must spend \$3,000,000 in qualifying exploration expenditures on the project over a four-year term, which shall include a minimum of 3,000 metres of drilling by the end of the second year and 7,000 metres of cumulative drilling by the end of the third year. Andean must issue 800,000 shares to the Company in four tranches of 200,000 shares. The first tranche was issued upon 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, the Company 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.

During the period, Andean announced a ten-to-one consolidation of its shares. As a result the number of shares to be issued to Gitennes will be reduced to 80,000 shares issued in four tranches of 20,000 shares each. The first tranche was received on July 14, 2010.

During the year ending December 31 2010 Andean began a programme of geological mapping and sampling to confirm the Company's previous results, began a programme of community consultation and initiated the permitting process in anticipation of a diamond drill programme to begin during the second quarter of 2011.

TotoRoko Property

The Company had a 100% interest in this 1,700-hectare property in southern Peru. The property covers a discovery of copper-silver-gold mineralization within Jurassic-aged volcanic, sedimentary and intrusive rocks. The Company had not undertaken any significant exploration at the property since 2008 and in 2010 decided to relinquish the concessions. Accordingly, the Company wrote off exploration expenditures totaling \$676,933.

Tucumachay Property

The Company conducted no exploration activities at Tucumachay during 2009 and 2010. During 2009, 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 size of the property has been reduced to 2,500 hectares.

During the year ending December 31, 2010, the Company maintained the property in good standing but did little new exploration. There were several site visits during which prospective partners were shown the property. In August 2010, the Company entered into an agreement with the Peruvian subsidiary of Teck Resources Limited whereby it subsequently purchased the Company's 100% interest in both the Tucumachay and Titimina projects. The purchase price for Tucumachay was US\$175,000. Additionally, the purchaser will make a payment of US\$1,200,000 if it announces a decision to commence commercial production on either the Tucumachay or Titimina projects.

Titimina Property

The Company held 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. There were no exploration programmes undertaken at the project during 2009 and 2010.

During the year ending December 31 2010, the Company entered into an agreement with the Peruvian subsidiary of Teck Resources Limited whereby it subsequently purchased the Company's 100% interest in the Tucumachay and Titimina projects. The purchase price for Titimina was US\$25,000. Additionally the purchaser will make a payment of US\$1,200,000 if it announces a decision to commence commercial production on either the Tucumachay or Titimina projects.

Blue Ice Property

During the year ending December 31 2010, the Company examined a number of potential property acquisitions in Canada, the result of which was the option of the Blue Ice project located in Quebec. The Blue Ice project covers an area of pegmatite dykes that intrude mafic and ultramafic rocks. The pegmatite dykes themselves contain gem-quality crystals of aquamarine, a form of beryl. This is a new discovery and opens the possibility for additional minerals of interest to be present including lithium and rare earths, which are often associated with beryl. Also the host mafic and ultramafic rocks in the region are being actively explored for nickel and copper and during the initial property examination several occurrences of copper mineralization were noted.

In June 2010, the Company acquired an option to earn a 100% interest the 700-hectare property located in Quebec. Terms of the option agreement require committed and optional exploration expenditures totalling \$400,000, making property payments totalling \$110,000, and issuing 200,000 common shares. The term of the option is 36 months. The Company has committed to spend \$25,000 within twelve months of signing, and has made a property payment of \$25,000 and issued the first tranche of 50,000 shares to the vendors. The vendors will be entitled to retain a 2% NSR, one-half of which may be purchased by the Company at anytime for \$1,000,000. During the year ending December 31, 2010 the Company incurred acquisition and exploration costs of \$44,634.

Liquidity

The Company's cash and cash equivalents increased by \$181,854 during the year due to cash provided by investing and financing activities exceeding cash used in operating and investing activities. During 2010, the Company raised \$421,350 through the issuance of capital stock, and received net loan proceeds of \$35,773 from directors and officers. The Company disposed of mineral properties and other exploration assets for total proceeds of \$254,581. Net cash used in operating activities totalled \$451,193.

As at December 31, 2010, cash and cash equivalents totaled \$278,298, compared to \$96,444 at December 31, 2009. Working capital as at December 31, 2010 totaled \$94,074, compared to working capital of \$3,213 at December 31, 2009.

Capital Resources

As discussed in note 1 to the December 31, 2010 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, eliminate its technical support group and suspend exploration on its Peruvian projects.

The Company's current capital resources are not sufficient to meet its 2011 operating overhead or its obligations under the Blue Ice option agreement. 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. Since December 31, 2010, the Company received additional funds upon the exercise of warrants and announced its intention to complete a private placement - (See *Subsequent Events*).

The Company has signed a two-year operating lease for its office premises and storage space in Vancouver, which calls for monthly rent of \$4,943 and expires on October 31, 2012.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements at December 31, 2010 or at the date hereof.

Transactions with Related Parties

During the year ended December 31, 2010, the Company incurred \$27,589 (2009 - \$31,809) 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 \$nil (2009 - \$33,120) payable to this firm. In addition, the Company paid or accrued \$75,000 (2009 - \$60,000) in geological and administrative consulting fees during the year to the president of the Company, who is also a director; accounts payable and accrued liabilities include \$80,213 (2009 - \$20,350) 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, 2010, the number of issued and outstanding common shares was 58,240,495 (71,545,625 on a diluted basis) compared to issued and outstanding shares of 51,860,495 (57,259,625 on a diluted basis) as at December 31, 2009.

The increase in the number of shares outstanding from December 31, 2009 results from the issuance of 50,000 shares under the Blue Ice property agreement and the completion of two private placements. The first private placement included 2,330,000 units at a price of \$0.07 per unit, each unit consisting of one share and one share purchase warrant entitling the holder to purchase one additional share at a price of \$0.12 for twelve months - the Company also issued 96,000 compensation warrants as a finder's fee. The second private placement included 4,000,000 units at a price of \$0.07 per unit, each unit consisting of one share and one 18-month share purchase warrant entitling the holder to purchase one additional share at a price of \$0.10 for the first 12 months and at a price of \$0.20 per share for the remaining six months. During the year, the Company granted 1,900,000 incentive stock options at an exercise price of \$0.12 per share; 420,000 previously granted incentive stock options expired.

As at the date hereof, there were 60,686,923 shares issued and outstanding (70,412,923 on a diluted basis). The subsequent change in the number of shares outstanding from December 31, 2010 results from the exercise of 2,446,428 warrants and the expiry of 732,702 warrants and 400,000 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 for each grant made.

Details of stock options outstanding at December 31, 2010 are as follows:

Number	Exercise Price	Expiry Date
400,000	\$ 0.40	March 12, 2011 (i)
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
1,900,000	\$ 0.17	August 21, 2013
<u>4,700,000</u>		

(i) Expired unexercised on March 12, 2011.

Details of share purchase warrants outstanding at December 31, 2010 are as follows:

Number	Exercise Price	Expiry Date
2,179,130	\$ 0.12	February 25, 2011 (i)
1,750,000	\$ 0.12	April 19, 2011
96,000	\$ 0.12	April 19, 2011
580,000	\$ 0.12	June 14, 2011
4,000,000	\$ 0.10	June 25, 2012
<u>8,605,130</u>		

(i) 732,702 expired unexercised on February 25, 2011.

Subsequent Events

Subsequent to December 31, 2010, the Company:

- a. announced its intention to undertake a private placement financing of 1,600,000 units at a price \$0.15 per unit for gross proceeds of \$240,000. 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 \$0.18 within twelve months of closing and thereafter at an exercise price of \$0.25 until 18 months after closing. Finder's fees may be payable on a portion of the financing to registered dealers who assist in the placement;
- b. received cash proceeds of \$293,571 upon the exercise of 2,446,428 warrants at a price of \$0.12. A total of 732,702 warrants expired unexercised.

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 if any reserves are present 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 an 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, 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, 2010. 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 its properties.

Changes in Accounting Policies

There were no changes in existing accounting policies or adoptions of new standards during the year.

Disclosure for Venture Issuers Without Significant Revenue

Consistent with many companies in the mineral exploration industry, the Company has no source of operating revenue. The Company's December 31, 2010 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 has completed the assessment and scoping phase of its IFRS change-over process. In this phase, the Company identified significant differences between existing Canadian GAAP and IFRS; identified policy choices and changes required to the Company's current accounting policies; and assessed the impact of such choices and changes, including the impact of adopting IFRS 1, "First-Time Adoption of International Financial Reporting Standards". The Company has made recommendations for specific accounting policy changes to the audit committee and these recommendations are based on improving the overall usefulness of our financial statements and comparability with our industry peers.

Upon ratification by the audit committee in April 2011, the Company will update its significant accounting policies and complete the preparation of IFRS information, including 2010 opening balance sheet and quarterly comparative information. The Company will also finalize the design of its IFRS financial statements. Due to the small and simple organizational, administrative and accounting structure of the Company, management is confident that once the policy choices are approved by the audit committee, the implementation phase will be completed in April 2011.

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 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. 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.

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 are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now December 31, 2011 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. The Company does not expect any material changes to its financial statements upon adopting this IFRS standard.

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. The Company's current practice is to fully vest stock options upon grant; therefore, it does not expect any material changes to its financial statements upon adopting this IFRS standard.

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 has the choice of applying 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, or alternatively, the Company could keep its existing policy.

Management has recommended that the Company fully adopt IFRS 6, "Exploration and Evaluation of Mineral Properties," and apply the IASB Framework whereby it would expense mineral exploration costs as incurred. Should the audit committee ratify this recommendation, the result would be to retrospectively expense all mineral exploration costs up to December 31, 2010. The effect on the Company's December 31, 2010 financial statements would be to increase the opening deficit by \$2,343,361 to \$32,149,665 and to reduce the opening mineral property costs by \$2,343,361 to \$nil. For the year ended December 31, 2010, mineral exploration expense would increase from \$nil to \$78,557, gain on disposal of mineral properties would increase from \$56,671 to \$198,700, and write-down of mineral properties would decrease from \$678,069 to \$nil. Loss for the year ended December 31, 2010 would decrease from to \$1,266,868 to \$525,327 and the ending deficit would increase from \$31,073,172 to \$32,674,992. The balance of mineral property costs carried on the December 31, 2010 balance sheet will be reduced to \$nil.

Foreign Currency

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates," 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 which is also the presentation currency of the Company's financial statements. The Company has considered the primary, secondary, and other indicators, as described in IAS 21, in determining the functional currency for each entity. Management's current assessment is that the Canadian dollar will remain the functional currency for all entities included in the consolidated entity, and therefore does not expect any material changes to its financial statements upon adopting this IFRS standard.

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, however, as events and circumstances of the Company's operations change, that give rise to future income taxes, IAS 12 will be applied.

General

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 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, marketable securities, accounts receivable, accounts payable and accrued liabilities, and loan payable. Cash and cash equivalents are classified as Assets Held For Trading and carried at fair value measured using a Level 1 fair value measurement. Marketable securities are classified as Assets Available For Sale 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 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 Peru, which it uses to fund its Peruvian projects and operations. As at December 31, 2010, the Company held the equivalent of \$43,409 in U.S. dollars and \$2,000 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 denominated in foreign currencies are settled in a timely manner.

The Company's marketable securities are subject to market risk due to market downturns and declines in market value and therefore the Company is exposed to market risk in respect of these financial instruments. The Company's loan payable carries a fixed rate of interest such that the Company is not exposed to the risk of rising interest rates.

Due to the value and nature of the Company's financial instruments, 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 mineral 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 obtaining 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 be able 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, 2010 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.

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.