

**ANDEAN AMERICAN MINING CORP.**  
**Management's Discussion and Analysis**  
**For the Nine Months Ended December 31, 2007**

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Note: The information contained herein is current to February 28, 2008.

## **INTRODUCTION**

Andean American Mining Corp. ("Andean American" or the "Company") is a Canadian based exploration and development company that concentrates its operations and exploration activities in Peru.

This management's discussion and analysis ("MD&A") of the financial position and results of operations of the Company is for the three and nine-month period ending December 31, 2007 compared with the three and nine-month period ending December 31, 2006. It should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2007 and the related notes thereto prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A should be read in conjunction with other corporate filings available at [www.sedar.com](http://www.sedar.com) or [www.andeanamerican.com](http://www.andeanamerican.com). Except as otherwise disclosed, all dollar figures are quoted in Canadian dollars.

## **DESCRIPTION OF BUSINESS**

Andean American is a Canadian based exploration and development company with properties in Peru. Peru has a proud tradition of mining and infrastructure to support the mining industry. Peru is the largest silver producer in the world and currently stands as the largest gold producer and second largest copper producer in Latin America. Globally, it is the third largest producer of copper and zinc. As a junior mining, exploration and development company operating in Peru, the Company benefits from its total focus on Peru and the unique skills in its essentially 100% Peruvian workforce.

Andean American is focused on precious metals and through its holdings in Sinchao on copper and zinc and has plans for growth through acquisition and organically through further exploration on its current properties.

## **EXPLORATION AND DEVELOPMENT REVIEW**

Operations are focused on the Company's key assets:

- 1) The Invicta gold-silver-copper advanced project for which a revised Technical Report is expected in March 2008;
- 2) The Sinchao zinc-copper-silver-gold-lead mineralization project;
- 3) And to a lesser extent, operations at the micro producer Santa Rosa Mine, where recycled production continues at a rate of 8,000 ounces per year.

## **INVICTA PROJECT: 41,500 HECTARES (102,505)**

### **Exploration and Development**

The Invicta Project is being executed by Andean Explorations (ANDEX) on behalf of Invicta Mining Corp. (IMC). While both companies are 100% wholly owned subsidiaries of Andean American Mining Corp., this organization separates the exploration and development activities from the Operations activities.

The Invicta Mine Manager is on staff along with the Mine Engineer, and Chief Metallurgist. Recently a design Engineering group has been put together under Les Tarnai, P.Eng, General Engineering Manager. These steps were taken to augment the capacity of the Company for the Engineering, procurement and construction phases of the Invicta project.

In addition Roger Robertson, has been brought on as the General Construction Manager overseeing the procurement and construction activities. The design team now totals 12 for the Invicta Project.

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During the quarter ended Dec 31, 2007 the Grinding Bay was purchased consisting of:

- 11.5' x 18' Marcy Rod Mill, complete including 1200 HP synchronous drive motor, low voltage starter
- 10' x 13' Marcy Ball Mill, complete including 600Hp synchronous drive motor, low voltage starter
- 20 tonne, 90' span overhead crane, complete.

These purchases are done now to take the delivery risk out of the project, and to fix project costing for the most expensive and longest delivery items.

During the quarter ended Dec 31, 2007, two agreements were made with Wardrop Engineering for the Invicta Project, one for an updated NI 43-101 Technical Report, and one for a feasibility report.

During the quarter ended Dec 31, 2007 a major new geological occurrence was encountered on the 3400 elevation. A 600 metre long, 3 metre by 3.5 metre Adit is being drifted to provide access to new drill platforms and access for the first years of mining activity should all the requirements for feasibility and finance be met. (see news releases Dec 11, 2007, January 07, 2008 and January 30, 2008).

The 13,000-metre diamond drill program is virtually complete at the time of writing.

Activities over the past 9 months included:

- a) A National Instrument 43-101 Technical Report dated July 24, 2007 reported the following mineral resources at a 1.0 g/t cut off:
  - i. Measured Resources: 1,103,984 tonnes averaging 3.88 g/t Au, 15.77 g/t Ag and 0.26% Cu.
  - ii. Indicated Resources: 3,635,540 tonnes averaging 2.39 g/t Au, 19.14 g/t Ag and 0.51% Cu.
  - iii. Inferred Resources: 6,088,700 tonnes averaging 1.44 g/t Au, 15.70 g/t Ag and 0.53% Cu.The complete report is available at [www.sedar.com](http://www.sedar.com)
- b) News releases about the drill program included:
  - i. 10-13-07: Drill Results from hole AE-DDH-07-27 include 14.4 metres grading 7.76 g/t Gold, 75.91 g/t Silver and 1.74% Copper
  - ii. 11-13-07: Drill Results from holes AE-DDH-07 34 and 35 include 25.11 metres grading 4.45 g/t Gold, 100.66 g/t Silver and 0.64% Copper
  - iii. 11-14-07: Drill Results from holes 36 and 37 include 6.0 metres grading 1.20 g/t Gold, 76.38 g/t Silver and 5.81% Zinc
  - iv. 11-16-07: Additional 5,300 Hectares acquired, total now 22,200; Drill Results from Hole AE-DDH-07-31 include 8.7 metres grading 1.98 g/t Gold, 12.22 g/t Silver and 0.17% Copper
  - v. 11-29-07: Drill Results from Sections 11NW and 8NW include 4m grading 24.80 g/t gold, 199.2 g//t silver and 3.30% copper
- c) The Company has engaged Wardrop Engineering Inc. to prepare an additional NI 43-101 Technical Report which will provide an updated resource estimate to include drill results from the 13,000 metre drill program. Work on the technical report is expected to be completed in March, 2008. A feasibility report has been initiated pending completion of the updated NI 43-101 technical report.

The Company has revised the basic engineering to assess the possibility of processing 5,000 tonnes per day of mineralization. Completed detailed engineering is currently underway in support of the 5000 TPD option. At the end of January 2008 over 11,100 metres of diamond drilling had been completed. The overall drill program was expanded to 13,000 metres from 10,700. A new 10,000 metre drill program is proposed for 2008.

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**Background**

The Company optioned the 3700-hectare cornerstone property from a subsidiary of Barrick Gold Corporation in October 2005. This property had previously been drilled with 12,500 metres (over 40,000 feet) of diamond drilling by the then operator, Pangea Peru S.A. Having exercised its option and acquired additional ground through staking, Andean now holds 41,500 hectares in the Invicta Project. The Company is working towards completion of a feasibility study, debt financing and bringing the project into production.

**Environment**

The proposed Invicta mine is going through an Environmental Impact Assessment as part of the operating permitting process. The approach is zero liquid effluent from the mine, which would exceed the already high environmental standards.

Community agreements are all in place for the Invicta Project.

**SINCHAO: 1,300 HECTARES (3,185 ACRES)**

**Exploration and Development**

Four mineralized systems have been identified on the Sinchao Property: the Skarn Zone, the Breccia Zone, the High Sulphidation Epithermal Zone and the Massive Sulphide Lenses. Drill hole SDH-26, the first hole of the 2007 drill program at the Skarn Zone, intersected 10.25 metres grading 2.34% copper, 0.81 g/t gold and 26.4 g/t silver within a broader zone of 32.0 metres grading 0.78% copper, 0.30 g/t gold and 11.1 g/t silver. These are drill intersections and true widths have not yet been determined. Ongoing hand trenching has identified an additional four structures similar to the structure intersected in hole SDH-26. Eight areas have returned elevated gold-silver-copper-lead-zinc mineralization, over an area of approximately 400 metres by 400 metres. Hand trenching is continuing.

Drill hole SDH-11 is the first hole of the program at the Breccia Zone. This hole intersected significant mineralization. The interval of 77.3 to 271.4 metres assayed 0.43% copper, 0.69 g/t gold and 17.1 g/t silver over 194.1 metres, and the interval of 271.4 to 400.0 metres, the bottom of the hole, assayed 0.15% copper, 0.26 g/t gold and 5.3 g/t silver, for a total intersection of 322.7 metres grading 0.27% copper, 0.36 g/t gold and 9.6 g/t silver. These are drill intersections and true widths have not yet been determined. Chalcopyrite is the main copper sulphide over the entire length of the hole. Diamond drilling is continuing at the Breccia Zone.

Drill hole SDH-12 results included 161 metres grading 0.81% copper, 0.71 g/t gold and 37.1 silver. The relationship between this skarn mineralization and the breccia mineralization encountered in Drill Hole SDH-11, drilled approximately 150 metres to the northwest, is not well understood. Drilling continues on the property to further clarify this relationship.

**Background**

The Sinchao property is located approximately 60 kilometres north of the city of Cajamarca in the district of Hualgayoc in northern Peru. The elevation of the property varies from 3,725 to 4,000 metres above sea level. Access to the property from Cajamarca is limited to a loose surface road, a trip that takes approximately 2 to 3 hours. The infrastructure in Cajamarca supports several other operating and potential mines and is steadily improving.

Initial geological mapping, surface sampling, induced polarization and ground magnetometre surveys were completed in 1996, followed by over 5,100 metres of drilling during 1997 and 1998. Although results were very encouraging, metal prices at the time were at all time lows and exploration was halted. Since 1998, Andean had consolidated its land position and in 2005 acquired 21 hectares contiguous with the existing Sinchao Property to complete its land acquisitions. The Sinchao Property area now totals 1300 hectares. In September 2006, Andean

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American Mining Corp. completed the arms length sale of its then wholly owned subsidiary, Corporacion Minera Sinchao, holder of the Sinchao Property, to Sinchao Metals Corp. Andean holds 58% of Sinchao Metals Corp. fully diluted.

**Environment**

The Company has designed and is implementing a remediation program in respect of naturally occurring acid rock drainage under an agreement with the local communities and has initiated fieldwork. Remediation of pre-existing environmental conditions is an example of one of the benefits coming to the community as a direct result of the application of responsible exploration and mining practices.

The communities have agreed and signed formal agreements to allow the exploration program to proceed. There is an ongoing need to build continuous understanding of all stakeholders' concerns.

**SANTA ROSA: 9,000 HECTARES (22,050 ACRES)**

**Operation Activities**

All production at Santa Rosa is focused on recycling of the 1.6 million tonnes of minerals already on the leach pads.

**Background**

The Santa Rosa mine is located 550 kilometres southeast of Lima, Peru, an eight-hour drive from Cuzco in the department of Apurimac, province of Grau. Santa Rosa is a fully permitted 1,185,000 tonnes per annum heap leach processing facility producing a gold and silver concentrate. Open pit mining methods are used to extract the ore, which is trucked less than three kilometres to the crushing plant. From there the fines are agglomerated and precious metals are recovered as a concentrate using sixteen columns in an ADR circuit and an electrowinning cell.

**Production Related Stripping Costs**

The operations and production for the Santa Rosa mine are all focused on recycling existing mineral on the pads. All development work in this area has been charged to cost of sales since commercial operations began. During the 9 months ended December 31, 2007, all process bottlenecks, including equipment rebuilds were accomplished, without fresh minerals and the support for mining from the Virundo Community, the production rate will not make the 20,000 ounces per annual target. The actual rate of 10,000 ounces may in fact deteriorate.

**Environment**

There were no reportable violations of the environmental standards in the past 18 months. Some minor observations by inspectors during on-site visits have been promptly attended to.

**Metal Production**

The production target of 20,000 ounces of gold equivalents for fiscal 2007 was not met due to the metallurgical problems. Production targets have been rolled back to reflect the current production levels, not the planned production levels. The mine is currently operating at the 8-10,000 ounces per annum rate. Staffing levels and skills have been adjusted accordingly.

**MAMARA - NEW MAJOR TARGET (3,400 HECTARES)**

No new work accomplished in this period.

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**SANTA ROSA**  
**MINE PRODUCTION DATA**  
**QUARTERLY GOLD AND SILVER MINE PRODUCTION**  
(Since inception to December 31, 2007)

<b>Quarter ending</b>	<b>Au ounces</b>	<b>Ag Eq. ozs<sup>1</sup></b>	<b>Total Au</b>
December 31, 2007	1,933	445	2,378
September 30, 2007	1,891	378	2,269
June 30, 2007	1,599	275	1,874
<b>Fiscal 2008</b>	<b>5,423</b>	<b>1,098</b>	<b>6,521</b>
March 31, 2007	1,673	259	1,932
December 31, 2006	1,890	331	2,221
September 30, 2006	1,883	277	2,160
June 30, 2006	1,772	312	2,084
<b>Fiscal 2007</b>	<b>7,218</b>	<b>1,179</b>	<b>8,397</b>
March 31, 2006	2,528	197	2,725
December 31, 2005	2,923	233	3,156
September 30, 2005	4,245	471	4,716
June 30, 2005	5,852	522	6,374
<b>Fiscal 2006</b>	<b>15,548</b>	<b>1,423</b>	<b>16,971</b>
March 31, 2005	4,604	406	5,010
December 31, 2004	4,730	270	5,000
September 30, 2004	3,665	173	3,838
June 30, 2004	3,052	199	3,251
<b>Fiscal 2005</b>	<b>16,051</b>	<b>1,048</b>	<b>17,099</b>
March 31, 2004	2,627	136	2,763
December 31, 2003	2,275	83	2,358
September 30, 2003	1,440	58	1,498
June 30, 2003	1,385	65	1,450
<b>Fiscal 2004</b>	<b>7,727</b>	<b>342</b>	<b>8,069</b>
March 31, 2003	1,340	47	1,387
December 31, 2002	2,194	13	2,207
September 30, 2002	2,554	15	2,569
June 30, 2002	1,682	8	1,690
<b>Fiscal 2003</b>	<b>7,770</b>	<b>83</b>	<b>7,853</b>
March 31, 2002	536	4	540
<b>*Start up Production</b>	<b>1,806</b>	<b>-</b>	<b>1,806</b>
<b>Totals to Date</b>	<b>62,079</b>	<b>5,177</b>	<b>67,256</b>

<sup>1</sup> Quarterly gold equivalents from silver sales are the actual proceeds of silver sales divided by the actual gold price per ounce.

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## **OUTLOOK**

Gold and silver prices are showing continued strength and at the date of this report are forecast by the major institutions to continue strengthening of the Canadian dollar against the US dollars. The Company's revenues will be negatively affected by any further strengthening of the Canadian dollar against the US dollar. Metal prices and currencies are subject to fluctuation due to changes in global economic conditions. The Company is experiencing rising production costs due to increasing prices for fuel, chemicals and maintenance supplies. These rising prices, driven by the global economic boom, are expected to continue throughout calendar 2008.

## **CAPITAL EXPENDITURES**

Capital expenditures for the advancement of the Invicta project to a production decision are estimated to be \$3 millions. The Company is reviewing potential sources of debt financing for the Invicta project. Exploration expenditures for Sinchao are estimated to be US\$3 – US\$4 million and will be funded from the cash resources of Sinchao Metals Corp. and the proceeds from the exercise of its warrants. Expenditures for the Santa Rosa Mine and the development of surrounding properties were \$750,000 in this fiscal period. Only \$120,000 is expected for fiscal 2008.

## **FINANCIAL REVIEW**

### *Three Months Ended December 31, 2007 compared to the Three Months Ended December 31, 2006*

For the three months ended December 31, 2007, the Company recorded a net loss of \$1,054,183 (2006 – net loss of \$1,147,529) and loss per share of \$0.016 (2006 - \$0.022 net loss per share). Stock based compensation expense and dilution loss on sale of shares by its subsidiary increased over the same period in the prior year. This increase was offset by decreases in direct operating costs and amortization and depletion. For the three months ended December 31, 2007, the production of gold equivalents was 2,378 ounces (2006 - 2,221 ounces)

### *Nine Months Ended December 31, 2007 compared to the Nine Months Ended December 31, 2006*

For the nine months ended December, 2007, the Company recorded a net loss of \$2,998,136 (2006 - net loss of \$8,527,438) and a net loss per share of \$0.049 (2006 – net loss per share of \$0.165). During the same period in 2006, the Company incurred a loss of \$6,086,167 on the sale of shares of Corporacion Minera Sinchao. The net loss in this period was also impacted by a decrease in operating expenses, increases in amortization and depletion and stock-based compensation and the recognition of a dilution loss on sale of shares by its subsidiary. There was also an increase in foreign exchange gains, which resulted from fluctuations in the foreign exchange rates. For the nine months ended December 31, 2007, the production of gold equivalents was 6,521 ounces (2006 – 6,465 ounces). The average metal prices and exchange rates for the US dollar compared to Canadian dollars are shown in Table 2.

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**Table 1 - Quarterly Financial Data**

	<b>December 31</b>	<b>September 31</b>	<b>June 30</b>	<b>March 31</b>
	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
	\$	\$	\$	\$
<b>Earnings and Cash Flow</b>				
Net income (loss)	(1,054,183)	(1,446,908)	(497,045)	(11,019,844)
Cash flow from operations	(404,349)	(332,846)	(1,375,579)	110,430
Earnings (loss) per share	(0.016)	(0.023)	(0.008)	(0.362)
Diluted earnings per share	(0.016)	(0.023)	(0.008)	(0.362)
Capital expenditures	(4,483,739)	2,033,250	697,924	746,515
<b>Balance Sheet</b>				
Total assets	52,668,348	43,363,206	44,381,591	38,738,697
Long term debt	101,217	101,217	101,217	101,217
	<b>December 31</b>	<b>September 31</b>	<b>June 30</b>	<b>March 31</b>
	<b>2006</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>
	\$	\$	\$	\$
<b>Earnings and Cash Flow</b>				
Net income (loss)	(1,147,529)	(7,495,800)	115,891	343,016
Cash flow from operations	(508,286)	(943,273)	60,251	(142,063)
Earnings (loss) per share	(0.022)	0.002	0.002	(0.014)
Diluted earnings per share	(0.022)	0.002	0.002	(0.014)
Capital expenditures	913,446	-	1,440,862	808,890
<b>Balance Sheet</b>				
Total assets	43,227,931	48,312,051	51,113,145	48,966,970
Long term debt	125,541	163,288	-	-

At December 31, 2007, the Company had an available cash balance of \$10,093,912.

**REVENUES**

Revenues are determined by sales volumes, metal prices and currency exchange rates. Comparative quarterly data for sales volumes and revenues are presented in Table 3.

*Three Months Ended December 31, 2007 compared to the Three Months Ended December 31, 2006*

Revenues for the three month period ending December 31, 2007 were \$1,836,319 compared with \$1,523,064 in the comparative period in 2006. The revenue increase in the present quarter was impacted by an increase in the volume of sales that offset the strengthening of the Canadian dollar.

*Nine Months Ended December 31, 2007 compared to the Nine Months Ended December 31, 2006*

Revenues for the nine month period ending December 31, 2007 were \$4,474,260 compared with \$4,225,586 in the comparative period in 2006. The slight revenue increase in the present period was impacted by an increase in the volume of sales that offset the strengthening Canadian dollar.

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**Table 2 - Metal Prices and Exchange Rates**

	2008 Q1	2008 Q2	2008 Q3	2007 Q1	2007 Q2	2007 Q3
Gold (Average London PM fix-US\$/ounce)	660.08	680.13	786.26	626.37	614.00	610.00
Silver (Average NY spot-US\$/ounce)	12.62	12.70	13.99	11.85	11.06	12.14
Canadian/US\$ exchange rate	1.10	1.07	1.04	1.14	1.12	1.14
Gold (Canadian \$/ounce)	725.53	728.62	818.89	713.61	688.00	693.00
Silver (Canadian \$/ounce)	13.93	13.60	14.57	13.49	12.39	13.80
Peruvian Sol/US\$ exchange rate	3.15	3.16	3.11	3.26	3.24	3.33

**Table 3 – Sales Volumes and Revenues by Quarter**

	2008 Q1	2008 Q2	2008 Q3
<b>Sales Prices</b>			
Gold (Canadian \$/ounce)	725.53	727.64	817.54
Silver (Canadian \$/ounce)	13.93	13.02	14.07
<b>Sales Volumes</b>			
Gold (ounces)	1,529	1,803	2,010
Adjustment in respect of Q1	-	(228)	-
Silver (ounces)	12,620	17,258	18,920
Adjustment in respect of Q1	-	1,014	-
Gold (equivalent ounces)	242	309	326
Adjustment in respect of Q1	-	18	-
<b>Revenues \$</b>	1,128,552	1,509,389	1,836,319

**Table 3 – Sales Volumes and Revenues by Quarter**

	2007 Q1	2007 Q2	2007 Q3	2007 Q4
<b>Sales Prices</b>				
Gold (Canadian \$/ounce)	700.11	687.89	696.31	764.55
Silver (Canadian \$/ounce)	13.07	12.41	13.83	14.82
<b>Sales Volumes</b>				
Gold (ounces)	1,467	1,864	1,870	1,964
Silver (ounces)	15,462	15,121	16,021	13,219
Gold (equivalent ounces)	288	273	314	255
<b>Revenues \$</b>	1,229,480	1,469,786	1,523,550	1,678,849

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**COSTS AND EXPENSES**

**Direct Operating Costs**

*Three Months Ended December 31, 2007 compared to the Three Months Ended December 31, 2006*

Direct operating costs for the quarter ended December 31, 2007 were \$1,442,659 compared with \$1,956,884 in the same quarter in 2006. The decreased costs were primarily due to improvements in the recycling process and the temporary halt to treatment of fresh material.

*Nine Months Ended December 31, 2007 compared to the Nine Months Ended December 31, 2006*

Direct operating costs for the nine months ended December 31, 2007 were \$4,265,432 compared with \$4,669,559 in the same period in 2006. The decreased costs were primarily due to improvements in the recycling process and the temporary halt to treatment of fresh material.

**Administration Expenses**

Details of administrative costs for the periods ended December 31, 2007 and December 31, 2006 are as follows:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>December 31</b>	December 31	<b>December 31</b>	December 31
	<b>2007</b>	2006	<b>2007</b>	2006
	\$	\$	\$	\$
Administrative & management services	(50,313)	6,604	136,154	282,007
Bank charges	4,808	6,651	14,313	9,453
Depreciation	8,600	3,532	8,600	10,611
Investor relations	225,637	147,632	581,121	263,223
Office salaries and sundry	137,640	39,730	379,717	176,649
Office rent, parking, storage	11,144	8,568	31,590	25,013
Professional fees	101,368	9,164	229,835	89,182
Regulatory and transfer agent fees	67,359	2,700	87,833	17,521
Shareholder communications	698	9,451	698	23,169
Telecommunications	3,828	3,303	11,421	8,546
Travel and accommodation	14,838	10,775	54,947	50,114
	<u>525,607</u>	<u>248,110</u>	<u>1,536,229</u>	<u>955,488</u>

Andean American's role as operator of the Sinchao project includes a services agreement for certain services supplied to Sinchao Metals. The agreement provides for the reimbursement of direct costs plus 100% for indirect costs. Administration expenses in the quarter ended December 31, 2007 compared with the quarter ended December 31, 2006 have increased due to increases in investor relations activities, higher salary expenses arising from a staff resignation and increased professional fees. The increase in expenses for the nine month period compared to the comparative period in 2006 was a result of increased efforts in investor relations, increases in administrative and management services and professional fees incurred.

**Income and Resource Taxes**

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The Company is subject to income taxes in Canada with the statutory income tax rate at 34.7% (2006: 34.7%). The Company's operating subsidiary, El Misti Gold, is subject to relevant income tax laws applicable in Peru with the statutory income tax rate at 30% (2006: 30%). No income tax has been payable in Peru in 2007 and 2006.

However, Peruvian tax laws require that advanced income tax amounting to 2% of sales be paid each month which is recoverable when income tax becomes payable.

A valuation allowance has been recorded to reduce to nil the net benefit recorded in the financial statements related to future income tax assets. The valuation allowance is deemed necessary as a result of the uncertainty associated with the ultimate realization of these tax assets.

El Misti Gold, the Company's Peruvian subsidiary, has approximately \$1,279,687 in tax losses carried forward. These tax losses expire at December 31, 2010, if they are not utilized before that date.

The Company has accumulated losses for Canadian tax purposes of approximately \$1,685,113, which expire in various years to 2015.

As a result of the transfer of Corporacion Minera Sinchao to Sinchao Metals Corp., Sinchao Metals incurred a future income tax liability of \$4,970,205 representing the difference between the accounting and tax basis of costs incurred to date on the project.

The Company is subject to assessment by Canadian and Peruvian authorities, which may interpret tax legislation in a manner different from the Company. These differences may affect the final amount or the timing of the payment of taxes. When such differences arise the Company makes provision for such items based on management's best estimate of the final outcome of these matters.

## **FINANCIAL POSITION AND LIQUIDITY**

### **Operating Cash Flow**

*Three Months Ended December 31, 2007 compared to the Three Months Ended December 31, 2006*

Cash flow used by operations in the quarter ended December 31, 2007 before changes to non-cash working capital was \$153,743 compared with \$603,106 in the comparative quarter for 2006. The improvement was primarily due to higher revenues and lower operating costs.

*Nine Months Ended December 31, 2007 compared to the Nine Months Ended December 31, 2006*

Cash flow used by operations in the nine month period ended December 31, 2007 before changes to non-cash working capital was \$1,421,276 compared with \$1,517,520 in the comparative period for 2006. The increase was primarily due to higher revenues and lower operating costs.

### **Investing Activities**

*Three Months Ended December 31, 2007 compared to the Three Months Ended December 31, 2006*

Capital expenditures in the quarter amounted to \$4,483,739 mainly for exploration in the Invicta and Sinchao projects and equipment and property acquisitions and a \$2,000,000 equity investment in its subsidiary, Sinchao Metals. In the same quarter for 2006 capital expenditures were \$913,446 mainly for exploration and plant modifications.

*Nine Months Ended December 31, 2007 compared to the Nine Months Ended December 31, 2006*

Capital expenditures in the nine month period ended December 31, 2007 amounted to \$7,214,913 mainly for exploration in the Invicta and Sinchao projects, equipment and property acquisitions and a \$2,000,000 equity

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investment in its subsidiary. In the same period for 2006 capital expenditures were \$2,315,731 mainly for exploration and plant refinement costs.

**Financing Activities**

*Three Months Ended December 31, 2007 compared to the Three Months Ended December 31, 2006*

During the quarter ended December 31, 2007, the Company issued 9,187,000 common shares for net proceeds of \$5,997,550. Sinchao Metals Corp. (SMC) also issued 15,529,394 shares for net proceeds of \$6,234,436 (including 5,000,000 shares issued to Andean American Mining Corp. for \$2,000,000). The scheduled payments for the purchase of the Paraccay property of Santa Rosa were \$87,258.

On December 28, 2007 the Company announced the completion of a private placement of 9,107,000 Units at a price of \$0.65 per unit consisting of one common share of the Company and one half of one common share purchase warrant. Each whole warrant is exercisable at \$0.85 and expires on December 17, 2009 and December 21, 2009. Total gross proceeds from the private placement of \$5,919,550 had been allocated \$4,869,070 to common shares and \$1,050,480 to contributed surplus based on the fair value of the warrants.

*Nine Months Ended December 31, 2007 compared to the Nine Months Ended December 31, 2006*

During the nine months ended December 31, 2007, the Company issued 21,191,528 common shares for net proceeds of \$12,692,420. Sinchao Metals Corp. (SMC) also issued 20,934,394 shares for net proceeds of \$6,946,936. The scheduled payments for the purchase of the Paraccay property of Santa Rosa were \$256,804.

**Cash Resources and Liquidity**

At December 31, 2007, the Company had net cash available of \$10,093,912 (2006 - \$963,229) and long-term debt of \$101,217 (2006 - 125,541).

<b>Table 4 - Quarterly Earnings and Cash Flow</b>	<b>2008 Q3</b>	<b>2008 Q2</b>	<b>2008 Q1</b>	<b>2007 Q4</b>
	\$	\$	\$	\$
Revenues	1,836,319	1,509,389	1,128,552	1,678,849
Operating profit	(326,666)	(960,517)	(943,882)	29,782
Net earnings (loss)	(1,054,183)	(1,446,908)	(497,045)	(11,019,846)
Earnings (loss) per share	(0.016)	(0.023)	(0.008)	(0.210)
Cash flow from continuing operations	(404,349)	(332,846)	(1,375,579)	430,394

<b>Table 4 - Quarterly Earnings and Cash Flow</b>	<b>2007 Q3</b>	<b>2007 Q2</b>	<b>2007 Q1</b>	<b>2006 Q4</b>
	\$	\$	\$	\$
Revenues	1,523,550	1,469,786	1,233,620	1,911,992
Operating profit	(927,686)	(696,444)	129,700	936,495
Net earnings	(1,147,529)	(7,495,800)	115,893	343,016
Earnings (loss) per share	(0.022)	(0.150)	0.002	0.010
Cash flow from continuing operations	(508,286)	(943,273)	166,434	(485,274)

**CONTINGENCY**

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A previous participant in the Invicta (previously Victoria) Project has advised the Company that they retain a minority interest in the project. No legal claim has been initiated and the Company disputes that this previous participant holds any interest in the project. There are no legal rights for this participant in government registries in Peru. This participant failed to register its interests in Peru and thus is considered to have abandoned any interest in the Invicta project. The Company believes the claim is without merit.

## **OTHER INFORMATION**

### **Off - Balance Sheet arrangements**

The Company has no off-balance sheet arrangements.

### **Changes in Accounting Policies**

The Company has no changes in accounting policies.

### **Outstanding Share Data**

As at February 28, 2008, there were 73,620,017 issued common shares 5,282,700 stock options outstanding and exercisable at prices ranging from \$0.62 to \$1.25 per share and 11,816,450 warrants outstanding which expire on - May 29, 2009 and December 22, 2009 with exercise prices ranging from \$0.85 to \$0.90 per share.

## **RISK AND UNCERTAINTIES**

### **Exploration and Development**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for this stage of exploration and development of such properties, these procedures including confirmation by the government's Mine Registry Offices and National Cadastral Plans do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects. The costs and results of the exploration and development programs affect the Company's profitability and value. Exploration for minerals involves many risks and may not result in any new economically viable mining operations or yield new reserves. Acquiring title to mineral properties is a detailed and time-consuming process. The Company takes steps to verify and secure legal title to mineral properties in which the Company has or is seeking an interest. Although the Company takes every precaution to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured on every property. The legal title to our properties depends on the appropriate and consistent application of the laws in the countries in which we operate.

### **Capital and Operations**

The recoverability of the amounts capitalized in respect of non-producing mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the properties, and upon future profitable production or proceeds from the disposition of the properties. The business of mining involves many operational risks and hazards.

Through high operational standards, an emphasis on hiring and training appropriately skilled personnel and operational improvements, the Company works to reduce the risks associated with our projects. The Company maintains adequate insurance to cover normal business risk. The Company also relies on a number of key employees. The Company's success depends on attracting and retaining qualified personnel in a competitive labour environment. Further exploration and development of mineral resource properties or acquisitions beyond our current operations may require additional capital. Accordingly, the continuing development of projects will

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depend on the Company's ability to obtain financing through joint venture projects, debt financing and equity financing or other means. There is no assurance that the Company will be successful in obtaining the required financing.

### **Environment**

The Company is in compliance of the material regulations applicable to its exploration activities. Existing and possible future environmental regulations might cause additional expenses, capital expenditures and delays in the operations of the company, the extent of which cannot be predicted. The Company's activities are subject to extensive federal, provincial, state and local laws and regulations governing environmental protection and employee health and safety. The Company must obtain governmental permits and provide associated financial assurance to carry on certain activities. The Company is also subject to various reclamation-related conditions imposed under federal, state or provincial air, water quality and mine reclamation rules and permits. While the Company has budgeted for future capital and operating expenditures to maintain compliance with environmental laws and permits, any future changes to these laws could adversely affect the Company's financial condition, liquidity or results of operations.

### **Laws and Regulations**

The Company's exploration activities are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. These laws and regulations are subject to change, which may restrict our ability to operate. The Company draws on the expertise and commitment of its management team, advisors, employees and contractors to ensure compliance with current laws, and fosters open communication and co-operation with regulatory bodies.

### **Legal Proceedings**

The nature of the business may subject the Company to regulatory investigation, claims, lawsuits and other proceedings in the ordinary course of business. The Company cannot predict the outcome of any legal proceedings with certainty.

### **Currency Fluctuations**

The Company operates in Canada and Peru and the Company is therefore affected by currency fluctuations in these jurisdictions.

### **Political Risk**

The Company conducts operations outside of North America, namely in Peru. These operations are potentially subject to a number of political, economic and other risks that may affect its future operations and financial position. On January 27<sup>th</sup>, a free trade agreement was signed between Peru and Canada.

### **CAUTION ON FORWARD-LOOKING STATEMENTS**

The Management's Discussion and Analysis contains forward-looking statements concerning anticipated developments for the Company in future periods. Forward-looking statements often, but not always, contain words such as "believes", "intends", "anticipates", "estimates", "intends", "potential" and similar words or statements that certain conditions or results "may", "should" or "could" happen or occur. These forward-looking statements are found primarily under the heading "Outlook". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements

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of the Company, or other future events, including forecast production, earnings and cash flows, to be materially different from any future results, performances or achievements or other events expressly or implicitly predicted by such forward-looking statements. Andean American's forward-looking statements are based on the expectations and opinions of management on the date that the statements are made and the Company does not assume any obligation to update forward-looking statements if circumstances change. For the above reasons, investors should not place undue reliance on forward-looking statements.

**QUALIFIED PERSON**

The technical disclosure in this Management's Discussion and Analysis has been reviewed and approved by Mr. Andrew Gourlay, P. Geol., President of Andean American Mining Corp., and a Qualified Person as defined by National Instrument 43-101.