

ANDEAN AMERICAN MINING CORP.
Management's Discussion and Analysis
For The Three Months Ended June 30, 2007

Note: The information contained herein is current to August 27, 2007.

INTRODUCTION

Andean American Mining Corp. ("Andean" 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 month period ending June 30, 2007 compared with the three month period ending June 30, 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 or www.andeanamerican.com. Except as otherwise disclosed, all dollar figures are quoted in Canadian dollars.

DESCRIPTION OF BUSINESS

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

Andean is focused on precious metals, copper and zinc and has plans for growth through acquisition and further exploration on its' current properties.

OPERATIONS REVIEW

Operations are focused on the Company's key assets:

- 1) The Invicta gold-silver-copper advanced exploration stage project;
- 2) Interest in Sinchao Metals Corp., owner of the Sinchao zinc-copper-silver-gold-lead mineralization project; and
- 3) To a lesser extent the 9,000 hectare Santa Rosa property, which is a small producing open-pit mine.

INVICTA PROJECT: 16,900 HECTARES (41,400 ACRES)

Exploration and Development

The 10,700-metre diamond drill program is in progress in the Atenea zone and the immediately adjacent Ydalia zone. An 80 line kilometre geophysical program is also underway.

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Discoveries over the past 15 months included:

- a) The Ydalia structure, a disseminated porphyry style of mineralization.
- b) A volcanic dome, covered in ash, about 3 kilometres in diameter, which spread ash 6.5 kilometres to the south.
- c) The same rock types diagonally opposite the Atenea structure, passing through the volcanic dome and extending some 6.5 kilometres to the south and west of the property. All the intervening area is covered in 6 to 8 metres of volcanic ash.

Drilling continues in order to further define the resources. The Company has finalized the basic engineering and initial metallurgical testing. Some detailed engineering is currently underway. More metallurgical tests are planned for the fall.

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 16,900 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 governmental standards.

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

Exploration and Development

The Sinchao Project has been geologically mapped in detail and state of the art 3D Induced Polarization and expanded ground magnetic surveys have been completed. The geophysical surveys have successfully identified new targets with signatures that are comparable to known mineralization. During 2007 mapping and sampling identified high grade zinc skarn mineralization over a length of approximately 1,500 metres, where 64 grab samples returned average values of 14.27% zinc, 2.4% lead, 1.87 g/t gold, 85.0 g/t silver and 1.40% copper. Drill Hole SDH-26, the first hole of the 2007 program at the Skarn Zone, returned a drill intersection (true width unknown) of 10.25 metres grading 2.34% copper, 0.81 g/t gold and 26.4 g/t silver within a broader zone of 32 metres grading 0.78% copper, 0.30 g/t gold and 11.1 g/t silver. Drilling is continuing in an area where ongoing hand trenching has identified four additional structures similar to the structure intersected in Hole SDH-29.

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The exploration program is designed to expand the size of the potential bulk tonnage, open pittable mineralization. Of the four distinct styles of mineralization at the Sinchao Property, two have the potential for bulk tonnage deposits. The extent of these targets is unknown. The Phase 1 drilling will focus on the Breccia and Skarn Zones, which will be systematically explored with an initial 5,000 metre diamond drill program. This program will test the limits and continuity of the Breccia Zone and will test the high grade zinc in the Skarn Zone. Additional targets defined by the geophysical surveys will be tested and an estimate of inferred resources is expected to be completed in late 2007.

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 magnetometer surveys were completed in 1996, followed by over 8,000 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 June 2006, Andean American Mining Corp. completed the transfer of its wholly owned subsidiary, Corporacion Minera Sinchao, holder of the Sinchao Property, to Sinchao Metals Corp. Andean holds 67% of Sinchao Metals Corp.

Environment

The Company has designed and implemented a remediation program in respect of prior and current exploration activities 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 remediation of the acid rock drainage continues at Sinchao. The Ph of 2 in local creeks and rivers is now substantially changed into the 6.5 to 7.0 Ph range. A small treatment plant (less than 6 liters/second) is being planned for the Tingo area. These activities have gone a long way to demonstrating to the communities how mining, done properly to best industry practices, can successfully co-exist with their agricultural activities.

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.

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

Project Activities

During fiscal 2007 operations at the Santa Rosa Mine were negatively affected by micro porosity and sulfur related problems. Stripping ratios have also deteriorated in the current benches and the processing of fresh ore has been halted until better ratios of ore to waste can be processed, thus the emphasis on recycled material. Future production [GC1] at Santa Rosa will draw heavily on the minerals already on the pads, as well as the open pit zone, Structures 1 through 7 and the Southern Structures.

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 in the open pit zone and Structures 1 thru 6. All development work in this area has been charged to cost of sales since commercial operations began.

Environment

Operations at the Santa Rosa mine continue within a tightly defined leaching operation for the oxide ore from the North East structures zones 1 through 7 and the Southern Structures. All leaching activities take place on geo-mechanical membranes, which protect the soil from any intrusions. Proper secondary "major events" ponds are strategically placed in the event of torrential rains or other potential natural disasters. The site also holds more than the prescribed amount of hydrogen peroxide to neutralize any leachate, which may reach the dippers of the ponds in the event of a natural disaster. There were no reportable violations of the environmental standards in the past 15 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 and limited financial resources. Production targets have been rolled back to reflect the current production levels, not the planned production levels.

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 June 30, 2007)

Quarter ending	Au ounces	Ag Eq. ozs¹	Total Au Eq. ozs
June 30, 2007	1,534	315	1,849
Fiscal 2008	1,534	315	1,849
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
Fiscal 2007	7,218	1,179	8,397
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
Fiscal 2006	15,548	1,423	16,971
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
Fiscal 2005	16,051	1,048	17,099
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
Fiscal 2004	7,727	342	8,069
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
Fiscal 2003	7,770	83	7,853
March 31, 2002	536	4	540
*Start up Production	1,806	-	1,806
Totals to Date	58,190	4,394	62,584

¹ 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 greater than US\$650 and US\$12.50 per ounce, respectively. 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 2007.

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 Sinchao Metals' cash resources and the proceeds from the exercise of its warrants. The Santa Rosa Mine and the development of surrounding properties is estimated to be \$750,000.

FINANCIAL REVIEW

For the three months ended June 30, 2007, the Company recorded a net loss of \$497,045 (2006 – net income of \$115,891) and a net loss per share of \$0.008 (2006 – net income of \$0.002 per share). The increased net loss in this period was due to an increase in operating expenses and general and administrative expenses and a decrease in revenue from the sale of metals. Factors involved include low volumes of material treated and higher unit costs from the processing of recycled material. These were offset by an increase in foreign exchange gains, which resulted from fluctuations in the foreign exchange rates. For the three months ended June 30, 2007, the production of gold equivalents was 1,849 ounces (2006 – 2,084 ounces). The average metal prices and exchange rates for the US dollar compared to Canadian dollars are shown in Table 2.

Cash flow provided from (used by) operations in the quarter ended June 30, 2007 before changes to non-cash working capital item was (\$1,375,579) compared with \$60,251 in the comparative quarter for 2006. The decrease was primarily due to the increase in the cost of sales mainly as a result of poor recoveries and lower volumes of recycled material and the reduction of non cash working relating to an increase in inventories and reduction of accounts payables.

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Table 1 - Quarterly Financial Data

	June 30, 2007	June 30, 2006
	\$	\$
Earnings and Cash Flow		
Net income (loss)	(497,045)	115,891
Cash flow from operations	(1,375,579)	60,251
Earnings (loss) per share	(0.008)	0.002
Diluted earnings per share	(0.008)	0.002
Capital expenditures	697,924	1,440,862
Balance Sheet		
Total assets	44,381,591	51,113,145
Long term debt	101,217	-

At June 30, 2007, the Company had an available cash balance of \$ 5,245,904.

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REVENUES

Revenues are determined by sales volumes, metal prices and currency exchange rates. Comparative quarterly data for sales volumes and revenues at June 30, 2007 and 2006 are presented in Table 3.

Revenues for the three month period ending June 30, 2007 were \$1,128,552 in 2007 compared with \$ 1,233,620 in the comparative period in 2006. The revenue decrease in the present quarter was impacted by the strong Canadian dollar that offset the increase in the volume of sales.

Table 2 - Metal Prices and Exchange Rates

	2008 Q1	2007 Q1	2006 Q1
Gold (Average London PM fix-US\$/ounce)	660.08	626.37	468.50
Silver (Average NY spot-US\$/ounce)	12.62	11.85	7.24
Canadian/US\$ exchange rate	1.10	1.14	1.20
Gold (Canadian \$/ounce)	725.53	713.61	562.00
Silver (Canadian \$/ounce)	13.93	13.49	8.69
Peruvian Sol/US\$ exchange rate	3.15	3.26	3.37

Table 3 – Sales Volumes and Revenues by Quarter

	2008 Q1	2007 Q4	2007 Q3	2007 Q2
Sales Prices				
Gold (Canadian \$/ounce)	725.53	764.55	696.31	687.89
Silver (Canadian \$/ounce)	13.93	14.82	13.83	12.41
Sales Volumes				
Gold (ounces)	1,529	1,964	1,870	1,864
Silver (ounces)	12,620	13,219	16,021	15,121
Gold (equivalent ounces)	241	255	314	273
Revenues \$	1,128,552	1,678,849	1,523,550	1,469,786

Table 3 – Sales Volumes and Revenues by Quarter

	2007 Q1	2006 Q4	2006 Q3	2006 Q2
Sales Prices				
Gold (Canadian \$/ounce)	700.11	634.85	563.4	527.35
Silver (Canadian \$/ounce)	13.07	10.38	8.76	8.08
Sales Volumes				
Gold (ounces)	1,467	2,832	2,619	4,468
Silver (ounces)	15,462	12,053	14,847	21,837
Gold (equivalent ounces)	288	197	233	336
Revenues \$	1,233,620	1,911,992	1,555,666	2,540,153

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COSTS AND EXPENSES

Direct Operating Costs

Direct operating costs for the quarter ended June 30 2007 were \$1,180,438 compared with \$904,888 in the same quarter in 2006. The increased costs in June 30, 2007 were primarily due to higher waste to ore ratios and poor recoveries from recycled mineral.

Administration Expenses

Details of administrative costs for the quarters ended June 30, 2007 and June 20, 2006 are as follows:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Administrative & management services	\$ 136,274	\$ 28,600
Bank charges	4,634	-
Depreciation	-	2,457
Investor relations	121,476	17,398
Office salaries and sundry	57,582	21,112
Office rent, parking, storage	8,668	2,084
Professional fees	50,066	4,046
Regulatory and transfer agent fees	5,868	1,026
Shareholder communications	-	2,860
Telecommunications	2,764	-
Travel and accommodation	15,594	4,985
	<u>\$ 402,926</u>	<u>\$ 84,568</u>

Andean American Corp.'s role as operator of the Sinchao project includes a services agreement for certain services contracted from El Misti Gold. The agreement provides for the reimbursement of direct costs plus 100% for indirect costs. The administrative expenses in the quarter ended June 30, 2007 compared with the quarter ended June 30, 2006 have increased due to the structural changes in the operations of the Company. The increase in expenses 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

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.

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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 \$11,301,110, which expire in various years to 2028.

As a result of the transfer of Corporacion Minera Sinchao to Sinchao Metals Corp., Sinchao Metals incurred a future income tax liability of \$5,146,772 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

Cash flow from operations in the quarter before changes in non-cash working capital items in the quarter was a deficit of \$1,375,579 compared with a positive cash flow of \$60,251 in 2006. The reductions in cash flow from operations in 2007 and 2006 were due to an increase in the cost of sales primarily due to low volumes processed for recycled material.

Investing Activities

Capital expenditures in the quarter amounted to \$697,924 mainly for exploration in the Invicta Project and equipment and property acquisitions. In the same quarter for 2006 capital expenditures were \$1,440,862 mainly for exploration and plant refinement costs.

Financing Activities

During the quarter ended June 30, 2007, the Company issued 11,367,538 common shares for net proceeds of \$6,331,436. Sinchao Metals Corp (SMC) also issued 4,697,500 shares for net proceeds of \$705,000. The scheduled payment for the purchase of the Paraccay property of Santa Rosa was \$27,731.

During the quarter ended June 30, 2006, the Company issued common shares for proceeds of \$25,000 and the proceeds received for the sale of shares of Corporacion Minera Sinchao was \$2,500,000. The scheduled payments for the purchase of Paraccay totalled \$78,100 and the payment of lease agreement was \$27,386 with fund of the company and \$133,492 using the restricted cash.

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Cash Resources and Liquidity

At June 30, 2007, the Company had net cash available of \$5,245,904 (2006 - \$1,975,395) and long-term debt of \$101,217 (2006 - nil).

Andean American entered into a share exchange agreement with Sinchao Metals Corp. (SMC) which resulted in the title to the Sinchao project and Compañía Minera Sinchao being transferred to SMC in exchange for 36 million shares of SMC (approximately 76.11% of issued and outstanding capital) and 3 million share purchase warrants). This brought to treasury additional funding for the Sinchao project and repayment for all project costs and expenses from January 1, 2006.

Table 4 - Quarterly Earnings and Cash Flow	2008 Q1	2007 Q4	2007 Q3	2007 Q2
	\$	\$	\$	\$
Revenues	1,128,552	1,678,849	1,523,550	1,469,786
Operating profit	(943,882)	29,782	(927,686)	(696,444)
Net earnings	(497,045)	(11,019,846)	(1,147,529)	(7,495,800)
Earnings (loss) per share	(0.008)	(0.210)	(0.022)	(0.150)
Cash flow from continuing operations	(1,375,579)	430,394	(508,286)	(943,273)

Table 4 - Quarterly Earnings and Cash Flow	2007 Q1	2006 Q4	2006 Q3	2006 Q2
	\$	\$	\$	\$
Revenues	1,233,620	1,911,992	1,555,666	2,540,153
Operating profit	129,700	936,495	149,413	487,520
Net earnings	115,893	343,016	(313,502)	(44,452)
Earnings (loss) per share	0.002	0.010	(0.006)	(0.020)
Cash flow from continuing operations	166,434	(485,274)	(1,150,678)	2,352,452

The net loss for the three month period ended June 30, 2007 was \$497,045 or \$0.008 per share versus net earnings of \$115,891 or \$0.002 per share in the comparative period of 2006. For the three months ended June 30, 2007 revenues were \$1,128,552 compared with \$1,233,620 in the comparable period of 2006. The decrease in revenue is due to fluctuations in the foreign exchange rate. In terms of gold equivalent ounces, sales volumes were 1,771 ounces during the quarter compared with 1,755 ounces in the comparable quarter in 2006.

CONTINGENCY

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.

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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 August 24, 2007, there were 63,786,027 issued common shares, 4,052,065 stock options outstanding and exercisable at prices ranging from \$0.65 to \$1.25 per share and 6,637,896 warrants outstanding which expire on November 28, 2007 and May 29, 2009 with exercise prices ranging from \$0.85 to \$1.00 per share.

Cease Trade Order

On August 2, 2007 the British Columbia Securities Commission (BCSC) issued a Cease Trade Order for Andean American Shares citing a failure to file a technical report and non-compliant disclosure. The Commission staff found that the October 2006 Invicta Technical Report was not completed in accordance with National Instrument 43-101 and Form 43-101F1. The Company is currently having the report modified to meet BCSC criteria. The commission staff also found inconsistencies in certain press releases that had relied upon the Technical Report.

The October 30, 2006 news release that was issued by the Company regarding the Technical Report had been pre-filed with Market Surveillance prior to dissemination.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including the Company's President and Chief Executive Officer and Chief Financial Officer so that appropriate decisions can be made regarding public disclosure. At the end of the period covered by this MD&A and accompanying audited consolidated financial statements, management of the Company evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed in the Company's regulatory filings is complete.

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In reaching this conclusion, the Company recognizes that two key factors must be and are present:

- i) The Company is dependent upon its advisors and consultants (primarily its legal counsel) to assist in recognizing, interpreting, understanding and complying with the disclosure requirements contained in the various securities regulations; and
- ii) An active board and management with open lines of communication.

The Company has a small head office staff with varying degrees of knowledge concerning the various regulatory disclosure requirements. The Company is not of a sufficient size nor does it possess the financial resources to employ full-time specialists in this area. As a result, the Company must rely upon the assistance of its advisors and consultants and as such, they form a part of the framework for the disclosure controls and procedures.

In addition to being aware of the disclosure requirements, proper disclosure also necessitates sufficient involvement in the affairs of the Company such that information is communicated and received to allow the assessment of any necessary disclosure requirements. Accordingly, it is essential that there be effective communication among those individuals who manage and govern the affairs of the Company principally the Board of Directors and senior management in Vancouver and in Peru. The Company believes this communication exists.

Other reports filed or submitted under Canadian securities laws are also recorded, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have been no significant changes in the operation of the disclosure controls during the three month period ended June 30, 2007.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has designed, implemented and is maintaining a system of internal controls over financial reporting to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner in accordance with Canadian generally accepted accounting principles.

While the Company believes that both it and its subsidiaries have adequate internal controls in place Management is evaluating and documenting these internal controls and taking any corrective action required. The absence of fully documented controls is linked to the Company's limited resources and personnel.

There have been no significant changes in the operation of the internal controls over financial reporting during the three month period ended June 30, 2007.

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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 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.

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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.

ANDEAN AMERICAN MINING CORP.
Management's Discussion and Analysis
For The Three Months Ended June 30, 2007

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 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 been reviewed and approved by Mr. Andrew Gourlay, P. Geol., President of Sinchao Metals Corp., and a Qualified Person as defined by National Instrument 43-101.