

ANDEAN AMERICAN MINING CORP.
Management's Discussion and Analysis
For The Three And Six Month Periods Ended September 30, 2008

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

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of the financial position and results of operations is for the three month period ending September 30, 2008 compared with the three month period ending September 30, 2007. It should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the year ended March 31, 2008. Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or at the Company's website, www.andeanamerican.com.

DESCRIPTION OF BUSINESS

Andean American Mining Corp. ("Andean" or the "Company") is a Canadian based acquisition, exploration and development company that concentrates its operations and exploration activities in Peru. This South American nation has a proud tradition of mining and infrastructure to support the mining industry. Peru 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 of its 100% Peruvian workforce.

Andean is focused on precious metals, copper, lead, and zinc and has plans for growth both through acquisitions such as Invicta, as well as through the drill bit at Sinchao.

EXPLORATION AND DEVELOPMENT REVIEW

Operations are focused on the Company's key assets:

- 1) The Invicta gold-silver-copper advanced project successfully completed a 14,000 metre diamond drill program and a 1,170 metre exploration adit. These results combined with the earlier 12,500 metres of diamond drilling form the basis of a revised Technical Report that was received in the third quarter of 2008. A feasibility report is being completed, with strong third party involvement for mining methods, financial analysis by the Stanford group and Wardrop Engineers. The company is pursuing sources of debt financing vigorously to allow initiation of the production facility and mine development. This initial step cannot go forward without the completed feasibility study. A complete Mine development and Mill development schedule including all required site infrastructure indicates 15 months from commencement of construction as the early start date for commissioning, subject to receiving the necessary financing
- 2) The Sinchao copper-gold-silver-zinc-lead mineralization project, an initial resource estimate was calculated during third quarter of 2008, following completion of an 8,155 metre drill program.
- 3) And to a lesser extent, operations at the micro producer Santa Rosa Mine, where recycled production is coming to a halt over the next business cycle.

INVICTA PROJECT: 41,500 HECTARES (102,549)

Exploration and Development

During the quarter ended September 30, 2008 several important geological developments occurred:

The Invicta mining project announced a new NI 43-101 compliant resource estimate on September 4th, 2008. This follows the completion of our 14,000 meters of additional diamond drilling bringing the project total to 26,600 meters and over 1,200 meters of 12 foot diameter adit (tunnel).

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The resource estimate is for 7.9 million tonnes of measured and indicated resources and over 11.6 million tonnes of inferred resources. The full report was filed on SEDAR on September 29th, 2008. The report also outlines some of the geological potential contained in the property and proposes a further 16,500 meter drill program to test this potential and determine the tonnes and grade of any resources that may or may not be forthcoming as a result of the additional drilling.

The measured and indicated resources have been utilized as the starting point for a feasibility study for the project. The feasibility study has been underway for all of 2008. The presentation of the environmental impact study was completed on June 3, 2008 and the review process continues. An important component of the EIA is the signed community agreements for all 3 surrounding communities in the immediate area.

The EIA was completed by Cesel Engineering, the largest engineering firm in Peru. EIAs can only be prepared by a short list of government approved engineering firms. The process engineering has been completed for the feasibility study by GOLDEX engineers of Lima, Peru. The metallurgical work has been accomplished by a variety of companies including Lakefield in Canada, SGS Lakefield in South Africa and Act Labs in Lima and Vancouver.

Capital costs for the project have been developed utilizing vendors, suppliers, contractors and engineers. The entire process has been overseen by Les Tarnai, P. Eng. and a Qualified Person as defined by NI 43-101.

Some of the permanent equipment has been purchased, namely the grinding bay, the vacuum pumps and disc filters, the overhead crane and main mill building steel. These purchases were made to protect the schedule and to create price predictability.

The Stanford Group has completed all financial sensitivity analysis. The feasibility study should be ready for release in 2008.

The large team of engineers and geologists have essentially completed their work and have been temporarily laid off to keep costs down to a minimum.

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.

Development:

At the time of writing the feasibility report is nearing completion awaiting the mineable reserves and financial analysis. The Company has revised the basic engineering to assess the possibility of processing 3,000 to 5,000 tonnes per day of mineralization. Complete detailed engineering is currently underway in support of the 5000 tpd option. A variety of production start-up scenarios are also being studied, 4 options currently exist starting at 3,000 tpd up to 5,000 tpd. Power availability for 2010 may dictate only 20 hours per day of operation.

Background: property holdings 41,500 hectares (102,549 acres)

The initial property acquisition entailed 5,800 hectares obtained by Andean in early 2005. The Company then optioned the 3,700-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.

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Environment

The proposed Invicta mine has filed an EIA as part of the operating permitting process. The approach is zero liquid effluent from the mine, which would exceed the already high environmental standards of Peru. The communities have all signed off on the EIA. On September 3, 2008 the Environmental Impact Assessment ("EIA") was filed with the Peruvian Government which also included the community agreements for the three communities with interest in the project. The EIA had previously been previewed by the Government. Under Peruvian law the government has 90 days in which to communicate observations on the submission. Cesel Engineers prepared most of the submissions. The initial submission is for a 5,100 tpd mining and milling facility.

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.

The Sinchao Project completed the diamond drill program for 2008 on September 5th, 2008. The results of this program were announced October 30th, 2008, with an initial resource estimate. The inferred resource estimate utilized various cut offs ranging from 0.13 % copper and 0.07 g/t gold with 416 million tonnes grading 0.36% Cu, 0.33 g/t Au and 9.2 g/t Ag up to a cut off grade of 0.48% Copper and 0.64 g/t gold with 64 million tonnes grading 0.85% Cu, 0.90 g/t Au and 110.3 g/t Ag.

The example of the 237 million tonnes inferred resource showed contained metals estimated at 2.45 billion pounds of copper, 3.73 million ounces of gold and 92 million ounces of silver.

The Sinchao project has had a total of 70 holes drilled, 48 diamond drill and 22 reverse circulation. Only 42 diamond drill holes were used in the resource estimate. The other six diamond holes were either too far apart or were not completed.

In addition to the diamond drill program, acid rock drainage remediation has been carried out on the site since February, 2007. The nature of the sulphides is such that if rock is exposed to any form of humidity, acid rock drainage naturally occurs.

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 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 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 61.5% of Sinchao Metals Corp., on a fully diluted basis.

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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

The micro production at the Santa Rosa mine continued at low levels due to the absence of permission to process fresh ore. Subsequent to this quarter's end approval was received from specific land owners for the specific parcels required.

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 were used to extract the ore, which was trucked less than three kilometres to the crushing plant. From there the fines were agglomerated and precious metals were recovered as a concentrate using sixteen columns in an ADR circuit and an electrowinning cell.

Production

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 year process bottlenecks, including equipment rebuilds, were accomplished. However, without access to fresh mineralization and support for mining from the Virundo community, production will continue to diminish. Accordingly, management has reviewed the carrying value of the Santa Rosa mine and determined that it should be written down to a nil value.

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.

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SANTA ROSA
MINE PRODUCTION DATA
QUARTERLY GOLD AND SILVER MINE PRODUCTION
(Since inception to September 30, 2008)

Quarter ending	Au ounces	Ag Eq. ozs¹	Total Au
September 30, 2008	877	211	1,088
June 30, 2008	960	228	1,188
Fiscal 2009	1,837	439	2,276
March 31, 2008	1,062	250	1,312
December 31, 2007	1,933	445	2,378
September 30, 2007	1,891	378	2,269
June 30, 2007	1,599	275	1,874
Fiscal 2008	6,485	1,349	7,834
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

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 forecast by the major institutions to continue strengthening. 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 demand, are expected to continue into calendar 2009.

CAPITAL EXPENDITURES

Capital expenditures for the advancement of the Invicta project to a financed production decision are estimated to be \$3 millions bringing the total investment to date to more than 12 million US dollars. The Company is reviewing potential sources of debt financing for the Invicta project.

Capital expenditures at the Sinchao Project are estimated to be US\$4 million for further drilling, exploration and remediation.

Table 1 - Quarterly Financial Data

	September 30 2008	June 30 2008	March 31 2008	December 31 2007
	\$	\$	\$	\$
Earnings and Cash Flow				
Net income (loss)	(1,261,464)	(988,614)	(13,668,785)	(1,054,183)
Cash flow from operations	(522,701)	(917,537)	388,620	(404,349)
Earnings (loss) per share	(0.020)	(0.013)	(0.062)	(0.016)
Diluted earnings (loss) per share	(0.020)	(0.013)	(0.062)	(0.016)
Capital expenditures	2,662,076	2,700,019	4,939,058	4,483,739
Balance Sheet				
Total assets	43,476,444	42,544,381	43,256,955	52,668,348
Long term debt	-	-	-	101,217
	September 30 2007	June 30 2007	March 31 2007	December 31 2006
	\$	\$	\$	\$
Earnings and Cash Flow				
Net income (loss)	(1,446,908)	(1,086,321)	(3,433,098)	(1,147,529)
Cash flow from operations	(332,846)	(1,375,579)	110,430	(508,286)
Earnings (loss) per share	(0.023)	(0.018)	(0.204)	(0.022)
Diluted earnings (loss) per share	(0.023)	(0.018)	(0.204)	(0.022)
Capital expenditures	2,033,250	697,924	746,515	913,446
Balance Sheet				
Total assets	43,363,206	44,381,591	38,738,697	43,227,931
Long term debt	101,217	101,217	101,217	125,541

At September 30, 2008, the Company had an available cash balance of \$1,007,820.

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Revenues

Revenues are determined by sales volumes, metal prices and currency exchange rates. The average metal prices and exchange rates for the US dollar compared to Canadian dollars are shown in Table 2. Comparative quarterly data for sales volumes and revenues for the last eight quarters are presented in Table 3.

Three Months Ended September 30, 2008 compared to the Three Months Ended September 30, 2007

Gross revenues for the three months ended September 30, 2008 were \$1,030,128 compared with \$1,509,389 in the comparative period in 2007. The revenue decrease in the present quarter was impacted by the decrease in the volume of sales and the strengthening of the Canadian dollar.

Six Months Ended September 30, 2008 compared to the Six Months Ended September 30, 2007

Gross revenues for the six months ended September 30, 2008 were \$2,050,340 compared with \$2,637,941 in the comparative period in 2007. The revenue decrease in the present quarter was impacted by the decrease in the volume of sales and the strengthening of the Canadian dollar.

Table 2 - Metal Prices and Exchange Rates

	2009 Q2	2008 Q2	2009 Q1	2008 Q1
Gold (Average London PM fix-US\$/ounce)	871.60	680.13	896.29	660.08
Silver (Average NY spot-US\$/ounce)	15.09	12.70	17.18	12.62
Canadian/US\$ exchange rate	1.04	1.07	1.01	1.10
Gold (Canadian \$/ounce)	907.34	728.62	905.25	725.53
Silver (Canadian \$/ounce)	15.71	13.60	17.35	13.93
Peruvian Sol/US\$ exchange rate	2.78	3.16	2.81	3.15

Table 3 – Sales Volumes and Revenues by Quarter

	2009 Q2	2009 Q1	2008 Q4	2008 Q3
Sales Prices				
Gold (Canadian \$/ounce)	887.09	907.54	962.48	817.54
Silver (Canadian \$/ounce)	15.15	16.61	16.98	14.07
Sales Volumes				
Gold (ounces)	871	968	1,148	2,010
Adjustment in respect of Q1	-	-	-	-
Silver (ounces)	12,840	8,555	17,078	18,920
Adjustment in respect of Q1	-	-	-	-
Gold (equivalent ounces)	219	157	301	326
Adjustment in respect of Q1	-	-	-	-
Revenues \$	1,030,128	1,020,212	1,355,470	1,836,319

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Table 3 – Sales Volumes and Revenues by Quarter

	2008 Q2	2008 Q1	2007 Q4	2007 Q3
Sales Prices				
Gold (Canadian \$/ounce)	727.64	725.53	764.55	696.31
Silver (Canadian \$/ounce)	13.02	13.93	14.82	13.83
Sales Volumes				
Gold (ounces)	1,803	1,529	1,964	1,870
Adjustment in respect of Q1	(228)	-	-	-
Silver (ounces)	17,258	12,620	13,219	16,021
Adjustment in respect of Q1	1,014	-	-	-
Gold (equivalent ounces)	309	242	255	314
Adjustment in respect of Q1	18	-	-	-
Revenues \$	1,509,389	1,128,552	1,678,849	1,523,550

COSTS AND EXPENSES

Direct Operating Costs

Three Months Ended September 30, 2008 compared to the Three Months Ended September 30, 2007

Direct operating costs for the three months ended September 30, 2008 were \$900,514 compared with \$1,642,335 in the same quarter in 2007. The decrease in costs, were mainly due to much lower volumes of mineral processed.

Six Months Ended September 30, 2008 compared to the Six Months Ended September 30, 2007

Direct operating costs for the six months ended September 30, 2008 were \$2,175,190 compared with \$2,822,773 in the same quarter in 2007. The decrease in costs, were mainly due to much lower volumes of mineral processed.

Administration Expenses

Details of administrative costs for the three and six month periods ended September 30, 2008 and 2007 are as follows:

	Three Months Ended September 30		Six Months Ended September 30	
	2008	2007	2008	2007
Administrative & management services	\$ 165,818	\$ 50,193	\$ 248,122	\$ 186,467
Bank charges	6,247	4,871	15,346	9,505
Investor relations	68,934	234,008	247,890	355,484
Office salaries and sundry	143,847	140,297	258,244	242,077
Office rent, parking, storage	9,870	11,778	18,718	20,446
Professional fees	105,352	122,599	148,495	128,467
Regulatory and transfer agent fees	38,559	14,606	64,124	20,474
Telecommunications	3,319	4,829	5,393	7,593
Travel and accommodation	21,382	24,515	56,926	40,109
	\$ 563,328	\$ 607,696	\$ 1,063,258	\$ 1,010,622

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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 three and six month periods ended September 30, 2008 compared with the three and six month periods ended September 30, 2007 have increased due to increases in administrative and management services, salary expenses and regulatory and transfer agent fees. The Company also has decreased the investor relation services in compared with the same quarter 2007.

Income and Resource Taxes

The Company is subject to income taxes in Canada with the statutory income tax rate at 33.34%. 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%.

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 \$4,400,000 in tax losses carried forward. These tax losses expire at December 31, 2011, if they are not utilized before that date.

The Company has accumulated losses for Canadian tax purposes of approximately \$17,200,000, 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 \$5,723,679 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 September 30, 2008 compared to the Three Months Ended September 30, 2007

Cash flow used by operations in the three months ended September 30, 2008 before changes to non-cash working capital was a deficit of \$601,244 compared with a deficit of \$993,692 in the comparative quarter for 2007. The decrease was primarily due to lower revenues and decreases in direct operating costs and general and administrative expenses.

Six Months Ended September 30, 2008 compared to the Six Months Ended September 30, 2007

Cash flow used by operations in the six months ended September 30, 2008 before changes to non-cash working capital was a deficit of \$1,574,259 compared with a deficit of \$1,267,533 in the comparative quarter for 2007. The decrease was primarily due to lower revenues and decreases in direct operating costs and general and administrative expenses.

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Investing Activities

Three Months Ended September 30, 2008 compared to the Three Months Ended September 30, 2007

Capital expenditures in the three months ended September 30, 2008 amounted to \$2,662,076 mainly for exploration in the Invicta and Sinchao projects and equipment and property acquisitions. In the same three months ended for 2007 capital expenditures were \$2,033,250 mainly for exploration and plant modifications.

Six Months Ended September 30, 2008 compared to the Six Months Ended September 30, 2007

Capital expenditures in the six months ended September 30, 2008 amounted to \$5,362,095 mainly for exploration in the Invicta and Sinchao projects and equipment and property acquisitions. In the same six months ended for 2007 capital expenditures were \$2,731,174 mainly for exploration and plant modifications.

Financing Activities

Three Months Ended September 30, 2008 compared to the Three Months Ended September 30, 2007

During the three ended September 30, 2008, the Company issued 4,576,704 common shares for net proceeds of \$1,999,250. During the quarter ended September 30, 2007, the Company issued 10,000 common shares for net proceeds of \$8,500; Sinchao Metals Corp. also issued 7,500 shares for net proceeds of \$7,500.

Six Months Ended September 30, 2008 compared to the Six Months Ended September 30, 2007

During the six months ended September 30, 2008, the Company issued 4,576,704 common shares for net proceeds of \$1,999,250. During the quarter ended September 30, 2007, the Company issued 11,377,538 common shares for net proceeds of \$6,694,870; Sinchao Metals Corp. also issued 4,705,000 shares for net proceeds of \$712,500.

Cash Resources and Liquidity

At September 30, 2008, the Company had net cash available of \$1,007,820 (2007 - \$2,835,413) and long-term debt of \$nil (2007 - \$101,217).

The Company has instituted severe cost cutting measures to conserve its cash resources. However, should the Company be obliged to seek additional funding under current market conditions then it is likely that existing shareholders would suffer significant dilution.

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Table 4 - Quarterly Earnings and Cash Flow	2009 Q2	2009 Q1	2008 Q4	2008 Q3
	\$	\$	\$	\$
Revenues	1,030,128	1,020,212	1,355,470	1,836,319
Operating profit	(449,355)	(849,982)	(1,874,751)	(326,666)
Net earnings (loss)	(1,261,464)	(988,614)	(17,101,883)	(1,054,183)
Earnings (loss) per share	(0.020)	(0.013)	(0.243)	(0.016)
Cash flow from continuing operations	(522,701)	(917,537)	499,050	(404,349)

Table 4 - Quarterly Earnings and Cash Flow	2008 Q2	2008 Q1	2007 Q4	2007 Q3
	\$	\$	\$	\$
Revenues	1,509,389	1,128,552	1,678,849	1,523,550
Operating profit	(960,517)	(943,882)	(585,985)	(927,686)
Net earnings	(1,446,908)	(1,086,321)	(3,433,098)	(1,147,529)
Earnings (loss) per share	(0.023)	(0.018)	(0.204)	(0.022)
Cash flow from continuing operations	(332,846)	(1,375,579)	4,247	(508,286)

CONTINGENCIES

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.

SUNAT, the Peruvian tax authority, has completed its audit of the tax filings of the Company's Peruvian subsidiary for the years 2002 to 2004. SUNAT has challenged the deductibility of certain property write-offs and foreign exchange losses in those filings that may result in additional tax assessments and the imposition of fines and interest amounting in total to approximately US\$5,000,000. The Company's tax advisor is of the opinion that most of these deductions are legitimate and can be successfully defended in the appeals processes that are available under Peruvian law. These processes may take as long as five years to reach a conclusion. In the meantime the Company has made a provision in its accounts in the amount of US\$734,460 for potential taxes payable.

OTHER INFORMATION

Off - Balance Sheet arrangements

The Company has no off-balance sheet arrangements.

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FINANCIAL INSTRUMENTS

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

The Company's financial instruments are comprised of cash and cash equivalents, amounts receivable, amounts receivable from and payable to related parties, GST receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of the Company's cash and cash equivalents, accounts receivable, GST receivable, and accounts payables and accrued liabilities approximate their carrying values.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and commodity price risk.

CHANGES IN ACCOUNTING POLICIES

Current Changes in Accounting Policies

On April 1, 2008, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections. There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

- (a) Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories (see Note 16).
- (b) Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows (see Note 16).
- (c) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed (see Note 15). Under this standard, the Company will be required to disclose the following:
 - qualitative information about its objectives, policies and processes for managing capital;
 - summary quantitative data about what it manages as capital;
 - whether during the period it complied with any externally imposed capital requirement to which it is subject; and
 - when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.
- (d) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity's ability to continue as a going concern (see Note 1).

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Future Changes in Accounting Policies

(a) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for the publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(b) Goodwill and Intangible Assets

In February 2008, the AcSB issued Handbook Section 3064, Goodwill and Intangible Assets and amended Section 1000, Financial Statement Concepts clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The standard is effective for fiscal years beginning on or after October 1, 2008 and early adoption is permitted. The adoption of this new section is not expected to have a material impact on the Company's earnings and financial position.

OUTSTANDING SHARE DATA

As at November 28, 2008, there were 78,196,721 issued common shares, 4,608,000 stock options outstanding and exercisable at prices ranging from \$0.30 to \$1.00 per share and 14,089,177 warrants outstanding with an expiration period between May 29, 2009 and July 3, 2010 with exercise prices ranging from \$0.55 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.

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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.

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. The main transactions in Peru are in US dollars and, to a lesser extent, Peruvian soles. The Company is therefore affected by currency fluctuations among the Canadian dollar, the US dollar and the Peruvian sol.

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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.

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 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.