

ANDEAN AMERICAN MINING CORP.
Management's Discussion and Analysis
For The Three And Six Month Periods Ended September 30, 2009

Note: The information contained herein is current to November 30, 2009.

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, 2009 compared with the three and six month periods ending September 30, 2008. It should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the year ended March 31, 2009. 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 placing Invicta into production while concurrently expanding the resources at Sinchao and Invicta.

EXPLORATION AND DEVELOPMENT REVIEW

Operations are focused on the Company's key assets:

1. The Company expects to receive an updated NI 43-101 compliant resource estimate incorporating an additional 2,000 metres of drill results in the near future. Andean American has retained Independent Qualified Person Victor Jaramillo, P.Geol., of Discover Geological Consultants, Inc. to author the report. In addition, the Lokhorst Group Ventures Inc. is working on an optimized feasibility study demonstrating the applicability of the finalized flow sheets including improvements to the CAPEX, OPEX and the Economic Model.
2. The Company filed the Invicta Project Feasibility Study on SEDAR, following an audit by the Lokhorst Group Ventures Inc. The Feasibility Study involved an extensive analysis of all aspects of the project and resulted in a robust financial model with a strong cash flow using conservative metal prices. The Study reports an operating cost for the mine and plant of 28.92 USD/t and a capital cost of USD 65.3 million. The sum of the 5-years bulk revenue is USD 600.1 million and net profits are USD 185.3 million, with a gold base price of USD 900/oz and copper base price of USD 2.00/lb. The Net Present Value at 11% discount rate of the 5-year free cash flow net of debt amortization amounts to USD 159 million in the base case scenario. The Company expects pre-production mine development to take approximately 12 months from project initiation. On August 7th, 2009 the Company announced a financial advisory agreement with WestLB for the Invicta Mining Project. On August 11th, 2009 the Company announced the signing of an agreement to provide 65 million USD in Initial financing for the Invicta Mining Project.
3. At the Sinchao Project an initial resource estimate was calculated during fourth quarter of 2008. The NI 43-101 compliant resource estimate was completed using 42 diamond drill holes. An inferred resource of 237 million tonnes grading 0.47% copper, 0.49 g/t gold and 12.1 g/t silver was estimated using a 0.27% copper cut-off. This inferred resource is within a larger inferred resource of 416 million tonnes grading 0.36% copper, 0.33 g/t gold and 9.2 g/t silver at a 0.13% copper cut-off. A recent re-interpretation of the property geology indicates that less than 15% of the mineralized zones have been tested to date. The geological

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potential for additional resources at the Breccia and Skarn Zones has been estimated to range from 400Mt to 1,600Mt.

4. The Company has exploration programs planned for Sinchao and Invicta for 2009. Strategic partners may be involved. Less than 5% of Invicta and 15% of Sinchao has been drilled to date.

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

Exploration and Development

The Company filed the Invicta Project Feasibility Study on SEDAR, following an audit by the Lokhorst Group Ventures Inc. The Study involved an extensive analysis of all the aspects of the Invicta project and resulted in a financially robust model with strong cash flow generation at conservative metals prices.

The operating cost for the mine and plant is 28.92 USD/t and the capital cost is USD 65.3 million. The sum of 5-years bulk revenue is USD 600.1 million and net profits are USD 185.3 million, with an average gold base price of USD \$900/oz and an average copper base price of USD\$ 2.00/lb. In a separate study of financial sensitivity prepared by R.M. Masias, then of Stanford group, a Net Present Value (NPV) at 11% discount rate of the 5-year free cash flow net of debt amortization amounted to USD 159 million in base case scenario. This study utilized Bloomberg analyst's consensus pricing which averaged over the 5 years, Gold \$819.54/oz., Silver \$14.48/oz., Copper \$2.59/lb., Lead \$0.76/lb., Zinc \$1.01/lb.

Stanford Group-Stanford Consulting Peru SRL performed a Financial Analysis and below are the highlights of their conclusions:

1. Year 1 EBITDA/Sales ratio is 72.3%, decreasing over time due to change in mineral content and decline of prices.
2. Average EBITDA/Net Investment ratio is above 158% during the first year of operation.
3. 5-year Average return of investment of 67.8%.
4. Invicta Project's NPV remains positive at higher discount rates.
5. When price levels are 20% below the base forecast the NPV for shareholders remains USD 98.90 million and the IRR of the project at 72%.
6. Invicta would remain a profitable project even if the estimated net investment rises up to USD 90 million.
7. For every 5% change in the operating costs of Invicta the NPV changes approximately USD 5 million.
8. When the operating costs are 20% above the estimated value the NPV for shareholders is calculated as USD 137.65 million.

Stanford used the following parameters as the basis for the Financial Analysis:

Base Case Metal Prices

	Year 1	Year 2	Year 3	Year 4	Year 5
Au USD/oz	921	845	864	760	600
Ag USD/oz	16	15.9	14.42	13.47	11.53
Cu USD/lb	3.28	3.02	2.41	2.25	2.05
Pb USD/lb	0.81	0.79	0.65	0.63	0.52
Zn USD/lb	0.94	1.04	1.05	0.89	0.7

Internal testing of the project capability demonstrates economic viability within a full range of metals prices to complement the minus 20% and plus 20% approach to Bloomberg consensus pricing used in the Stanford analysis. An update to this report has been commissioned utilizing both the Bloomberg Analysts consensus, and the spot prices for the first working day in August. The report should be available for the public shortly.

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Mineral Resources:

Over 26,000 metres of diamond drilling have been completed to date, concentrated on the Atenea Structure, one of at least five Gold-Copper structures known on the property. Current resource estimates are from the NI 43-101 Invicta Technical Report by Victor Jaramillo, P. Geo, of Discover Geological Consultants Inc., filed on SEDAR and dated August 29, 2008 are:

Category	Tonnes	Gold (g/t)	Silver (g/t)	Copper (%)	Lead (%)	Zinc (%)
Measured and Indicated Resources	7,903,000	2.11	19.1	0.52	0.38	0.35
Inferred Resources	11,695,000	1.22	10.1	0.27	0.24	0.23

The Measured, Indicated and Inferred Resources have been estimated for the Atenea Structure only, which has been traced for over 2,700 metres of strike length and includes the Dany and Pucamina Structures. Mineralization has been at depths of 400 metres below surface, and remains open to both depth and along strike. The Invicta Project is a mesothermal style of mineralization with a late epithermal overprint, and there is excellent opportunity to increase the resource.

Reserves and Life of Mine:

The measured and indicated resource of the Atenea System is economically mineable and by definition is in the probable mineral reserve.

The life of mine (LOM) based on the probable reserve of 7,903,000 t. is five years at annual production rates of 3000t/d Year 1, 4000t/d Year 2, and 5000t/d Year 3, 4 and 5.

Annual Metal Production

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Au (oz)	79,655	108,153	148,394	116,796	47,724	500,722
Ag (oz)	1,021,122	523,225	465,581	582,117	623,007	3,215,052
Cu (lb)	11,829,224	4,661,406	6,060,369	7,366,862	11,553,979	41,471,840
Pb (lb)	4,390,177	8,275,010	151,509	0	1,482,317	14,299,014
Zn (lb)	1,592,771	2,402,677	1,596,386	0	0	5,591,835

Methodology:

The geometry of the mineralization has dictated the mining methods. Some 60% of the probable mineral reserves have widths greater than 4.0 meters; 23%, between 2 to 4 meters; and 7%, between 0.8 to 2.0 meters. The mining methods, as designed by Min-consult, are sublevel stopping, cut and fill, and shrinkage, respectively. The remaining 10% will be mined by open pit.

Leach and flotation testing by Lakefield Laboratory, Canada, and optimization by various local laboratories show gold recovery by gravimetric and leaching processes to be 82.57-88.98% gold and 66.06-77.12% silver from ore mined by open pit and underground method. Blending these results with those of the flotation cycle will average total recoveries of 87-94% gold and 79-89% silver. The base metal recoveries are expected to reach 70-78% copper, 82-89% lead and 72-87% zinc.

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Subsequent to the findings in the feasibility study, additional testing has concluded utilizing the Peacock and Simpson Laboratories in Zimbabwe, and the SGS Lakefield Laboratories in South Africa. The recoveries were improved across the board for all metals. (first reported Oct, 9th news release). Essentially, the gravimetric methods proposed in this initial testing has been followed up and incorporated into the project flowsheet. Essentially this allows greater than 60% reduction in the recirculating loads after the grinding bay and before entering costly floatation. This also shrinks the environmental footprint and greatly reduces the power and reagent consumption.

Environment:

The Environmental Impact Assessment (EIA) was completed by Cesel Engineering and submitted to the Peruvian Mining Ministry on September 18, 2008. The viability approval, certificate 006-2008-MEM-AAM, was received from Ministry of Energy & Mines Department of Director General of Environmental Affairs on January 24, 2009. Final approval of the EIA by the Peruvian government is expected in 3rd quarter 2009. Andean American continues to work with the neighbouring communities, partnering where possible, improving the local infrastructure and offering employment and training where practical. Surface rights agreements have been reached with the communities in the area.

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.

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 increased its land holdings to 41,500 hectares in the Invicta Project. Andean now has the formal acquisition agreement from American Barrick, wherein Andean acquires 100% of all mineral and mining rights in the 3,700 hectares acquired from Barrick (no minority rights). During the ensuing quarter Andean completed its review of the satellite areas surrounding the contiguous land package and decided to reduce the overall package to 25,000 hectares. During the current quarter Andean presented a copy of the feasibility study to the subsidiary of Barrick. This starts the 90 day period for their final review on their back in rights clause. Under these terms if Andean demonstrates to Barrick there is more than 2 million ounces of mineable gold only in the Invicta feasibility study, then and only then, Barrick would have a right to back into the Invicta Mining Project by paying Andean 150% of all incurred costs in exchange for 50 plus 1% of the project. In the feasibility study there is not 2 million ounce of mineable gold only reserves, therefore the point is mute, but formally the 90 day period has started. When completed this time period should eliminate the back in right.

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 2008 drill program concentrated on the Breccia Zone as part of a 9,250 metre program leading to an estimation of inferred resources. Highlights of the year's drilling include 170.3 metres grading 0.74% Copper, 1.19 g/t Gold and 7.1 g/t Silver in Hole SDH-46, and a 278.9 metre intersection in Hole SDH-50 grading 0.60% Copper, 0.53 g/t Gold and 18.4 g/t Silver. Copper-Gold-Silver mineralization has now been identified over an area of approximately 700 metres by 500 metres, and to a depth of approximately 450 metres. The mineralization is hosted by Breccia and Skarn Zones, and remains open in all directions.

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A NI 43-101 compliant resource estimate of inferred resources was completed on October 30, 2008. 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% copper, 0.33 g/t gold and 9.2 g/t silver up to a cut off grade of 0.48% copper and 0.64 g/t gold with 64 million tonnes grading 0.85% copper, 0.90 g/t gold and 110.3 g/t silver.

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 (based on US\$1.50/lb copper, US\$600/oz gold and US\$8/oz silver).

A recent re-interpretation of the property geology indicates that less than 15% of the mineralized zones have been tested to date. The geological potential for additional resources at the Breccia and Skarn Zones has been estimated to be from 400Mt to 1,600Mt with estimated grades of 0.3% to 0.5% copper and 0.3 to 0.5 g/t gold.

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 nine 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 58.48% of Sinchao Metals Corp., on a fully diluted basis.

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.

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

Operation Activities

The sale of El Misti Gold S.A.C. and the Santa Rosa mine is underway but not yet concluded.

The Company is negotiating with a private group, and we wish them well in their endeavors. The Company has also retained a small land position in the area and is negotiating a joint venture with a private Peruvian company. The Company will assist this group in their efforts to initiate operations and will receive an NSR in return.

SANTA ROSA
MINE PRODUCTION DATA
QUARTERLY GOLD AND SILVER MINE PRODUCTION
(Since inception to June 30, 2009)

Quarter ending	Au ounces	Ag Eq. ozs¹	Total Au
June 30, 2009	190	22	212
Fiscal 2010	190	22	212
March 31, 2009	268	21	289
December 31, 2008	469	121	590
September 30, 2008	877	211	1,088
June 30, 2008	960	228	1,188
Fiscal 2009	2,954	625	3,579
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

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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.

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.

CAPITAL EXPENDITURES

Capital expenditures for the advancement of the Invicta project to a financed production decision to date are more than 12 million US dollars (when including the acquisition costs still to be paid). The Company is finalizing sources of debt financing for the Invicta project, through a combination of commercial banks and initial finance of 70 million USD. Once financed, it is the intention to move on a fast track basis to complete the project. In addition, a further drill program will be employed to convert, where possible, the inferred resources into indicated, and to test the geological potential of the width and depth of the Atenea structure.

Capital expenditures at the Sinchao Project are estimated to be 5 million USD for further drilling, exploration and remediation.

FINANCIAL REVIEW

Three Months Ended September 30, 2009 compared to the Three Months Ended September 30, 2008

For the three months ended September 30, 2009 the Company recorded a net loss of \$402,309 (2008 – net loss of \$1,746,194) and loss per share of \$0.01 (2008 -\$0.03 net loss per share). Stock based compensation expense, general and administrative expenses and direct operating costs decreased over the same period in the prior year. This decrease was offset by increases in foreign exchange due to the fluctuation between the Canadian and US dollar. For the three months ended September 30, 2009, the production of gold equivalents was nil ounces (2008 – 960 ounces). Quarterly financial information for the past eight quarters is shown in Table 1

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Table 1 - Quarterly Financial Data

	September 30	June 30	March 31	December 31
	2009	2009	2009	2008
	\$	\$	\$	\$
Earnings and Cash Flow				
Net income (loss)	(402,309)	31,626	(2,462,273)	(1,026,458)
Cash flow from operations	(861,814)	(103,075)	(810,585)	(164,622)
Basic and diluted loss per share	0.000	0.000	(0.070)	(0.010)
Capital expenditures	443,303	491,848	(683,540)	952,259
Balance Sheet				
Total assets	45,460,692	44,480,435	43,909,703	43,339,506
	September 30	June 30	March 31	December 31
	2008	2008	2008	2007
	\$	\$	\$	\$
Earnings and Cash Flow				
Net loss	(1,746,194)	(1,377,997)	(16,388,523)	(1,054,183)
Cash flow from operations	(522,701)	(917,537)	828,261	(404,349)
Basic and diluted loss per share	(0.030)	(0.020)	(0.253)	(0.016)
Capital expenditures	2,662,076	2,700,019	2,939,058	4,483,739
Balance Sheet				
Total assets	44,793,201	44,183,139	44,895,713	52,668,348
Long term debt	-	-	-	101,217

At September 30, 2009, the Company had a cash balance of \$390,529

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.

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, 2009 compared to the Three Months Ended September 30, 2008

Gross revenues for the three months ended September 30, 2009 were \$30,210 compared with \$1,030,128 in the comparative period in 2008. 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, 2009 compared to the Six Months Ended September 30, 2008

Gross revenues for the six months ended September 30, 2009 were \$233,328 compared with \$2,050,340 in the comparative period in 2008. The revenue decrease in the present quarter was impacted by the decrease in the volume of sales and the strengthening of the Canadian dollar.

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

	2010 Q1	2009 Q4	2009 Q3	2009 Q2
Gold (Average London PM fix-US\$/ounce)	866.08	895.55	794.77	871.60
Silver (Average NY spot-US\$/ounce)	12.02	12.39	10.21	15.09
Canadian/US\$ exchange rate	1.16	1.24	1.22	1.04
Gold (Canadian \$/ounce)	1,004.65	1,114.06	969.62	907.34
Silver (Canadian \$/ounce)	13.94	15.41	12.46	15.71
Peruvian Sol/US\$ exchange rate	2.59	2.56	2.56	2.78

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

	2009 Q1	2008 Q1	2008 Q2	2008 Q3
Gold (Average London PM fix-US\$/ounce)	896.29	660.08	680.13	786.26
Silver (Average NY spot-US\$/ounce)	17.18	12.62	12.70	13.99
Canadian/US\$ exchange rate	1.01	1.10	1.07	1.04
Gold (Canadian \$/ounce)	905.25	725.53	728.62	818.89
Silver (Canadian \$/ounce)	17.35	13.93	13.60	14.57
Peruvian Sol/US\$ exchange rate	2.81	3.15	3.16	3.11

Table 3 – Sales Volumes and Revenues by Quarter

	2010 Q1	2009 Q4	2009 Q3	2009 Q2
Sales Prices				
Gold (Canadian \$/ounce)	1056.93	1154.65	968.80	887.09
Silver (Canadian \$/ounce)	15.33	14.83	11.61	15.15
Sales Volumes				
Gold (ounces)	171	199	520	871
Silver (ounces)	1,037	653	6,474	12,840
Gold (equivalent ounces)	15	8	78	219
Revenues \$	203,118	633,167	643,576	1,030,128

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Table 3 – Sales Volumes and Revenues by Quarter

	2009 Q1	2008 Q4	2008 Q3	2008 Q2
Sales Prices				
Gold (Canadian \$/ounce)	907.54	962.48	817.54	727.64
Silver (Canadian \$/ounce)	16.61	16.98	14.07	13.02
Sales Volumes				
Gold (ounces)	968	1,148	2,010	1,803
Adjustment in respect of Q1 2009	-	-	-	(228)
Silver (ounces)	8,555	17,078	18,920	17,258
Adjustment in respect of Q1 2009	-	-	-	1,014
Gold (equivalent ounces)	157	301	326	309
Adjustment in respect of Q1 2009	-	-	-	18
Revenues \$	1,020,212	1,355,470	1,836,319	1,509,389

COSTS AND EXPENSES

Direct Operating Costs

Three Months Ended September 30, 2009 compared to the Three Months Ended September 30, 2008

Direct operating costs for the three months ended September 30, 2009 were (\$6) compared with \$900,514 in the same quarter in 2008. The decreased costs were mainly due to much higher waste to ore ratios, the poor recoveries from recycled mineral and lower volumes of mineral processed which increased the unit cost of production.

Six Months Ended September 30, 2009 compared to the Six Months Ended September 30, 2008

Direct operating costs for the six months ended September 30, 2009 were \$181,438 compared with \$2,175,190 in the same quarter in 2008. The decrease in costs were mainly due to much higher waste to ore ratios, the poor recoveries from recycled mineral and lower volumes of mineral processed which increased the unit cost of production and the closing of the mine.

Administration Expenses

Details of administrative costs for the quarters ended September 30, 2009 and 2008 are as follows:

	Three months ended September 30	
	2009	2008
Administrative & management services	\$ 171,326	\$ 165,818
Investor relations	18,429	68,934
Office salaries and sundry	119,885	150,094
Office rent, parking, storage	42,065	9,870
Professional fees	20,908	105,352
Regulatory and transfer agent fees	14,803	38,559
Telecommunications	2,998	3,319
Travel and accommodation	11,870	21,382
	\$ 402,284	\$ 563,328

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	Six months ended September 30	
	2009	2008
Administrative & management services	\$ 258,507	\$ 248,122
Investor relations	28,779	247,890
Office salaries and sundry	224,385	273,590
Office rent, parking, storage	95,893	18,718
Professional fees	22,256	148,495
Regulatory and transfer agent fees	21,505	64,124
Telecommunications	5,716	5,393
Travel and accommodation	22,373	56,926
	<u>\$ 679,414</u>	<u>\$ 1,063,258</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 September 30, 2009 compared with the quarter ended September 30, 2008 have decreased due to cut backs in administrative and management services, salary expenses and regulatory and transfer agent fees. The Company also has decreased the investor relation services compared with the same quarter 2008. The Company incurred an increase of rent during the year due to relocating to a new office in November 2008.

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.

The Company's Peruvian subsidiaries have approximately \$1,747,682 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 \$6,886,198, which expire in various years to 2029.

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.

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FINANCIAL POSITION AND LIQUIDITY

Operating Cash Flow

Three Months Ended September 30, 2009 compared to the Three Months Ended September 30, 2008

Cash flow provided from (used for) operations in the three months ended September 30, 2009 were before changes to non-cash working capital was (\$480,170) compared with (\$601,244) in the comparative period for 2008. The decrease was primarily due to the fluctuation of the Canadian dollar in relation to the United States dollar.

Six Months Ended September 30, 2009 compared to the Six Months Ended September 30, 2008

Cash flow provided from (used for) operations in the six months ended September 30, 2009 were before changes to non-cash working capital was (\$92,309) compared with (\$1,574,259) in the comparative period for 2008. The increase was primarily due to the fluctuation of the Canadian dollar in relation to the United States dollar.

Investing Activities

Three Months Ended September 30, 2009 compared to the Three Months Ended September 30, 2008

Capital expenditures in the three months ended September 30, 2009 amounted to \$443,303 mainly for investments in the Invicta and Sinchao projects and equipment and property acquisitions. In the same period for 2008 capital expenditures were \$2,662,076 mainly for exploration and plant modification in the Invicta and Sinchao projects.

Six Months Ended September 30, 2009 compared to the Six Months Ended September 30, 2008

Capital expenditures in the six months ended September 30, 2009 amounted to \$935,151 mainly for investments in the Invicta and Sinchao projects and equipment and property acquisitions. In the same period for 2008 capital expenditures were \$5,362,095 mainly for exploration and plant modification in the Invicta and Sinchao projects.

Financing Activities

Three Months Ended September 30, 2009 compared to the Three Months Ended September 30, 2008

During the three ended September 30, 2009, the Company issued 4,233,836 common shares for net proceeds of \$1,246,850. During the quarter ended September 30, 2008, the Company issued 4,576,704 common shares for net proceeds of \$1,999,250.

Six Months Ended September 30, 2009 compared to the Six Months Ended September 30, 2008

During the six months ended September 30, 2009, the Company issued 4,233,836 common shares for net proceeds of \$1,246,850. During the quarter ended September 30, 2008, the Company issued 4,576,704 common shares for net proceeds of \$1,999,250.

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Cash Resources and Liquidity

At September 30, 2009, the Company had cash available of \$390,529 (2008 – cash available of \$1,007,820).

Table 4 - Quarterly Earnings and Cash Flow	2010 Q2	2010 Q1	2009 Q4	2009 Q3
	\$	\$	\$	\$
Revenues	30,210	203,118	246,563	643,576
Operating profit	(52,747)	(343,837)	(734,126)	(371,659)
Net earnings (loss)	(402,309)	31,656	(2,462,273)	(1,026,458)
Earnings (loss) per share	(0.010)	0.000	(0.070)	(0.010)
Cash flow from continuing operations	(861,814)	(103,075)	(810,585)	(164,622)

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	(1,261,464)	(1,377,997)	(16,388,523)	(1,054,183)
Earnings (loss) per share	(0.020)	(0.013)	(0.253)	(0.016)
Cash flow from continuing operations	(522,701)	(917,537)	828,261	(404,349)

The Company's ability to continue as a going concern is in substantial doubt and is dependent upon the continuing support of obtaining additional financing to meet its obligations, repaying its liabilities through settlement with its creditors and generating sufficient cash to meet its operating expenses in the future.

RESTATEMENT

Management has determined that as at June 30, 2006, Sinchao Metals Corp. a subsidiary of the Company should have accounted for the acquisition of Minera Sinchao as a reverse takeover (Note 3) whereby Sinchao Metals Corp was for accounting purposes being acquired. Previously the transaction was recorded as a purchase acquisition of Minera Sinchao by Sinchao Metals Corp., the difference in accounting treatments has resulted in a restatement of the periods ended September 30, 2007 and 2008. The effect of the restatement on the periods ended September 30, 2007 and 2008 consolidated financial statements for the Company and its subsidiary Sinchao Metals Corp. respectively, are as follows:

(a) Restatement of Andean American Mining Corp.

Details for the period ended September 30, 2007 as follows:

	As previously reported	As restated
	\$	\$
Mineral properties	32,679,846	33,996,603
Future income tax liability	4,970,205	-
Minority interest	5,878,359	5,935,767
Net loss for the period	2,533,229	3,154,045
Deficit	40,324,032	35,891,834
Net loss per share - basic and diluted	(0.04)	(0.06)

Details for the period ended September 30, 2008 as follows:

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	reported	As restated
	\$	\$
Mineral properties	39,050,264	40,367,021
Future income tax liability	5,747,512	678,693
Minority interest	9,538,525	12,478,748
Net loss for the period	2,250,078	3,124,191
Deficit	59,283,268	55,837,915
Net loss per share - basic and diluted	(0.03)	(0.04)

(b) Restatement of Sinchao Metals Corp.

Details for the period ended September 30, 2007 as follows:

	As previously reported	As restated
	\$	\$
Mineral properties	23,431,159	24,747,917
Future income tax liabilities	4,970,205	356,693
Share capital	18,130,179	3,267,208
Net loss for the period	(157,318)	(1,164,150)
Retained earnings (Deficit)	(1,525,566)	19,267,675
Net loss per share for the period	(0.00)	(0.02)

Details for the period ended September 30, 2008 as follows:

	As previously reported	As restated
	\$	\$
Mineral properties	28,583,418	29,900,176
Future income tax liabilities	5,747,512	356,693
Share capital	21,928,580	7,168,944
Net loss for the period	(529,589)	(862,449)
Retained earnings (Deficit)	(3,777,505)	17,689,708
Net loss per share for the period	(0.01)	(0.01)

CONTINGENCIES

A previous participant in the Invicta (previously Victoria) Project has advised the Company that they retain a minority interest in the project. The Company has been advised of legal application initiated in the Supreme Court of Ontario by the third party claiming an ownership interest in the Invicta Project. 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 acquired, by formal agreement with Barricks' Peruvian subsidiary, 100% of the mining rights in December 2008.

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SUBSEQUENT EVENT

- (a) Subsequent to the six months ended September 30, 2009 the Company announced the completion of a non-brokered private placement of 1,600,000 units at a price of \$0.38 per unit for gross proceeds of \$608,000. Each unit consists of one common share of the Company and one half of one transferable share purchase warrant. Each whole warrant is exercisable at \$0.50 and expires on November 25, 2011.
- (b) Subsequent to the six months ended September 30, 2009 the Company granted 450,000 stock options to consultants of the Company at \$0.30 - \$0.44 per share, vesting immediately and exercisable for two years.

OTHER INFORMATION

Off - Balance Sheet arrangements

The Company has no off-balance sheet arrangements.

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, IGV receivable (Peru), accounts payable and accrued liabilities, bank indebtedness and loans payable. 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.

During the six months ended September 30, 2009, the Company increased the bridge loan from \$220,000 to \$1,126,350 to fund ongoing operation costs and issued a total of 2,266,731 bonus shares (upon TSX-V approval) to the lenders. Included in the bonus shares were 101,596 common share issued for finder's fees.

During the period ended September 30, 2009 the Company completed a non-brokered private placement of 4,233,836 units for gross proceeds of \$1,270,150. Each unit consists of one common share and one half non-transferable share purchase warrant. One whole warrant entitles the holder to purchase an additional common share at \$0.35 until September 18, 2011.

CHANGES IN ACCOUNTING POLICIES

Current Changes in Accounting Policies

On April 1, 2009, 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:

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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 as assets. The standard is effective for fiscal years beginning on or after October 1, 2008 and the Company will adopt this standard on April 1, 2009.

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 IRFS 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 April 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) Business Combinations (Section 1582)

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", which requires that all assets and liabilities of an acquired business be recorded at fair value at acquisition. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the period after the acquisition date. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011.

(c) Consolidations (Section 1601) and Non-Controlling Interest (Section 1602)

In January 2009, the CICA issued Handbook Section 1601, "Consolidations" ("CICA 1601"), and Section 1602, "Non-Controlling Interests" (CICA 1602"). CICA 1601 establishes standards for preparing consolidated financial statements and CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

Future Changes in Accounting Policies - continued

(d) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC Abstract 173)

In January 2009, the CICA issued EIC Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC requires the Company to take into account the Company's own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. The abstract applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2010. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

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OUTSTANDING SHARE DATA

As at November 30, 2009, there were 84,697,288 issued common shares, 6,888,000 stock options outstanding and exercisable at prices ranging from \$0.25 to \$1.00 per share with an expiration period between November 3, 2009 and September 16, 2014 and 7,856,282 warrants outstanding with an expiration period between December 17, 2009 and September 18, 2011 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.

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 with 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.

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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.

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. Guy Lokhorst, P. Eng., the Senior Geological Engineer at The Lokhorst Group, is an Independent Qualified Person as defined by National Instrument 43-101 and is responsible for the audit of the Feasibility Study. Leslie F. Tarnai, P. Eng., General Manager of Engineering for Invicta Mining Corp., is a Qualified Person as defined by National Instrument 43-101 and is responsible for the Feasibility Study.