



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2011**

All amounts in United States dollars unless otherwise specified.

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2011

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This Management's Discussion and Analysis ("MD&A"), which has been prepared as of February 13, 2012, provides a review of the financial performance of Sinchao Metals Corp. ("Sinchao" or the "Company") and should be read in conjunction with the unaudited interim consolidated financial statements and related notes for the three and nine months ended December 31, 2011 including the notes thereon ("Interim Financial Statements"), as well as with the Company's audited consolidated financial statements for the year ended March 31, 2011 (the "Annual Financial Statements") and the related management's discussion and analysis (the "Annual MD&A"). The reader is cautioned that the aforementioned Annual Financial Statements and Annual MD&A are presented using Canadian generally accepted accounting principles ("Canadian GAAP") whereas the Interim Financial Statements (including the December 31, 2010 comparatives) have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All references to "Canadian GAAP" refer to Canadian GAAP before the adoption of IFRS. All amounts are expressed in US dollars unless otherwise indicated. Additional information relevant to the Company's activities, including the Company's Annual Information Form, can be found on SEDAR at www.sedar.com or at the Company's website, www.sinchaometals.com

SELECTED ANNUAL FINANCIAL INFORMATION

The following table provides selected consolidated financial information that should be read in conjunction with the audited consolidated financial statements of the Company.

	March 31, 2011	March 31, 2010	March 31, 2009(iv)
	(US\$)	(US\$)	(US\$)
Loss before interest, amortization, income taxes and other	700,289(iii)	633,437(iii)	601,865(iii)
Loss before income tax	12,194,546(iii)	739,747(iii)	1,191,973(iii)
Net loss per share	0.16	0.01	0.02
Working capital deficit	1,502,011(i)	769,426(i)	(360,700)(i)(ii)
Total assets	18,895,141	30,499,651	24,447,426(ii)

- (i) Working capital is current assets less current liabilities.
- (ii) Total assets for March 31, 2009 have been reduced by 'Future Income Tax Liabilities' capitalized, which is a requirement of IFRS. March 31, 2009 was adjusted at the spot rate of \$1.2496.
- (iii) Adjusted using average exchange rate of \$1.0168 for March 31, 2011, \$1.09203 for March 31, 2010 and \$1.1256 for March 31, 2009.
- (iv) Not adjusted for IFRS.

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CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labor disputes or other unanticipated difficulties with or shortages of labor or interruptions in production; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in each management discussion and analysis. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of gold, and copper; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

COMPANY HIGHLIGHTS

CORPORATE

During the nine months ended December 31, 2011 the Company's management continued to seek possible joint venture partners or parties willing to finance the project and on February 9, announced that it is reviewing certain corporate opportunities and is preparing a revised National Instrument 43-101 compliant technical report on the Property for the reasons discussed below.

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OTHER SIGNIFICANT EVENTS

PROJECT

On February 7, 2011, Sinchao announced that it had conducted a review of its properties earlier this calendar year and determined that title to the claims of four of the properties comprising the Sinchao Project were not properly transferred to a subsidiary of Andean, the party that had purported to transfer the claims to Sinchao. As a result neither Andean nor Sinchao holds any proprietary interest in the claims, which claims contain approximately 40% of the inferred resource previously disclosed by Sinchao, and during the year ended March 31, 2011 the Company wrote the project down by \$11,465,806 to management's best estimate of its fair value.

On February 9, 2012, the Company announced that it has appointed Scott Wilson of Scott E. Wilson Consulting, Inc. to undertake an independent review of the Company's previously announced mineral resources on the Sinchao Property and prepare a revised National Instrument 43-101 compliant technical report on the Property.

The independent evaluation is being initiated for two reasons. Firstly, Sinchao has applied to become a reporting issuer in Ontario and pursuant to this application the Ontario Securities Commission has requested an updated Technical Report. In addition, the Company is reviewing certain corporate opportunities and, in connection therewith, management believes that an update of the October 30, 2008 technical report (the "Technical Report") on the Sinchao Property is warranted, particularly in view of the announcements made in the Company's press releases of February 7, 2011 and April 20, 2011. As announced in the April 20, 2011 press release, it is anticipated that the updated Technical Report will show a reduction in the estimated inferred resources on the Sinchao Property (the "Property"); however it will not be possible to accurately quantify the magnitude of such reduction until Scott Wilson completes its independent mineral resource estimate.

The Company anticipates that it will be in a position to file a new National Instrument 43-101 compliant technical report by mid-April, 2012.

FINANCIAL POSITION

As at December 31, 2011, Sinchao had a cash and cash equivalent position of \$180,399, and a working capital deficiency of \$1,206,247 compared to \$70,630 and \$1,502,011 for the year ended March 31, 2011. The Company will need to raise additional funds and/or borrow the funds from Andean American Gold Corp. ("Andean"), its majority shareholder.

On September 30, 2011, the Company closed on its previously announced debt settlement arrangement and private placement with Andean and issued Andean a total of 8,888,889 common shares at a price of CAD\$0.09 per share in settlement of CAD\$800,000 of indebtedness owing by the Company to Andean.

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FINANCIAL POSITION - CONTINUED

In addition, the Company issued Andean a further 2,222,222 units at a price of CAD\$0.09 per unit for proceeds of CAD\$200,000 consisting of one share and a share purchase warrant, such warrant entitling Andean to acquire a further common share of the Company at a price of CAD\$0.12 for a term of five (5) years. Andean is currently owed \$729,236 by the Company.

COMPANY'S FUTURE

The Sinchao Project contains significant mineralization and, through additional drilling, there is strong potential to increase the resource. If and when the Company raises the necessary funds, the Company plans to complete additional drilling subject in both volume and location to the currently underway review of the 43-101 by Scott Wilson. Metallurgical test work on core would also be undertaken to assess amenability to recovery methods and associated costs and product qualities.

OVERVIEW

Sinchao is organized under the laws of the Business Corporations Act of British Columbia and its registered and executive office is at Suite 101, 2275 Upper Middle Road East, Oakville, ON, L6H 0C3 . The Company's office for its subsidiaries is located at Calle Micaela Bastidas 195, Lima 27, Peru. The Company trades on the TSX Venture Exchange under the symbol 'SMZ'.

Sinchao is a Canadian-based exploration and development company. The Company is a subsidiary of Andean American Gold Corp. a Company listed on the TSX-V under the symbol AAG. At December 31, 2011 Andean owned 56,825,397 common shares of the 87,497,244 or approximately 65% of the Company.

The Company's principal business is the exploration of mineral properties located in Peru.

The Sinchao mineral properties (the "Sinchao Project") consist of four exploration rights, covering approximately 191.6 hectares. The exploration rights overlie 16 mining concessions and one claim, as well as two additional claims, which lie outside the four exploration rights. In June 2006, Andean completed the transfer of its wholly-owned subsidiary, Corporacion Minera Sinchao, holder of the Sinchao Property, to Sinchao Metals Corp.

OPERATIONS REVIEW

The Sinchao Project is located within the Yanacocha-Hualgayoc mining district, approximately 60 kilometres north of the city of Cajamarca 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 consists of a paved road to Yanacocha (30km), then a well maintained paved road to Cerro Corona, adjacent to Sinchao. The infrastructure in Cajamarca is adequate and is steadily improving.

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OPERATIONS REVIEW - CONTINUED

Four mineralized systems have been identified on the Sinchao Property: the Hydrothermal Breccia Zone, the Skarn Zone, the High Sulphidation Epithermal Zone, and the Massive Sulphide Lenses. 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 were at all time lows and exploration was halted.

During 2006, the Sinchao Project was geologically mapped in detail and state of the art 3D Induced Polarization and expanded ground magnetic surveys were completed. The geophysical surveys have successfully identified new targets with signatures that are comparable to known mineralization.

The 2008 drill program concentrated on the Breccia Zone as part of a 9,250 metre program leading to a NI 43-101 compliant estimate of inferred resources. However, in the light of recently disclosed deficiencies in the title to four of the claims upon which the inferred resource estimate was based, Sinchao cautions its shareholders that the NI 43-101 compliant resource estimate can no longer be relied upon.

The table below shows the Sinchao Project NI 43-101 compliant resource estimate of inferred resources dated October 30, 2008. Shareholders are cautioned that approximately 40% of the inferred resources referred to below are contained on the four claims mentioned above, in which the Company does not hold any proprietary interest and which have been written off. As mentioned above, the Company has appointed Scott Wilson of Scott E. Wilson Consulting, Inc. to undertake an independent review of the Company's previously announced mineral resources on the Sinchao Property and prepare a revised National Instrument 43-101 compliant technical report on the Property which is expected to be completed in mid-April 2012.

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OPERATIONS REVIEW - CONTINUED

INFERRED RESOURCE ESTIMATES BY CUT-OFF					
CUT-OFF		TONNES	COPPER	GOLD	SILVER
Cu%	Aug g/t	Millions	%	g/t	g/t
0.13	0.07	416	0.36	0.33	9.2
0.23	0.15	376	0.38	0.36	9.9
0.27	0.24	237	0.47	0.49	12.1
0.39	0.35	155	0.58	0.62	14.2
0.44	0.44	113	0.65	0.72	15.6
0.43	0.55	82	0.74	0.82	17.0
0.48	0.64	64	0.85	0.90	110.3

EXAMPLES OF CONTAINED METALS				
TONNES	COPPER lb	GOLD oz	SILVER oz	Eq. COPPER lb
237 million	2.45 billion	3.73 million	92 million	4.04 billion grading 0.77% Copper Eq *
416 million	3.3 billion	4.4 million	123 million	5.71 billion grading 0.62% Copper Eq*
*based on US\$1.50/lb copper, US\$600/oz gold and US\$8/oz silver.				

Notes:

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The realizable value of the mineral resource estimate may be materially affected by the inability to obtain required environmental and other regulatory approval, environmental or operating permits. The estimate may also be materially affected by global economic conditions such as the price of gold and silver, the price of oil and other commodities utilized in the production of gold and silver. Unknown geologic or hydrologic conditions or other unknown factors may also materially affect the resource estimates.

Metallurgical recoveries and net smelter returns have not yet been determined. There has been no metallurgical work done at the Sinchao Property to date. Such work is intended to be a part of planned activities contingent on funding.

Victor Jaramillo, P. Geo., of Discover Geological Consultants Inc. is an Independent Qualified Person as defined by National Instrument 43-101 and is responsible for the resource estimates shown above.

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OPERATIONS REVIEW - CONTINUED

The High Sulphidation Epithermal Zone and the Massive Sulphide Lenses remain targets for future evaluation but are lower priority. The High Sulphidation Epithermal Zone is restricted to a limited area on the westernmost side of the property, and has superimposed enargite mineralization on the predominantly chalcopyrite mineralization at the Hydrothermal Breccia and Skarn Zones. The Massive Sulphide Lenses appear to be of limited size however further exploration will be needed.

A NI 43-101 compliant resource estimate of inferred resources was completed October 30, 2008 and can be viewed at www.SEDAR.com.

OUTLOOK

The exploration program of the Sinchao Property is designed to define the size of the potential bulk tonnage, open pittable mineralization of the Hydrothermal Breccia, Epithermal and Skarn Zones. The Company is encouraged by the work accomplished to date.

Sinchao is currently operating an Acid Rock Drainage Treatment Plant to neutralize the Acid Rock Drainage ("ARD") outflow from mining done in the area by a third party. This comes from Tres Mosqueteros and Cleopatra workings. The Company has since discovered that it does not own the Cleopatra property and this has been acknowledged by the Ministry of Environment. As a result Sinchao will not be responsible for closure obligations or ongoing treatment of Cleopatra effluent.

The rainy season in Peru was particularly heavy during the first quarter of 2010, resulting in heavy ARD from the mines in the district. It is estimated that the ARD, from workings other than the old Sinchao operations, are flowing at an estimated 2-3 cubic meters per second, which is a concern to the local communities. The Company is working closely with the Government Agencies and has budgeted \$500,000 to remediate any contractual or constructive obligation it may have in relation to property that it owns that might have an ARD problem and will carry out remediation in the next four months.

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FINANCIAL REVIEW AND QUARTERLY RESULTS

A summary of selected financial information for the last eight quarterly periods is as follows:

	Three months ended			
	December 31 2011	September 30 2011	June 30 2011	March 31 2011
	\$	\$	\$	\$
Earnings and Cash Flow				
Net earnings	(167,983)	(248,282)	(187,869)	(10,380,420)
Cash from (used by) operations	(140,192)	(177,044)	(181,536)	5,501
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.15)
Capital expenditures	(91,892)	(44,791)	(74,565)	90,195
Balance Sheet				
Total assets	18,893,358	18,645,570	18,812,244	18,895,141
	December 31 2010	September 30 2010	June 30 2010	March 31 2010
	\$	\$	\$	\$
Earnings and Cash Flow				
Net earnings	(240,241)	(156,365)	(204,020)	(569,015)
Cash from (used by) operations	(262,079)	(109,161)	(236,696)	(168,909)
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.01)
Capital expenditures	(6,114)	(73,787)	(145,350)	(155,017)
Balance Sheet				
Total assets	30,100,238	29,387,040	28,706,171	30,499,651

The March 31, 2010 period has been shown under Canadian GAAP and not IFRS.

The net earnings, cash from (used by) operation and net income (loss) per share for all periods other than December 31, 2011, December 31, 2010, September 30, 2011, September 30, 2010, June 30, 2011 and June 30, 2010 have been recalculated using the average United States dollar rate against the Canadian dollar rate for the three month period.

Total assets other than December 2011, September 30, 2011, June 30, 2011, March 31, 2011 and March 31, 2010 have been recalculated using the spot United States dollar rate against the Canadian dollar rate for the period.

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FINANCIAL REVIEW AND QUARTERLY RESULTS - CONTINUED

Three and Nine months Ended December 31, 2011 compared to the Three and Nine months Ended December 31, 2010

For the three months ended December 31, 2011, the Company recorded a net loss of \$167,983 or \$0.00 loss per share and \$240,241 or \$0.00 loss per share for the same period in 2010. For the nine months ended December 31, 2011, the Company recorded a \$604,134 net loss or \$0.01 loss per share compared to a net loss of \$600,626 or \$0.01 loss per share for the same period in 2010.

For the nine months ended December 31, 2011 an amount of \$312,281 was charged by Andean for services provided by Andean to the Company compared to \$364,753 for the same period in 2010.

General and administrative expenses

General and administrative expenses for the three and nine months ended December 31, 2011 were \$100,530 and \$319,846 compared to \$184,487 and \$365,090 for the same period during 2010. Included in the administrative and management services for 2011 and 2010 are \$312,281 and \$364,753 respectively, which are for services provided by the Andean to Sinchao.

	Three Months Ended December 31		Nine Months Ended December 31	
	2011	2010	2011	2010
Administrative and management services	\$ 100,530	\$ 184,487	\$ 319,846	\$ 365,090
Professional fees	47,470	22,772	185,396	85,687
Directors fees	7,332	-	22,760	-
Office rent, salaries and sundry	-	337	-	2,788
Regulatory and transfer agent	8,944	1,783	12,652	5,352
Travel and accommodation	-	4,397	-	6,328
	\$ 164,276	\$ 213,776	\$ 540,654	\$ 465,245

Depreciation

Depreciation expenses for the three and nine months ended December 31, 2011 were \$3,875 and \$11,770 compared to \$3,940 and \$11,864 for the same period in 2010.

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FINANCIAL REVIEW AND QUARTERLY RESULTS - CONTINUED

Foreign exchange loss (gain)

Foreign exchange loss (gain) for the three and nine months ended December 31, 2011 were \$Nil and \$240 compared to \$4,192 and (\$36,667) for the same period in 2010. At December 31, 2011 the United States dollar against the Canadian dollar was 0.9833 and at December 31, 2010 was 1.0054 resulting in a 2.2% decrease in the United States dollar. These gains and losses are a result of fluctuations in the various currencies, and any exchange gain or loss that arises on translation is included in the determination of net loss for the period. As at December 31, 2011 the Company holds its cash and cash equivalents in United States dollars, Canadian dollars and Peruvian New Soles, representing the near term operating costs to be incurred in Peru. With the volatility of the United States dollar we might expect to see more (gains)/losses during the remaining part of the year.

Income and Resource Taxes

The Company is subject to income taxes in Canada with a blended statutory income tax rate of 28.53%. The Company's operating subsidiary, Minera Sinchao, is subject to relevant income tax laws applicable in Peru with the statutory income tax rate at 30%.

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, LIQUIDITY AND GOING CONCERN

Operating Cash Flow

Nine months Ended December 31, 2011 compared to the Nine months Ended December 31, 2010

Cash provided from (used by) operations in the nine months ended December 31, 2011 was (\$498,772) compared to (\$607,946) for the same period in 2010.

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FINANCIAL POSITION, LIQUIDITY AND GOING CONCERN - CONTINUED

Investing Activities

Capital expenditures for the nine months ended December 31, 2011 amounted to \$211,248 compared to \$225,251 for the same period during 2010. Most of the amounts in 2010 and 2011 relate to deferred exploration costs and costs associated with keeping the mineral properties in good standing.

Financing Activities

During the nine months ended December 31, 2011, the Company issued 58,333 common shares from the exercise of options for proceeds of \$12,057 or CAD\$11,667, 8,888,889 common shares at a price of CAD\$0.09 for proceeds of CAD\$800,000 or \$765,748 and 2,222,222 common shares were issued for cash proceeds of \$198,560. During the same period in 2010, the Company issued 50,000 common shares for proceeds of \$7,215.

Going Concern

At December 31, 2011, the Company had a working capital deficit of \$1,206,247 (March 31, 2011 – \$1,502,011). This included an available cash balance of \$180,399 (March 31, 2011 - \$70,630). As at December 31, 2011 the net amount due to Andean from the Company was \$729,236.

The Company is in the process of evaluating its mineral properties in Peru. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral properties and related deferred costs are entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amount shown as mineral properties and deferred exploration costs represents net costs to date and does not necessarily represent present or future values.

These interim consolidated financial statements have been prepared under the going concern assumption, and that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has incurred a net loss of \$604,134 for the nine months ended December 31, 2011 (December 31, 2010 - \$600,626).

These conditions cast significant doubt about the Company's ability to continue as a going concern. The Company is dependent upon the continuing support of its major shareholder, Andean American Gold Corp., ("Andean") and/or obtaining additional financing to meet its obligations.

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FINANCIAL POSITION, LIQUIDITY AND GOING CONCERN - CONTINUED

Failure to arrange adequate financing on acceptable terms would have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going-concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the consolidated financial statements. Such adjustments could be material.

The Company continues to keep costs where possible to a minimum in order 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.

Capital Resources

As at December 31, 2011, Sinchao had cash of \$180,399. Sinchao currently has no consistent source of income and no immediate cash flow from its operations. Sinchao receives cash for use in operations from issuing common shares and investment income. There is no guarantee that this will continue to be available, however management has no reason to expect that this will diminish in the near future.

A potential source of additional capital would be the exercise of options or warrants. As at December 31, 2011, Sinchao has issued and outstanding options and warrants as below. If all these options and warrants were exercised the Company would receive proceeds of CAD\$435,600 and CAD\$266,667 respectively.

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Outstanding Stock Options at December 31, 2011			
No. of Options	Option Price	Expiry Date	Potential Proceeds
900,000	\$0.15	Oct 7-13	135,000
600,000	\$0.17	Nov 16-14	102,000
470,000	\$0.20	Sept 13-15	94,000
150,000	\$0.15	Oct 2-13	22,500
100,000	\$0.19	May 13-15	19,000
100,000	\$0.07	Sep 15-16	7,000
85,000	\$0.66	Oct 29-12	56,100
2,405,000		CAD	435,600

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CAPITAL RESOURCES - CONTINUED

SINCHAO METALS CORP.
Outstanding Warrants at December 31, 2011

No. of Warrants	Warrant Price	Expiry Date	Potential Proceeds
2,222,222	\$0.12	Sep 30-16	266,667
2,222,222			CAD 266,667

SUBSEQUENT EVENTS

On February 9, 2012, the Company announced that it has appointed Scott Wilson of Scott E. Wilson Consulting, Inc. to undertake an independent review of the Company's previously announced mineral resources on the Sinchao Property and to prepare a revised National Instrument 43-101 compliant technical report on the Property.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

At December 31, 2011, the Company had no commitments or contractual obligations.

COMPENSATION OF KEY MANAGEMENT

	9 months ended December 31, 2011	9 months ended December 31, 2010
Salaries, consulting fees and director fees	\$ 80,529	\$ 28,695
Stock-based compensation	24,482	70,397
Total compensation of key management	\$ 105,011	\$ 99,092

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the periods ended December 31, 2011 and 2010.

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RELATED PARTY TRANSACTIONS

Transactions with related parties are as follows:

<u>Related Party</u>	<u>Nature of transactions</u>		
Andean American Gold Corp (i)	Office rent and administrative expenses		
Invicta Mining Corp (ii)	Office rent		
(i) Parent Company			
(ii) Subsidiary of Parent Company			
	December 31, 2011	March 31, 2011	April 1, 2010
Due to Andean American Gold Corp	\$ 337,229	\$ 735,309	\$ 1,001,895
Due to Invicta Mining	392,007	178,848	-
	<u>\$ 729,236</u>	<u>\$ 914,157</u>	<u>\$ 1,001,895</u>

The balances due to related parties are unsecured, non-interest bearing and have no specific terms for repayment.

- (b) During the nine months ended December 31, 2011, the Company accrued or paid to Andean and its subsidiaries \$312,281 (December 31, 2010 - \$364,753) for administrative services.
- (c) During the nine months ended December 31, 2011, Andean and its subsidiaries advanced \$327,879 to the Company (December 31, 2010 - \$474,201).
- (d) During the nine months ended December 31, 2011, the Company settled debt of \$770,800 (December 31, 2010 - \$751,456) to Andean through the issuance of 8,888,889 common shares.

The foregoing related party transactions are recorded at their exchange amount, which is the amount of consideration paid or received as established and agreed to between the related parties.

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FINANCIAL INSTRUMENTS

The Company's financial instruments are classified into the following categories and the following table shows their carrying values.

	December 31, 2011	March 31, 2011	April 1, 2010
Loans and receivables (i)	207,477	102,921	1,021,095
Financial liabilities amortized at cost	184,700	197,279	409,558
Loans payable	729,236	914,157	1,001,895
(i) Consists of:			
Cash and cash equivalents - US Currency	18,049	30,561	22,515
Cash and cash equivalents - CDN Currency	162,350	40,069	981,109
Accounts receivable	27,078	32,291	17,471

The Company is exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and commodity price risk.

(a) Currency risk

The Company's financial assets and liabilities consist of cash and cash equivalents, accounts receivable and accounts payable, some of which are denominated in US dollars. The Company is exposed to financial gain or loss as a result of foreign exchange movements by the Canadian dollar against the US dollar.

In addition to costs denominated in US dollars, the Company also incurs certain general and administrative costs denominated in Canadian dollars. Accordingly, the Company's general and administrative costs are affected by changes in the foreign exchange rate of the Canadian dollar against the US dollar. The Company has elected not to hedge its exposure to fluctuations in the Canadian dollar by buying fixed rate forward contracts in Canadian dollars.

The Company was exposed to currency risk through the following assets and liabilities denominated in Canadian dollars:

	December 31, 2011 (USD\$)	March 31, 2011 (USD\$)	April 1, 2010 (USD\$)
Cash and cash equivalents	18,049	25,051	18,757
Accounts receivable	10,100	11,678	12,010
Accounts payable and accrued liabilities	(92,594)	(105,738)	(231,965)

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FINANCIAL INSTRUMENTS - CONTINUED

Based on the net exposure in the preceding table as at December 31, 2011, and assuming that all other variables remain constant, a 10% appreciation of depreciation of the Canadian dollar against the US dollar would result in an increase/decrease of \$6,400 in the Company's net income (loss).

(b) Credit risk

The Company's cash and cash equivalents are held in Canadian financial institutions in Canada and Peru. The Company does not have any asset-backed commercial paper in its cash and cash equivalents. The Company's amount receivable consists primarily of goods and services tax due from the federal government of Canada. The Company's maximum credit risk exposure is considered to be represented by the amounts shown in the balance sheet.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk of fluctuations in interest rates is not significant to the Company.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period, and may be less than the book value in the financial statements due to the credit risk of the Company.

At December 31, 2011, the Company did not have any commitments.

Additional information relating to liquidity risk is disclosed in note 1 of the interim consolidated financial statements.

(e) Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of base and precious metals. At this time the Company does not generate sales and so financial results are not impacted by commodity prices. The Company closely monitors gold and fuel prices to determine the appropriate course of action to be taken by the Company.

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MANAGEMENT REPORTING

Management's Responsibility for Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of the Company are the responsibility of management. The unaudited interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and include certain estimates that reflect management's best judgments. Financial information reflected in this Management's Discussion and Analysis is consistent with these financial statements.

The Company's Board of Directors has approved the information contained in the unaudited consolidated financial statements and this Management's Discussion and Analysis. The Board of Directors fulfills its responsibility regarding the financial statements mainly through its Audit Committee, which has a written mandate which complies with the current requirements of Canadian securities legislation. The Audit Committee meets at least on a quarterly basis.

DISCLOSURE CONTROLS AND PROCEDURES

Management has evaluated the effectiveness of our disclosure controls and procedures and has concluded that, based on our evaluation, they are sufficiently effective as of December 31, 2011, to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

Pursuant to Multilateral Instrument 52-109 management has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2011, and found them to meet required standards. A system of internal control is maintained by management to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable. The Board of Directors approves the financial statements and ensures that management discharges its financial responsibilities. The Board's review is accomplished principally through the audit committee, which meets periodically with management and auditors to review financial reporting and control matters. From time to time the Board may also form special sub-committees, which must investigate and report to the Board on specific topics.

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CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The accounting policies as set out in Note 3 have been applied in preparing the interim consolidated financial statements for the nine months ended December 31, 2011, the comparative information presented for both the nine months ended December 31, 2010 and year ended March 31, 2011 and in the preparation of an opening IFRS statement of financial position as at April 1, 2010 (the date of transition to IFRS).

The Company has adopted IFRS on April 1, 2011 with a transition date of April 1, 2010. Under IFRS 1 First-time Adoption of International Financial Reporting Standards, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings. IFRS 1 provides for certain exemptions to be applied on transition to IFRS. The Company has elected to apply the following exemptions which are considered significant to the Company:

Business Combinations

IFRS 1 indicated that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply the requirements of IFRS 3, Business Combinations prospectively from April 1, 2010.

Cumulative translation adjustment

Cumulative translation differences for all operations with a functional currency other than the Canadian dollar was deemed zero at transition.

Share-based payment transactions

IFRS 1 permits the Company not to have to apply IFRS 2, Share-based Payments, to equity instruments that had fully vested by the Transition Date. Adopting this standard did not require any restatement of balances under the Company's transition to IFRS.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in its financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in Note 14 of the interim consolidated financial statements for the first quarter ending June 30, 2011.

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CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION-CONTINUED

The Company has changed certain accounting policies to be consistent with IFRS. The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

a) Exploration and evaluation assets

IFRS April 1, 2010 opening balance sheet ("OBS"): Under Canadian GAAP, the Company was required to record a deferred income tax liability on costs incurred on the exploration and evaluation assets that had no tax basis. Under IFRS these deferred income tax liabilities are not required and are therefore reversed from exploration and evaluation assets and deferred income tax liability. This adjustment impacted April 1, 2010, December 31, 2010 and March 31, 2011.

b) Functional currency

Under IFRS, the framework used to determine the functional currency is similar to that used to determine the currency of measurement under Canadian GAAP; however, under IAS 21, the effects of Changes in Foreign Exchange Rates, the indicators of determining the functional currency are broken down into primary and secondary indicators when determining functional currency. Primary indicators are closely linked to the primary economic environment in which the entity operates and are given more weight. Secondary indicators provide supporting evidence to determine an entity's functional currency. As a result of this difference, management has concluded that the most appropriate functional currency of the parent company is the Canadian dollar; however, substantially all of its subsidiaries are the US dollar. Historically, the currency of measurement of the company was the Canadian dollar and all subsidiaries were considered integrated operations and accordingly, their currency of measurement was the Canadian dollar. The Company has made the presentation currency the US dollar.

Accordingly, all non-monetary assets and liabilities have been converted at their respective historical dates. In addition, in accordance with IFRS 1, the Company has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations and the effects of the different functional currency described above, to zero at the date of transition to IFRS.

c) Warrants

IFRS April 1, 2010 OBS: Under Canadian GAAP, the Company was required to record a fair value on warrants issued as part of a unit in a private placement which was recorded in contributed surplus until such time as the warrant was exercised and then moved to share capital. Under IFRS warrants that expire are required to be removed from contributed surplus into share capital. This adjustment impacted April 1, 2010, December 31, 2010 and March 31, 2011.

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CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION - CONTINUED

d) Statement of Cash Flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the interim consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, particularly mineral properties, and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the period. Significant areas that require the use of estimates include the assessment of valuation and impairment of non-financial assets, estimation of the decommissioning liabilities, valuation of share-based compensation. Actual results could differ from those estimates.

The accounting policies set out in the financial statements have been applied consistently to all periods presented in the interim consolidated financial statements and in preparing the opening IFRS statement of financial position as at April 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

(i) Exploration and evaluation assets

The carrying value of the Company's mineral property is reviewed by management quarterly, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, the carrying value will be written down to the estimated fair value. Estimated fair value is normally calculated using discounted cash flow projections.

(ii) Provision for reclamation and closure costs

The provision for reclamation and closure costs is reviewed by management quarterly, or whenever events or circumstances indicate that the Company may have an obligation. Management relies on external reports from engineers to ensure that the estimate is reasonable.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES - CONTINUED

(ii) Stock options and broker warrants

Stock option pricing and broker warrant valuation models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period, or the fair value of the Company's broker warrants at their date of issue.

ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

In November 2009, the IASB used IFRS 9, Financial Instruments, which becomes effective for annual periods beginning on or after April 1, 2015.

In May 2011, the IASB issued the following standards: IFRS 10, Consolidated Financial Statements ("IFRS 10"), IFRS 11, Joint Arrangements ("IFRS 11"), IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"), IAS 27, Separate Financial Statements ("IAS 27"), IFRS 13, Fair Value Measurement ("IFRS 13"), and amended IAS 28, Investments in Associates and Joint Ventures ("IAS 28"). Each of the new standards is effective for annual periods beginning on or after April 1, 2013 with early adoption permitted.

IFRS 9 – Financial Instruments

IFRS 9 was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated as fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted.

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ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE – CONTINUED

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation – Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements.

IFRS 11 – Joint Arrangements

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for the fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

The Company has not yet assessed the impact of these new standards.

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UNCERTAINTIES AND RISK FACTORS

The mining business is inherently risky in nature. Exploration activities rely on professional judgments and statistically based tests and calculations and often yield few rewarding results. Mineral properties are often non-productive for reasons that cannot be anticipated in advance and operations may be subject to risks including labour disputes, environmental hazards, safety issues, geological issues, weather conditions, and changing regulatory requirements, as examples. Sinchao is subject to competitive risk as its ability to finance its activities and generate profitable operations or proceeds from disposal of assets are subject to the world price for the precious metals and the economic forces that influence capital markets. As a result the securities of Sinchao must be considered speculative. A prospective investor in Sinchao should carefully consider the following factors.

Exploration and Development

Exploration for gold, copper and other minerals is highly speculative in nature, involves many risks and frequently is unsuccessful. There can be no assurance that exploration efforts will result in the discovery of mineralization or that any mineralization discovered will result in the definition reserves. If reserves are developed, it may take a number of years and substantial expenditures from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. No assurance can be given that exploration programs will result in the definition of reserves or that reserves may be economically mined.

The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors, which are beyond the control of the Company.

All exploration and development evaluation expenditures incurred in Sinchao, prior to establishing that a property has economically recoverable reserves, are capitalized.

Operating Hazards and Risks

Mineral exploration and mining involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The work that the Company proposes to undertake will be subject to all the hazards and risks normally incidental to exploration, development and production, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, explosions and cave-ins, are all the risks involved in the operation of mines and the conduct of exploration programs. Although the Company has secured liability insurance and will, when appropriate, secure property insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs or uninsured losses that could have a material adverse effect upon its financial condition.

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Regulations and Mining Law

Mining operations and exploration activities are subject to extensive local and foreign laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, protection and remediation of the environment, reclamation, mine safety, toxic substances and other matters. Compliance with such laws and regulations increases the costs of planning, designing, developing, constructing, operating and closing mines and other facilities. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the Company would not proceed with or would postpone the development and operation of a mine or mines.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which they operate. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Sinchao's operations or result in substantial costs and liabilities in the future.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions. There can be no assurance that Andean will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Title to Assets

On February 7, 2011, Sinchao announced that it had conducted a review of its properties earlier this year and determined that title to the claims of four of the properties comprising the Sinchao Project were not properly transferred to a subsidiary of Andean, the party that had purported to transfer the claims to Sinchao. As a result neither Andean nor Sinchao holds any proprietary interest in the claims, which claims contain approximately 40% of the inferred resource previously disclosed by Sinchao. In addition to the four properties mentioned above, Sinchao has also determined that six other properties believed to have been acquired at the time of Sinchao's formation had lapsed and thus are not held by Sinchao. These properties are not material to Sinchao's operations. The Company has title to the remaining properties.

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Financing Risks

Sinchao has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development work or to fulfill its obligations under any applicable agreements. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development plans.

Commodity Prices

The Company's future revenues, if any, are expected to be in large part derived from the mining and sale of gold, silver, copper and other metals. The price of those commodities has fluctuated in recent years, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods. The effect of these factors on commodity prices makes it difficult to predict the economic viability of the Company's operations.

Foreign Currency Risks

The Company's future revenues, if any, may be denominated in United States dollars, while the Company operates primarily in Peru and a significant portion of the Company's operating costs and capital expenditures are denominated in the Peruvian Sole and the Canadian dollar. As a result, the Company is exposed to the currency fluctuations relative to these two currencies.

Governmental Regulation

Exploration, development and mining of the properties will be affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law; (iii) restrictions on production; price controls; and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are required in connection with the exploration activities proposed for the properties. To the extent such approvals are required and not obtained, the Company's planned exploration, development and production activities may be delayed, curtailed, or cancelled entirely.

Failure to comply with applicable laws, regulations and requirements may result in enforcement action against the Company, including orders calling for the curtailment or termination of operations on the properties, or calling for corrective or remedial measures requiring considerable capital investment. Parties engaged in mineral exploration and mining activities may be subject to civil and criminal liability as a result of failure to comply with applicable laws and regulations.

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Governmental Regulation - continued

Amendments to current laws, regulations and permitting requirements affecting mineral exploration and mining activities could have a material adverse impact on the Company's operations and prospects.

No Dividends

Sinchao has not paid any dividends on its Common Shares during the past five years. Any decision to pay dividends on its shares in the future will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the board of directors of the Company may consider appropriate in the circumstances.

Dependence on Key Employees

Sinchao's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. Sinchao is highly dependent on the principal members of its senior management group and the loss of their services might impede Sinchao's business strategy and growth. The loss of one or more key employees could have an adverse effect on the growth and profitability of Sinchao.

Conflicts Of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or may have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

Competition

The mineral industry is intensely competitive in all its phases. Sinchao competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

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Share Price Fluctuations

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price which would have not necessarily been related to the operating performance, underlying asset values or prospect of such companies. There can be no assurance that continual fluctuation in share price will not occur.

OUTSTANDING SHARE DATA

Undiluted and diluted common shares outstanding as at February 13, 2012	
Common shares	86,497,244
Shares issuable on exercise of options	2,405,000
Shares issuable on exercise of warrants	2,222,222
Fully diluted shares outstanding as at February 13, 2012	91,124,466

GENERAL

All pertinent information on the Company is available on SEDAR at www.sedar.com.

INDEMNITIES

No director or officer of the Company shall be held responsible for any losses or damages sustained by the Company while in the execution of the duties of his office save if such resulted from his gross negligence or willful omission, or if he has not acted with honesty and in good faith. The Company shall fully indemnify and save harmless all directors and officers from any and all losses or damages they may sustain while in the execution of the duties of their office save if such resulted from their gross negligence or willful omission or if they did not act with honesty and in good faith. The Company maintains insurance policies that may provide coverage against certain claims.

QUALIFIED PERSON

Mr. Andrew Gourlay, P. Geol., former President of Sinchao Metals Corp., is a Qualified Person as defined by National Instrument 43-101 with the ability and authority to verify the authenticity and validity of the technical and scientific data. Mr. Gourlay has verified the technical and scientific data disclosed in this document including sampling, analytical and test data underlying the information.

Victor Jaramillo, P. Geo., of Discover Geological Consultants Inc. is an Independent Qualified Person as defined by National Instrument 43-101 and is responsible for the resource estimates.