



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2010**

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

TABLE OF CONTENTS

	PAGE
Selected Annual Financial Information	3
Cautionary Note on Forward Looking Statements	3
Company's Future.....	4
Overview	4
Operations Review.....	4
Outlook	5
Financial Review and summary of quarterly results	6
Financial Position and Liquidity	7
Subsequent Events	9
Commitments and Contractual Obligations	9
Related Party Transactions	9
Financial Instruments	9
Management Reporting	11
Critical Accounting Estimates	11
Changes in Accounting Policies including Initial Adoption	12
Uncertainties and Risk Factors	17
Outstanding Share Data.....	21
General	21
Indemnities	21
Qualified Person	21

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

This Management's Discussion and Analysis ("MD&A") provides a review of the results of operations 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 nine months ended December 31, 2010. Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All dollar figures included therein and in the following MD&A are quoted in Canadian dollars unless otherwise specified. The following MD&A is prepared as of February 14, 2011. Additional information relevant to the Company's activities 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 audited consolidated financial information that should be read in conjunction with the consolidated financial statements of the Company.

	March 31 2010	March 31 2009
Loss before interest, amortization, income taxes, and other	605,270	677,459 (i)
Loss before income tax	807,826	1,341,685
Net loss per share	0.01	0.02
Working capital (deficit)	(781,582)	(450,731) (i)
Total assets	32,463,297	31,037,756
Long-term liabilities	460,413	488,253

- (i) These are non-gaap measures used by management. Working capital is current assets less current liabilities.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

When used in this document, words such as 'estimate', 'expect', 'anticipate', 'believe' and similar expressions are intended to identify forward-looking statements. Such statements are used to describe management's future plans, objects, and goals for Sinchao and therefore involve inherent risks and uncertainties.

Shareholders and prospective investors should be aware that the financial statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risk and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Sinchao undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or such factors which affect this information, except as required by law.

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

COMPANY'S FUTURE

Only 15% of the geological targets on the Sinchao Property have been drill tested and the Company, depending on its ability to raise additional cash, plans to complete a recommended 5,000m drill program with the goal of increasing the inferred resources.

OVERVIEW

Sinchao Metals Corp. was incorporated on March 15, 2006 under the Business Corporations Act of Alberta. Through its 100% owned subsidiary, Corporacion Minera Sinchao S.A.C. ("Minera Sinchao"), the Company's principal business is the exploration of mineral properties located in Peru.

Sinchao is a Canadian-based exploration and development company. The Company is a subsidiary of Andean American Gold Corp., ("Andean"), formerly Andean American Mining Corp., which owns 60.13% of the outstanding shares. The Company's principal business is the exploration of mineral properties located in Peru. This South American nation has a long tradition of mining and infrastructure to support the mining industry.

The Company is exploring its Sinchao property and the proposed drill program is seeking to define the size of the potential bulk tonnage, open pittable mineralization of the Breccia and Skarn zones.

The Company is registered under the Business Corporation Act of British Columbia and trades on the TSX Venture Exchange under the symbol "SMZ".

OPERATIONS REVIEW

The Sinchao mineral properties (the "Sinchao Project") 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 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.

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. From 1998 to 2005, Andean, then owner of the Sinchao Property, consolidated its land position, and in 2005 acquired 21 hectares contiguous with the existing Sinchao Property to complete its land acquisitions. The Sinchao mineral properties (the "Sinchao Project") are located within the Yanacocha-Hualgayoc mining district in the department of Cajamarca, Northern Peru.

The Sinchao Project is comprised of four exploration rights, covering approximately 1,300 hectares. In June 2006, Andean American Gold Corp ("Andean") completed the transfer of its wholly owned subsidiary, Corporacion Minera Sinchao, holder of the Sinchao Property, to Sinchao Metals Corp.

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

On February 7, 2011, Andean announced that, during a recent review of the properties held by Sinchao Metals Corp., it has become apparent that four of the property claims comprising the Sinchao Project, which were the subject of a title opinion rendered at the time of Sinchao's formation in 2006, were not properly registered and as a result of this property review, Sinchao has determined that it may not have valid ownership of the properties in question and Sinchao is taking immediate steps to remedy the deficiencies in title, however, at this early stage there are no assurances that these steps will be successful.

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 the Company's formation had previously lapsed and thus are not held by Sinchao. These properties are not material to Sinchao's operations.

During 2006 the Sinchao Project was geologically mapped in detail and 3D Induced Polarization and expanded ground magnetic surveys were completed. The geophysical surveys have identified new targets with signatures that are comparable to known mineralization. Additional mapping and sampling of the high grade zinc mineralization in 2006 comprised sixty-four grab samples over a length of approximately 1,500 metres, which returned average values of 14.27% zinc, 2.4% lead, 1.87 g/t gold, 85.0 g/t silver and 1.40% copper.

Drill hole SDH-26, the first hole of the 2007 drill program at the Skarn Zone, intersected 10.25 metres grading 2.34% copper, 0.81 g/t gold and 26.4 g/t silver within a broader zone of 32.0 metres grading 0.78% copper, 0.30 g/t gold and 11.1 g/t silver. Eight areas returned elevated gold-silver-copper-lead-zinc mineralization over an area of approximately 400 metres by 400 metres.

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 2008 drill program 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 Hydrothermal Breccia and Skarn Zones, and remains open in all directions. 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 pitminable mineralization of the Hydrothermal Breccia, Epithermal and Skarn Zones. The Company is encouraged by the work accomplished to date, in particular, the success of the 2008 drill program which was the basis for an estimation of inferred resources.

Only 15% of the geological targets on the Sinchao Property have been drill tested. An additional drill program of approximately 5,000m has been recommended in order to test the extensions of the Breccia Zone to the northwest and the Skarn Zone to the southeast. An additional 15,000 metres of drilling, contingent on the results of this drilling, has also been budgeted. The objectives of the planned drilling will be to increase the inferred resource and collect representative samples for metallurgical studies. Strategic partners may be involved.

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

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, known as the old Cleopatra workings. Inflow is treated to have the desired effect of 6.8 PH outflow.

The rainy season in Peru was particularly strong during the first quarter of 2010, resulting in heavy ARD from the mines in the district. It is estimated that the ARD (not old Sinchao workings) 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 USD\$500,000 to remediate the problem in the next twelve months depending on the availability of funds.

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 2010	September 30 2010	June 30 2010	March 31 2010
	\$	\$	\$	\$
Earnings and Cash Flow				
Net earnings	(243,412)	(162,531)	(209,804)	(620,738)
Cash from (used by) operations	15,587	54,424	(880,749)	(184,178)
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.010)
Net capital expenditures	(38,564)	(74,103)	(132,323)	(169,030)
Balance Sheet				
Total assets	31,558,173	31,559,222	31,558,969	32,463,697
	December 31 2009	September 30 2009	June 30 2009	March 31 2009
	\$	\$	\$	\$
Earnings and Cash Flow				
Net earnings	(258,114)	(131,730)	202,756	(747,277)
Cash from (used by) operations	296,369	57,025	110,393	53,557
Net income (loss) per share	(0.00)	(0.00)	0.00	(0.02)
Net capital expenditures	(301,284)	(35,818)	(110,693)	(99,589)
Balance Sheet				
Total assets	31,276,627	31,289,160	31,343,921	31,037,756

Three and Nine Months Ended December 31, 2010 compared to the Three and Nine Months Ended December 31, 2009

For the three and nine months ended December 31, 2010, the Company recorded a net loss of \$243,412 or \$0.00 loss per share and \$615,747 or \$0.01 loss per share compared to \$258,114 or \$0.00 loss per share and \$187,091 or \$0.00 loss per share for the same period in 2009. The increase

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

in the net loss in the current quarter compared with the previous comparative quarter was due to decrease in foreign exchange gain.

For the three and nine months ended December 31, 2010 an amount of \$187,047 and \$373,844 was charged by Andean compared to \$98,598 and \$285,395 for the same period in 2009.

Income and Resource Taxes

The Company is subject to income taxes in Canada with a blended statutory income tax rate of 29.75%. 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 AND LIQUIDITY

Operating Cash Flow

Three and Nine Months Ended December 31, 2010 compared to the Three and Nine Months Ended December 31, 2009

Cash provided from (used by) operations in the three and nine months ended December 31, 2010 was \$15,587 and \$23,471 compared to \$296,369 and \$463,787 for the same period in 2009. The increase in cash outflow was mainly due to a repayment of related party loans.

Investing Activities

Three and Nine Months Ended December 31, 2010 compared to the Three and Nine Months Ended December 31, 2009

Capital expenditures for the three and nine months ended December 31, 2010 amounted to \$38,564 and \$244,990 compared to \$301,284 and \$447,795 for the same period during 2009. Most of the amounts in 2009 relate to deferred exploration costs.

Financing Activities

Three and Nine Months Ended December 31, 2010 compared to the Three and Nine Months Ended December 31, 2009

During the three and nine months ended December 31, 2010 the Company issued 50,000 common shares from the exercise of options for proceeds of \$7,500, and for the same period in 2009, the Company did not issue any common shares.

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

During the nine months ended September 30, 2010 the Company repaid \$800,000 to Andean American Gold Corp.

Cash Resources and Liquidity

At December 31, 2010 the Company had a working capital deficit of \$1,498,416 (March 31, 2010 – \$781,582). This included an available cash balance of \$9,501 (March 31, 2010 - \$1,019,481). As at December 31, 2010 the net amount due to Andean from the Company is \$720,727.

The Company is in the process of exploring and 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 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 \$615,747 for the nine months ended December 31, 2010 (December 31, 2009 - \$187,091).

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 and/or 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. The doubts surrounding tenure present a challenging funding environment and, together with the low price of the Company's common shares, make it difficult to raise funds by private placements of shares at this time.

Failure to arrange adequate financing on acceptable terms and to achieve profitability 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, if any 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 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.

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

SUBSEQUENT EVENTS

There have been no subsequent events.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

At December 31, 2010 the Company had no commitments or contractual obligations

RELATED PARTY TRANSACTIONS

Transactions with related parties are recorded at the exchange amount, which is the amount of consideration agreed upon between the parties.

- (a) During the nine months ended December 31, 2010 the Company repaid a Bridge Loan Agreement with Andean for \$800,000. At December 31, 2010 the Company owed to Andean \$720,727.
- (b) During the three months ended December 31, 2010, the Company paid or accrued to Andean, and its subsidiaries \$187,047 (2009 - \$98,598) for administrative services including a 100% mark-up in accordance with the Share Exchange Agreement.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and amounts due to related parties. For cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities and loans payable, carrying value is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, foreign exchange, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

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

Currency risk

The Company's property interests in Peru make it subject to foreign currency fluctuations (Peruvian Soles and US Dollar) and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks.

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

The Company is exposed to foreign currency fluctuations to the extent cash, accounts receivable and accounts payable and accrued liabilities of the Company are not denominated in Canadian dollars. As at December 31, 2010 the Company had \$855 of cash denominated in US dollars (March 31, 2010 - \$18,886); and 3,311 in Peruvian Soles (March 31, 2010 - 10,769). As at December 31, 2010, there were \$10,000 of accounts receivable denominated in US dollars (March 31, 2010 - \$171,310); and 2,127,987 in Peruvian Soles (March 31, 2010 - 2,101,152). As at December 31, 2010 there were \$33,936 of liabilities denominated in US dollars (March 31, 2010 - \$231,965); and 149,644 in Peruvian Soles (March 31, 2010 - 202,363). These liabilities were included in accounts payable and accrued liabilities.

Credit risk

The Company's cash and cash equivalents are held in Canadian and Peruvian financial institutions (Peruvian Soles and US dollars). 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 and prepaid tax from the Peruvian Government. The Company's maximum credit risk exposure is considered to be represented by the amounts shown in the balance sheet.

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.

At December 31, 2010 the Company did not have any commitments.

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

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. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

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 gold. The Company has not hedged any of its future gold sales. The Company's input costs are also affected by the price of fuel. The Company closely monitors gold and fuel prices to determine the appropriate course of action to

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

be taken by the Company. At this time the Company does not generate sales and so financial results are not impacted by commodity prices.

MANAGEMENT REPORTING

Management's Responsibility for Consolidated Financial Statements

The accompanying unaudited consolidated financial statements of the Company are the responsibility of management. The unaudited consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles 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 interim consolidated financial statements and this Management's Discussion and Analysis. The Board of Directors fills 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.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred expenditures, asset retirement obligations, the value of stock-based compensation and the allocation of purchase prices for business acquisitions. All of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates of when stock options and compensation warrants might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors including the market value of the Company's share and financial objectives of the stock-based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Scholes model; however, the future volatility is uncertain and the model has its limitations.

The Company's recoverability of the carrying value of its mineral properties and property, plant and equipment and asset retirement obligations is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by disposition of the properties. The fair value of these items is subjective and is based on management's best estimate incorporating the use of internal and external expertise.

Sinchao is in an industry that is dependent on a number of factors, including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Company and its subsidiaries to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Sinchao's accounts are stated using Canadian GAAP. The Company's accounting policies have not changed during 2010 and no future changes are contemplated except as may be required to conform to future changes in Canadian GAAP.

Future accounting change:

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.

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.

International Financial Reporting Standards ('IFRS')

In January 2006, the CICA's Accounting Standards Board ('AcSB') formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will assess the impact of the transition to IFRS and will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

Impact of International Financial Reporting Standards

For reporting periods beginning on or after January 1, 2011, the Company must comply with the AcSB that have been revised to satisfy the requirements of IFRS as issued by the International Accounting Standards Board.

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

Management of IFRS implementation

Sinchao is a junior company with a small accounting staff. The VP Finance and Chief Financial Officer and the Corporate Controller will manage the conversion and report regularly to the Audit Committee. The implementation of IFRS consists of three phases:

- (i) Scoping and impact analysis-* Project scoping and impact analysis was completed as at June 30, 2010 and produced a high level view of potential differences to existing accounting and reporting policies and consequential changes to information systems and business processes.
- (ii) Evaluation and design phase-* This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content. The evaluation phase commenced in 2010 and the Company will continue to evaluate the impact of IFRS through to implementation.
- (iii) Implementation and review phase-* The implementation and review phase has commenced and includes training programs for all finance staff, execution of changes to information systems and business processes, and completing formal authorization processes to approve recommended accounting policy changes. It will culminate in the collection of financial information necessary to compile IFRS compliant financial statements, embedding of IFRS in business processes, elimination of unnecessary data collection processes and Board approval of IFRS financial statements. Implementation also involves delivery of further training to staff as systems begin to take effect.

Key differences in accounting policies

This financial report has been prepared in accordance with Canadian GAAP. The differences between Canadian GAAP and IFRS identified to date as potentially having a significant effect on Andean's financial performance and financial position are in the process of being reviewed.

During the nine months ended December 31, 2010, the Company has not quantified the effects of the differences between Canadian GAAP and IFRS, but has established that there will be differences related to stock-based compensation, and potentially long term liabilities. The Company will continue to assess the impact and will provide more detail during the coming quarters.

The regulatory bodies that promulgate Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's financial reports in future years. The future impact of IFRS will also depend on the particular circumstances prevailing in those years.

The summary in Table 1, should not be considered as a complete and final list of the changes that will result from the transition to IFRS as the Company intends to maintain a current and proactive approach based on changes in circumstances and no final determinations have been made. In addition, the accounting bodies responsible for issuing Canadian and IFRS accounting standards have significant ongoing projects that could impact the Company's financial statements as at 1

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

January 2011 and in subsequent years, including projects regarding financial instruments and joint venture accounting. In addition, there is an extractive industries project currently underway that will lead to more definitive guidance on the accounting for exploration and evaluation expenditures, although this is still in the discussion paper stage and may not be completed for some time. The Company is continuing to monitor the development of these projects and will assess their impact in the course of its transition process to IFRS.

Table 1. Summary of financial statements impact on transition from Canadian GAAP to IFRS.

Key Area	Canadian GAAP (as currently applied)	IFRS	Analysis and preliminary conclusions
Property, plant and equipment ("PP&E")	<p>PP&E is recorded at historical cost.</p> <p>Depreciation is based on their useful lives after due estimation of their residual values.</p>	<p>PP&E can be recorded using the cost (on transition to IFRS, the then fair value can be deemed to be the cost) or revaluation models.</p> <p>Depreciation must be based on the useful lives of each significant component within PP&E.</p>	<p>PP&E will likely continue to be recorded at their historical costs due to the complexity and resources required to determine fair values on an annual basis.</p> <p>Based on an analysis of PP&E and its significant components, the Company has determined that no change to their useful lives is warranted and, therefore, depreciation expense will continue to be calculated using the same rates under IFRS.</p>
Mineral properties	<p>Exploration, evaluation and development costs are capitalized when incurred. They are amortized on the basis of production or written off when the prospect is no longer deemed prospective or is abandoned.</p>	<p>IFRS has limited guidance with respect to these costs and currently allows exploration and evaluation costs to be either capitalized or expensed.</p>	<p>The existing accounting policy is likely to be maintained. Future income tax liabilities of \$460,413 will be reversed for IFRS purposes.</p>
Asset retirement obligations ("ARO")	<p>Canadian GAAP limits the definition of ARO to legal obligations.</p> <p>ARO is calculated using</p>	<p>IFRS defines ARO as legal or constructive obligations.</p> <p>ARO is calculated using</p>	<p>The broadening of this definition is unlikely to cause a significant change in the Company's current estimates.</p> <p>At this stage the Company does</p>

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

	<p>a current credit-adjusted, risk-free rate for upward adjustments, and the original credit-adjusted, risk-free rate for downward revisions. The original liability is not adjusted for changes in current discount rates.</p>	<p>a current pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability) and is revised every reporting period to reflect changes in assumptions or discount rates.</p> <p>IFRS requires that, on transition, the net book value of the asset related to ARO be adjusted on the basis of the ARO balance existing at inception.</p>	<p>not have an ARO that is calculated using pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability, but a provision has been made for certain remediation work, which is expected to take place within 12 months.</p> <p>The Company expects to rely on the IFRS 1 exemption which allows a company to use current estimates of future reclamation costs and current amortization rates to determine the net book value on transition to IFRS.</p>
--	---	--	---

<p>Impairment of long lived assets</p>	<p>Impairment tests of its long-term assets are considered annually based on indications of impairment.</p> <p>Impairment tests are generally done on the basis of undiscounted future cash flows.</p> <p>Write-downs to net realizable values under an impairment test are permanent changes in the carrying value of assets.</p>	<p>Impairment tests of "cash generating units" are considered annually in the presence of indications of impairment.</p> <p>Impairment tests are generally carried out using the discounted future cash flows.</p> <p>Write downs to net realizable values under an impairment test can be reversed if the conditions of impairment cease to exist.</p>	<p>Assets will continue to be grouped under the Company's various mining operations.</p> <p>Management does not believe that Impairment tests using discounted values on Sinchao's properties could generate a write downs in the future.</p> <p>Potential significant volatility in earnings could arise as a result of the difference in the treatment of write-downs.</p>
<p>Stock-based compensation</p>	<p>Stock-based compensation is determined using fair value models (e.g. Black-Scholes) for</p>	<p>Stock-based compensation is determined using fair value models for all awards. However,</p>	<p>The utilization of fair value models for cash-settled awards will change the estimate of the related liability while the awards remain outstanding</p>

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

	<p>equity-settled awards and the intrinsic model for cash-settled awards.</p> <p>The Company recognizes stock-based compensation on straight line method and updates the value of the options for forfeitures as they occur.</p>	<p>upon settlement, cash-settled awards are adjusted to the value actually realized (intrinsic model).</p> <p>Under IFRS, stock-based compensation is amortized under the graded method only. In addition, the Company is required to update its value of options for each reporting period for expected forfeitures.</p>	<p>and create greater volatility in earnings until the awards are settled.</p> <p>The Company does not expect to record an IFRS income statement and balance sheet adjustment at April 1, 2010 as it has reviewed the vesting of the options and the difference is immaterial.</p>
Income taxes	<p>There is no exemption from recognizing a deferred income tax for the initial recognition of an asset or liability in a transaction that is not a business combination. The carrying amount of the asset or liability acquired is adjusted for the amount of the deferred income tax recognized.</p> <p>All deferred income tax assets are recognized to the extent that it is "more likely than not" that the deferred income tax assets will be realized.</p>	<p>A deferred income tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit.</p> <p>A deferred tax asset is recognized if it is "probable" that it will be realized.</p>	<p>The Company does not expect the difference in recognition of deferred income tax to have any significant change in the future.</p> <p>"Probable" in this context is not defined and does not necessarily mean "more likely than not". The Company has not yet quantified the impact of this difference.</p>

The above assessment and conclusions are based on the analysis completed by the Company as of the date of this report and may be subject to change between now and April 1, 2011.

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

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.

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

Regulations and Mining Law

Mining operations and exploration activities are subject to extensive local and overseas' 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, Andean announced that, during a recent review of the properties held by Sinchao Metals Corp., it has become apparent that four of the property claims comprising the Sinchao Project, which were the subject of a title opinion rendered at the time of Sinchao's formation in 2006, were not properly registered and as a result of this property review, Sinchao has determined that it may not have valid ownership of the properties in question and Sinchao is taking immediate steps to remedy the deficiencies in title, however, at this early stage there are no assurances that these steps will be successful.

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.

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

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.

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.

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

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.

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.

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Nine Months Ended December 31, 2010

OUTSTANDING SHARE DATA

As at February 15, 2011, the following were the undiluted and fully diluted common shares outstanding:

Common shares outstanding as at February 15, 2011	76,327,800
Shares issuable on exercise of options	3,575,000
Shares issuable on exercise of warrants	-
Fully diluted shares outstanding as at February 15, 2011	79,902,800

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.