

SINCHAO METALS CORP.
Management's Discussion and Analysis
For The Three Month Periods Ended June 30, 2009

Note: The information contained herein is current to August 27, 2009.

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of the financial position and results of operations is for the three month period ending June 30, 2009 compared with the three month period ending June 30, 2008. It should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the year ended March 31, 2009. Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or at the Company's website, www.sinchaometals.com.

DESCRIPTION OF BUSINESS

Sinchao Metals Corp. is a Canadian-based exploration and development company. The Company is a subsidiary of Andean American Mining Corp., ("Andean American") which owns over 50% 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 committed to continuing the exploration of the Sinchao Property and the development of drill programs in order to define the size of the potential bulk tonnage, open pittable mineralization of the four mineralized Zones; Hydrothermal Breccia Zone, Skarn Zone, High Sulphidation Epithermal Zone and Massive Sulphide Lenses,

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 Property is located approximately 60 kilometres north of the city of Cajamarca in the district of Hualgayoc in northern Peru. The elevation of the property varies from 3,725 to 4,000 metres above sea level. Access to the property from Cajamarca 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 American, 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 Property area now totals 1,300 hectares. In September 2006, Andean American Mining Corp. completed the transfer of its wholly owned subsidiary, Corporacion Minera Sinchao, holder of the Sinchao Property, to Sinchao Metals Corp.

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. 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.

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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.

Inferred Resource estimates by cut-off:

<u>Cut-Off</u>		<u>Tonnes</u>	<u>Copper</u>	<u>Gold</u>	<u>Silver</u>
Cu %	Au 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:

<u>Tonnes</u>	<u>Copper lbs</u>	<u>Gold ozs</u>	<u>Silver ozs</u>	<u>Eq. Lbs Copper</u>
237	2.45	3.73	92	4.04
Million	Billion	Million	Million	Billion grading 0.77% Copper Eq*
416	3.3	4.4	123	5.71
Million	Billion	Million	Million	Billion grading 0.62% Copper Eq*

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

Notes:

1. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources 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 materially affect the resource estimates.
2. Metallurgical recoveries and net smelter returns have not yet been determined. There has been no metallurgical work done at the Sinchao Property to date.
3. 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.

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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.

The Company has designed and is implementing a remediation program in respect of prior and current exploration activities under an agreement with the local communities and has initiated fieldwork. Remediation of pre-existing environmental conditions is an example of one of the benefits coming to the community as a direct result of the application of responsible exploration and mining practices.

Reinterpretation of the geology has identified potential additional mineralization at the Hydrothermal Breccia and Skarn Zones and extensions to the Epithermal Zone. These zones have the geological potential to host additional resources ranging from 400 million to 1600 million tonnes, with estimated grades of 0.3% to 0.6% copper and 0.3 to 0.5 g/t gold. This is exclusive of the recently identified porphyry – style mineralization, which has not yet been evaluated.

Please note: The quantity and grade of the potential mineralization is conceptual in nature, and there has been insufficient exploration to define a mineral resource. It is uncertain if further exploration will result in the targets being delineated as mineral resources.

OUTLOOK

The exploration program of the Sinchao Property is designed to define the size of the potential bulk tonnage, open pitable mineralization of the Hydrothermal Breccia, Epithermal and Skarn Zones. The Company is highly 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 2009 drilling will be to increase the inferred resource and collect representative samples for metallurgical studies. Strategic partners may be involved.

The communities have agreed and signed formal agreements to allow the exploration program to proceed. There is an ongoing need to build continuous understanding of all stakeholders' concerns.

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SELECTED FINANCIAL INFORMATION

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

	Three months ended			
	June 30	March 31	December 31	September 30
	2009	2009	2008	2008
	\$	\$	\$	\$
Earnings and Cash Flow				
Net earnings	202,756	(923,923)	111,827	(520,919)
Cash from (used by) operations	110,393	(257,270)	(148,253)	(169,137)
Net income (loss) per share	0.00	(0.020)	0.00	(0.010)
Capital expenditures	110,693	99,589	304,833	1,529,908
Balance Sheet				
Total assets	31,037,756	31,037,756	29,575,260	29,338,247

	Three months ended			
	June 30	March 31	December 31	September 30
	2008	2008	2007	2007
	\$	\$	\$	\$
Earnings and Cash Flow				
Net earnings	(479,216)	(1,137,984)	(584,366)	(268,306)
Cash from (used by) operations	(118,010)	197,057	(1,113,961)	557,644
Net income (loss) per share	(0.010)	0.017	(0.010)	(0.005)
Capital expenditures	1,266,741	1,130,597	634,907	713,514

At June 30, 2009, the Company had negative working capital of \$584,271. This included an available cash balance of \$2,247

Results of Operations

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

For the three months ended June 30, 2009, the Company recorded a net income of \$202,756 (2008 - net loss of \$479,216) and income per share of \$0.00 (2008 - \$.01 net loss per share). The decrease in net loss in the quarter was due to the increase in foreign exchange gain, a decrease in investor relation fees, office rent, salaries and sundry, professional fees, and stock based compensation fees that were recognized in the comparative quarter.

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Administrative and Management Services

Costs incurred for administration and management for the three month periods ended June 30, 2009 and 2008 were:

	Three Months ended	
	June 30	June 30
	2009	2008
Services from Andean American	\$	\$
Corporate administration	93,398	95,712
	93,398	95,712

Income and Resource Taxes

The Company is subject to income taxes in Canada with the statutory income tax rate at 33.34%. The Company's operating subsidiary, 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 Months Ended June 30, 2009 compared to the Three Months Ended June 30, 2008

Cash provided from (used by) operations in the quarter ended June 30, 2009 was \$110,393, compared with (\$118,010) in the comparative quarter for 2008. The increase in cash outflow was mainly due to the unrealized foreign exchange loss related to future income tax liabilities and accounts payable and accrued liabilities.

Investing Activities

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

Capital expenditures in the quarter ended June 30, 2009 amounted to \$(110,693) (including (\$Nil) on equipment) and for the comparative quarter in 2008 amounted to \$1,266,741 (including (\$6,511) on equipment) mainly relating to deferred exploration costs.

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Exploration costs:	Three Months Ended June 30	
	2009	2008
	\$	\$
Geological and consulting	4,376	49,350
Engineering and consulting	-	-
Mapping and plotting	-	81
Drilling and exploration	-	381,777
Mining rights & claims	7,550	7,537
Travel expenses	-	29,549
Sampling	-	73,144
Camp procurement & expediting	2,301	82,692
Transportation	-	7,458
Equipment rental	-	36,930
Field supplies	-	33,987
Site personnel	-	179,703
Remediation	-	1,701
Community expenses	7,363	7,553
Logistic & administrative support	17,885	(450)
Sales tax	65,013	68,672
Miscellaneous	6,205	60,193
	110,693	1,019,877
Stock based compensation	6,022	240,353
	116,715	1,260,230

Financing Activities

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

During the quarter ended June 30, 2009 and 2008, the Company did not issue any shares.

Cash Resources and Liquidity

At June 30, 2009 the Company had a working capital surplus (deficit) of \$(584,271), 2008 – \$1,774,080. This included an available cash balance of \$2,247 (2008 - \$2,165,425). As at the quarter ended June 30, 2009 the amount due to Andean American Mining Corp., from the Company is \$532,050.

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

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Restatement for the quarters ended June 30, 2008 and June 30, 2007

Management has determined that as at June 30, 2006, the Company should have accounted for the acquisition of Minera Sinchao as a reverse takeover whereby Sinchao Metals Corp was for accounting purposes being acquired. The effect of the restatements on the three month periods ended June 30, 2007 and 2008 consolidated financial statements is as follows:

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

	As previously reported	As restated
	\$	\$
Mineral properties	22,669,644	23,986,402
Future income tax liabilities	5,146,772	-
Share capital	18,120,529	3,360,893
Net income (loss) for the period	110,988	(465,920)
Retained earnings (Deficit)	(1,257,260)	19,965,905
Net income (loss) per share for the period	0.00	(0.01)

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

	As previously reported	As restated
	\$	\$
Mineral properties	27,039,598	28,356,356
Future income tax liabilities	5,609,829	356,693
Share capital	21,928,580	7,168,944
Net loss for the period	(8,670)	(479,216)
Retained earnings (Deficit)	(3,256,586)	18,072,941
Net loss per share for the period	(0.00)	(0.01)

Off - Balance Sheet arrangements

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

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

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

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

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CHANGES IN ACCOUNTING POLICIES

Current Changes in Accounting Policies

On April 1, 2009, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections. There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

Goodwill and Intangible Assets

In February 2008, the AcSB issued Handbook Section 3064, Goodwill and Intangible Assets, and amended Section 1000, Financial Statement Concepts, clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized as assets. The standard is effective for fiscal years beginning on or after October 1, 2008 and the Company will adopt this standard on April 1, 2009.

Future Changes in Accounting Policies

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

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

(b) Business Combinations (Section 1582)

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

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

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

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Future Changes in Accounting Policies - continued

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

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

OUTSTANDING SHARE DATA

As at August 27, 2009, there were 70,103,514 issued common shares, 2,195,000 stock options outstanding and exercisable at a price between \$0.15 and \$0.66 per share and 8,750,000 warrants outstanding with an expiration period between November 21, 2009 and December 12, 2009 and with an exercise price of \$0.60 per share. 3,000,000 warrants expired on June 15, 2009.

RISK AND UNCERTAINTIES

Exploration and Development

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for this stage of exploration and development of such properties, these procedures including confirmation by the government's Mine Registry Offices and National Cadastral Plans do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects. The costs and results of the exploration and development programs affect Sinchao Metals' profitability and value. Exploration for minerals involves many risks and may not result in any new economically viable mining operations or yield new reserves. Acquiring title to mineral properties is a detailed and time-consuming process.

Sinchao Metals takes steps to verify and secure legal title to mineral properties in which the Company has or is seeking an interest. Although the Company takes every precaution to ensure that legal title to its properties is properly recorded in the name of Sinchao Metals, there can be no assurance that such title will ultimately be secured on every property. The legal title to our properties depends on the appropriate and consistent application of the laws in the countries in which we operate.

Capital and Operations

The recoverability of the amounts capitalized in respect of non-producing mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the properties, and upon future profitable production or proceeds from the disposition of the properties. The business of mining involves many operational risks and hazards. Through high operational standards, an emphasis on hiring and training appropriately skilled personnel and operational improvements, Sinchao Metals works to reduce the risks associated with our projects. The Company also maintains adequate insurance to cover normal business risk. The Company also relies on a number of key employees. Sinchao Metals' success depends on attracting and retaining qualified personnel in a competitive labour environment. Further exploration and development of mineral resource properties or acquisitions beyond our current operations may require additional capital. Accordingly, the continuing development of projects will depend on the Company's ability to obtain financing through joint venture projects, debt financing and equity financing or other means. There is no assurance that Sinchao Metals will be successful in obtaining the required financing.

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Environment

The Company is in compliance with the material regulations applicable to its exploration activities. Existing and possible future environmental regulations might cause additional expenses, capital expenditures and delays in the operations of the company, the extent of which cannot be predicted. Sinchao Metals' activities are subject to extensive federal, provincial, state and local laws and regulations governing environmental protection and employee health and safety. The Company must obtain governmental permits and provide associated financial assurance to carry on certain activities. The Company is also subject to various reclamation-related conditions imposed under federal, state or provincial air, water quality and mine reclamation rules and permits. While Sinchao Metals has budgeted for future capital and operating expenditures to maintain compliance with environmental laws and permits, any future changes to these laws could adversely affect Sinchao Metals' financial condition, liquidity or results of operations.

Laws and Regulations

Sinchao Metals' exploration activities are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. These laws and regulations are subject to change, which may restrict our ability to operate. The Company draws on the expertise and commitment of its management team, advisors, employees and contractors to ensure compliance with current laws, and fosters open communication and co-operation with regulatory bodies.

Legal Proceedings

The nature of the business may subject the Company to regulatory investigation, claims, lawsuits and other proceedings in the ordinary course of business. Sinchao Metals cannot predict the outcome of any legal proceedings with certainty.

Currency Fluctuations

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

Political Risk

Sinchao Metals conducts operations outside of North America, namely in Peru. These operations are potentially subject to a number of political, economic and other risks that may affect its future operations and financial position.

CAUTION ON FORWARD-LOOKING STATEMENTS

The Management's Discussion and Analysis contains forward-looking statements concerning anticipated developments for Sinchao Metals in future periods. Forward-looking statements often, but not always, contain words such as "believes", "intends", "anticipates", "estimates", "intends", "potential" and similar words or statements that certain conditions or results "may", "should" or "could" happen or occur. These forward-looking statements are found primarily under the heading "Outlook". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or other future events, including forecast production, earnings and cash flows, to be materially different from any future results, performances or achievements or other events expressly or implicitly predicted by such forward-looking statements. Sinchao Metals' forward-looking statements are based on the expectations and opinions of management on the date that the statements are made and Sinchao Metals does not assume any obligation to update forward-looking statements if circumstances change. For the above reasons, investors should not place undue reliance on forward-looking statements.

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QUALIFIED PERSON

Mr. Andrew Gourlay, P. Geol., 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.