

SINCHAO METALS CORP.
Management's Discussion and Analysis
For the Year Ended March 31, 2008

INTRODUCTION

The discussion and analysis of the financial position and results of operations is prepared as at July 22, 2008 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended March 31, 2008 of Sinchao Metals Corp. (the "Company"). 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 Management Discussion and Analysis ("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 58% 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 actively exploring its Sinchao property and the current 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 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 gravel road currently being paved to Cerro Corona, adjacent to Sinchao. The infrastructure in Cajamarca is adequate and is steadily improving.

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 June 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 skarn 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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EXPLORATION AND DEVELOPMENT

Four mineralized systems have been identified on the Sinchao Property: the Skarn Zone, the Breccia Zone, the High Sulphidation Epithermal Zone and the Massive Sulphide Lenses. The 2007 exploration program involved an initial 5,000 metre diamond drill program to further test the continuity and limits of the Breccia Zone and the Skarn Zone.

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 have returned elevated gold-silver-copper-lead-zinc mineralization over an area of approximately 400 metres by 400 metres.

The 2008 drill program has focused on the Breccia Zone., where 12 holes totaling 4,285.5 metres have been completed. Highlights of this year's drilling include 188.55 metres grading 2.02% Copper, 1.07 g/t Gold and 11.3 g/t Silver in Hole SDH-37, and a 341.85 metres intersection in Hole SDH-34 grading 0.44% Copper, 0.32 g/t Gold and 6.1 g/t Silver. Copper-Gold-Silver mineralization has now been identified over an area of approximately 750 metres by 300 metres, and to a depth of approximately 400 metres, along two northeast-southwest sections. Step-out drilling continues to intersect mineralization, with drill rigs working 150 metres to the northwest and 300 metres to the southeast. The mineralization is hosted by breccia and skarn, and remains open in all directions.

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.

OUTLOOK

The exploration program of the Sinchao Property is designed to define the size of the potential bulk tonnage, open pitable mineralization of the Breccia and Skarn Zones. The current Phase 1 drilling is focused on the Breccia and Skarn Zones, which are being systematically explored with an initial 5,000 metre diamond drill program. Additional targets defined by the geophysical surveys will be tested with a view to completing a NI 43-101 compliant estimate of inferred resources.

The Company is highly encouraged by the work accomplished to date. Both the Breccia and Skarn Zones appear to be much larger than originally interpreted. The first phase of the drill program will attempt to confirm this. The distribution of high-grade zinc and lead and the recently identified copper mineralization within the Skarn Zone is not well understood, but there is excellent potential for high grade lead-zinc skarn mineralization on the Sinchao Property.

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 year ended March 31, 2008 is as follows:

	Three months ended			
	March 31 2008	December 31 2007	September 30 2007	June 30 2007
	\$	\$	\$	\$
Earnings and Cash Flow				
Net earnings	(1,137,984)	(584,366)	(268,306)	110,988
Cash from (used by) operations	197,057	(1,113,961)	557,644	(207,278)
Net income (loss) per share	(0.017)	(0.010)	(0.005)	0.002
Capital expenditures	1,130,597	634,907	713,514	470,831
Balance Sheet				
Total assets	29,579,333	29,252,654	23,575,987	23,247,011
	March 31 2007	December 31 2006	September 30 2006	June 30 2006
	\$	\$	\$	\$
Earnings and Cash Flow				
Net earnings	(1,027,625)	(139,095)	(140,576)	(60,952)
Cash from (used by) operations	179,172	(276,298)	(277,899)	61,533
Net income (loss) per share	(0.026)	(0.003)	(0.004)	(0.004)
Capital expenditures	664,802	551,911	448,540	532,333
Balance Sheet				
Total assets	22,786,075	22,184,878	22,093,433	21,824,905

At March 31, 2008, the Company had working capital of \$3,269,768. This included an available cash balance of \$3,543,839.

Results of Operations

Three Months Ended March 31, 2008 compared to the Three Months Ended March 31, 2007

For the three months ended March 31, 2008, the Company recorded a net loss of \$1,137,984 (2007 - net loss of \$1,027,625) and loss per share of \$0.017 (2006 - \$0.026 net loss per share). The increased net loss in the quarter was due to the increase in stock-based compensation charge and increase in professional fees.

Year Ended March 31, 2008 compared to the Year Ended March 31, 2007

For the year ended March 31, 2008, the Company recorded a net loss of \$1,879,668 (2007 - net loss of \$1,368,248) and loss per share of \$0.03 per share (2007 - \$0.03 net loss per share). The change in net loss in the year ended March 31, 2008 was due to the increases in stock based compensation, investor relations and regulatory and transfer agent fees, which were offset by a decrease in the foreign exchange loss.

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Administrative and Management Services

Costs incurred for administration and management for the years ended March 31, 2008 and 2007 were:

	Year Ended	
	March 31 2008	March 31 2007
	\$	\$
Services from Andean American:		
Staff	177,620	159,649
Indirects	177,620	173,648
Corporate development	11,086	-
Management fees	22,155	85,151
Accounting and finance	-	64,195
Office rent, parking, storage	3,565	8,681
Travel and accommodation	2,634	6,757
	<u>394,680</u>	<u>498,081</u>

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.

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FINANCIAL POSITION AND LIQUIDITY

Operating Cash Flow

Three Months Ended March 31, 2008 compared to the Three Months Ended March 31, 2007

Cash provided from (used by) operations in the quarter ended March 31, 2008 was \$197,057, compared with \$179,172 in the comparative quarter for 2007. The increase in cash flow was mainly due to the decrease in related party receivables and an increase in accounts payable and accrued liabilities.

Year Ended March 31, 2008 compared to the Year Ended March 31, 2007

Cash provided from (used by) operations in the year ended March 31, 2008 was (\$566,538), compared with (\$671,836) in the year ended March 31, 2007. The increase in cash flow was mainly due to the decrease in related party receivables and an increase in accounts payable and accrued liabilities.

Investing Activities

Three Months Ended March 31, 2008 compared to the Three Months Ended March 31, 2007

Capital expenditures in the quarter ended March 31, 2008 amounted to \$1,130,597 (including \$13,178 on equipment) and for the comparative quarter in 2008 amounted to \$664,802 (including \$1,684 on equipment) mainly relating to deferred exploration costs.

Year Ended March 31, 2008 compared to the Year Ended March 31, 2007

Capital expenditures for the year ended March 31, 2008 amounted to \$2,949,849 (including \$2,882,694 on deferred exploration costs and \$67,155 on equipment) and for the comparative year ended March 31, 2007 amounted to \$2,197,586 (including \$2,179,683 on deferred exploration costs and \$17,903 on equipment).

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Exploration costs:	Three Months Ended March 31	
	2008	2007
	\$	\$
Geological and consulting	83,438	93,945
Engineering and consulting	10,000	-
Mapping and plotting	131	3,273
Drilling and exploration	245,817	19,908
Mining rights & claims	55,283	891
Travel expenses	20,519	22,616
Sampling	31,631	-
Camp procurement & expediting	91,367	25,813
Transportation	5,228	14,833
Equipment rental	22,654	22,811
Field supplies	2,856	55,052
Site personnel	110,910	5,309
Remediation	141,907	45,792
Community expenses	4,447	21,757
Logistic & administrative support	156,027	121,005
Sales tax	89,837	184,045
Miscellaneous	45,366	26,068
	<u>1,117,419</u>	<u>663,118</u>
Stock-based compensation	95,927	-
	<u>1,213,346</u>	<u>663,118</u>
	Year Ended March 31	
	2008	2007
	\$	\$
Geological and consulting	374,102	725,455
Engineering and consulting	19,000	-
Mapping and plotting	2,215	18,627
Drilling and exploration	599,681	102,051
Mining rights & claims	74,895	8,289
Travel expenses	76,122	103,869
Sampling	103,420	15,579
Camp procurement & expediting	205,406	118,483
Transportation	21,867	44,189
Equipment rental	124,031	48,306
Field supplies	64,638	91,137
Site personnel	196,939	41,714
Remediation	288,418	192,731
Community expenses	24,269	45,577
Logistic & administrative support	399,556	389,987
Sales tax	233,477	184,045
Miscellaneous	74,656	49,644
	<u>2,882,694</u>	<u>2,179,683</u>
Stock-based compensation	293,448	-
	<u>3,176,142</u>	<u>2,179,683</u>

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Financing Activities

Three Months Ended March 31, 2008 compared to the Three Months Ended March 31, 2007

During the quarter, the Company received \$15,000 in cash pursuant to the exercise of 15,000 stock options. During the quarter ended March 31, 2007, the Company received \$79,500 in cash from the issue of common shares and pursuant to the exercise of warrants.

Year Ended March 31, 2008 compared to the Year Ended March 31, 2007

During the year, the Company received \$6,280,000 from the issue of 15,700,000 common shares, \$907,936 pursuant to the exercise of 5,189,394 warrants and \$60,000 from the issue of 60,000 common shares pursuant to the exercise of 60,000 stock options. The net proceeds from the issuance of shares during the year ended March 31, 2007 was \$3,006,863.

Cash Resources and Liquidity

At March 31, 2008 the Company had a working capital surplus of \$3,269,768 (2007 -\$86,311). This included an available cash balance of \$3,543,839 (2007 - \$137,441). As at the date of this report the net amount due from Andean to the Company is \$191,482.

Off - Balance Sheet arrangements

The Company has no off-balance sheet arrangements.

CHANGES IN ACCOUNTING POLICIES

Accounting Changes

Effective April 1, 2007, the Company adopted the revised Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1506 "Accounting Changes", which requires that: a) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard.

Financial Instruments – Recognition and Measurement

Effective April 1, 2007 the Company adopted the new accounting standards issued by the CICA relating to financial instruments. As required by the transitional provisions of these standards, these standards have been adopted on a prospective basis without restatement of prior period financial statements.

This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Unrealized changes in fair value are to be recognized in the statements of operation or comprehensive income.

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All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Changes to the fair values of certain assets and liabilities as at April 1, 2007, are recognized by adjusting opening retained earnings or opening accumulated other comprehensive income.

All financial instruments are classified into one of the following four categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification.

i) Held-to-maturity investments, loans and receivables are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.

ii) Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.

iii) Held for trading financial instruments are measured at fair value. All gains and losses are included in net earnings in the period in which they arise.

iv) All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period in which they arise, except for derivative instruments which represent a cash flow hedge, where the gain or loss is recognized in other comprehensive income.

Under adoption of this new standard, the Company designated its cash and cash equivalents, accounts receivable, and accounts payable as held-for-trading which are measured at fair value.

Comprehensive Income

The Company also adopted CICA Section 1530, Comprehensive Income effective April 1, 2007. This section requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes net income or loss and other comprehensive income. Other comprehensive income may include holding gains and losses on available-for-sale securities, gains and losses on certain derivative instruments and foreign currency gains and losses from self sustaining foreign operations. During the current period, the Company did not have any other comprehensive income components.

Recent Canadian Accounting Pronouncements

The CICA issued three new accounting standards that are applicable to the Company: Section 1535, Capital Disclosures ("Section 1535"), Section 3031, Inventories ("Section 3031"), and Section 3862, Financial Instruments (Section 3862"). The Company will adopt these new accounting standards for the period beginning April 1, 2008.

Financial Instrument disclosures

New accounting recommendations for disclosure and presentation of financial instruments are effective for the Company beginning April 1, 2008. The new recommendations require disclosures of both qualitative and quantitative information that enables users of the financial statements to evaluate the nature and extent of risks from financial instruments to which the Company is exposed.

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Capital disclosures

As a result of new Section 1535, Capital Disclosures, the Company will be required to include additional information in the notes to the financial statements about its capital and the manner in which it is managed. This additional disclosure includes quantitative and qualitative information regarding an entity's objectives, policies and procedures for managing capital. This Section is applicable for the fiscal year beginning on April 1, 2008.

Inventories

In March 2007, the AcSB approved a new standard with respect to inventories effective for fiscal years beginning on or after April 1, 2008. The new standard requires inventories to be measured at the lower of cost or net realizable value; disallows the use of last-in, first-out inventory costing methodology; and requires that, when circumstances which previously caused inventories to be written down below cost no longer exist, the amount of the write-down is to be reversed. This new standard is not expected to have a material impact on the Company's earnings.

Goodwill and intangible assets

In February 2008, the AcSB issued Handbook Section 3064, Goodwill and Intangible Assets and amended Section 1000, Financial Statement Concepts clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The standard is effective for fiscal years beginning on or after October 1, 2008 and early adoption is permitted. Management is currently assessing the impact of these new accounting standards on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

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

OUTSTANDING SHARE DATA

As at July 22, 2008, there were 70,103,514 issued common shares, 4,510,000 stock options outstanding and exercisable at a price between \$0.66 and \$1.00 per share and 11,786,818 warrants outstanding with an expiration period between June 14, 2008 and December 12, 2009 and with an exercise price between \$0.60 and \$5.00 per share.

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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.

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.

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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.

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.