

ANDINA MINERALS INC.

Management Discussion and Analysis

June 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2006

*The following discussion and analysis is management's assessment of the results and financial condition of Andina Minerals Inc. ("Andina" or the "Company") and should be read in conjunction with the unaudited consolidated financial statements for the three and six months ended June 30, 2006 and the audited consolidated financial statements for the year ended December 31, 2005. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and **all dollar amounts are in United States dollars**. The date of this management discussion and analysis is August 18, 2006. Andina's common shares trade on the TSX Venture Exchange under the symbol "ADM" and its most recent filings are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed through the Internet at www.sedar.com.*

The "Independent Qualified Person(s)" under the guidelines of National Instrument 43-101 of the Canadian Securities Administrators for the Company's exploration projects in the following discussion and analysis are noted as follows. Michael Easdon, a Register Professional Geologist of Santiago, Chile is the qualified person for the Volcan project exploration program and audited and confirmed the Volcan resource estimates and prepared the 43-101 compliant Technical Reports discussing the resource estimates which have been filed at www.sedar.com. Michael Easdon was also the qualified person for each of the Aroma and Anocarire project exploration programs.

Andina is a development stage company with gold and silver mineral exploration properties in northern Chile. Current exploration work is focused on Andina's Volcan gold property where a drilling program is underway to increase the size of the present mineral resource of 459,800 ounces of gold in the indicated mineral resource category and 773,400 ounces of gold in the inferred mineral resource category.

1. Exploration Activities

Andina has acquired the right to purchase several mineral properties located within Chile's primary mining areas as summarized below:

Property	Target	Location
Volcan	Gold porphyry	Region III
Anocarire	Gold porphyry	Region I
Aroma	Gold porphyry	Region I
Encrucijada	Gold/silver epithermal veins	Region III
Pampa Buenos Aires	Gold/silver epithermal veins	Region II

All of the exploration properties are at an early stage of development. A summary of the work performed by the previous operators on these properties is reported within the Company's Technical Report titled "Review of Gold and Copper Exploration Potential of Mineral Properties in Chile" dated November 12, 2004 which was filed at www.sedar.com on November 24, 2004.

1.1 Volcan Gold Project

The Volcan property, located 170 kilometres east of Copiapo in the centre of the Maricunga gold belt, has been subject in the past to systematic geological, geochemical and geophysical surveys and drilling campaigns.

In the first half of 2005, Andina undertook a limited diamond drilling exploration program on the first exploration target, the Dorado East Zone. The results were encouraging and included a 146 metre interval from diamond drill hole DVA-01 grading 1.27 grams per tonne gold commencing from surface and a second interval of 24 metres grading 0.67 grams per tonne gold starting 262 metres downhole. In addition to the diamond drill results, positive assay results were received from the channel sampling. This exploration program was halted for the season in the second quarter of 2005 due to severe winter storms.

During the third quarter of 2005, Andina completed an estimate of the mineral resource at the East Zone. Andina estimated that the East Zone contained 12.3 million tonnes grading 1.04 grams per tonne gold or 411,700 ounces of gold in the inferred mineral resource category at a cut-off grade of 0.5 grams per tonne gold. With this benchmark resource established, Andina commenced a Phase II exploration program at the end of the third quarter of 2005 focused on significantly increasing the resource base in the Dorado area of the Volcan property. The initial focus of the exploration program was delineation and infilling drilling at the East Zone which was then followed by a delineation drilling program at the Central Zone which Andina had discovered in early 2005.

By February 2006, Andina had completed sufficient drilling on the East and Central Zones to undertake a new resource estimate as summarized below:

- 14.3 million tonnes grading 1.00 grams per tonne gold containing 459,800 ounces of gold based upon a cut off grade of 0.5 g/t Au in the indicated mineral resource category;
- and 27.0 million tonnes in the inferred mineral resource category grading 0.89 g/t Au containing 773,400 ounces at a similar 0.5 g/t Au cut-off grade.

In addition to the East and Central Zones, a number of high priority areas were targeted during the Phase II program, the most significant being the West Zone which lies approximately 400 west of the Central Zone. Andina drilled 5,700 metres into the West Zone during the second quarter outlining a zone of gold mineralization over a strike length of approximately 600 metres to a depth of up to 400 metres and with widths of up to 200 metres.

The most significant results from the West Zone were the two intersections of gold mineralization returned from Section 600: 362 metres grading 1.09 g/t Au (drill hole DOA-12) and 304 metres grading 0.92 g/t Au (drill hole DOA-05). The results from the West Zone drilling campaign will be incorporated into a revised resource estimate scheduled for release during the third quarter 2006.

Approximately 700 north of the West Zone lies what was referred to as the NW Zone where a channel sample was taken from a trench returned 60 metres grading 1.59 grams per tonne gold. A diamond drill hole (DOA-11) drilled below the trench returned 100 metres grading 1.10 grams

per tonne. A new interpretation of this zone suggests that it may represent the northern extension of the West Zone mineralization.

Andina also identified a significant new area of gold and copper mineralization, the Ojo de Agua area, which is underlain by a large maar diatreme complex. This area is located 3 kilometres north northeast of the Dorado area. Channel sampling from a zone of mineralization in the Ojo de Agua area referred to as the Andrea Zone returned gold intervals up to 0.67 g/t gold over 205 metres while chip and grab samples returned anomalous gold assays over a broad area. The Andrea Zone represents a high priority drill target.

Over the six month Phase II Volcan exploration program, Andina:

- completed 18,693 metres of drilling which included 11,360 metres of reverse circulation drilling and 7,333 metres of diamond drilling;
- completed a resource estimate comprising the East and Central Zone during the first quarter 2006;
- completed sufficient drilling at the West Zone to prepare an updated resource estimate scheduled for release during the third quarter 2006; and,
- identified targets for the Phase III program to commence in October 2006.

More information on the Volcan property is available on Andina's web site (www.andinaminerals.com).

1.2 Other Gold Projects

While Andina is currently focused on increasing the resource base on its Volcan property, it is committed to establishing the potential of its entire portfolio of Chilean properties and is currently exploring on two properties, Aroma and Anocarire, and reviewing plans for its Encrucijada and Pampa Buenos Aries properties.

Aroma property - Exploration activities in 2005 at the Aroma property, located 95 kilometres east of Arica, resulted in the discovery of significant molybdenum, copper and gold anomalies possibly associated with underlying porphyry-style mineralization. A trenching campaign comprising approximately 6,500 metres of bulldozer trenching and the collection of 1,600 four-metre channel samples targeted a six square kilometre hydrothermal alteration system where exploration activities by previous operators had outlined two gold-in-soil anomalies. The results from Andina's exploration campaign confirmed the presence of a number of gold anomalies along with significant antimony, bismuth, mercury, arsenic and barium anomalies typical of high sulfidation epithermal environments. These anomalies occur within an east northeast - west southwest trending structural zone extending over a distance of 2,000 metres. A second north-south trending structural zone was discovered, 2,500 metres in length, exhibiting porphyry copper-style characteristics associated with a strong molybdenum anomaly. The core of the molybdenum anomaly, 200 by 80 metres, grades between 150 and 275 ppm molybdenum. The presence of two possibly superimposed hydrothermal events with significant geochemical anomalies represents an intriguing target for further exploration activities.

Subsequent to June 30, 2006, Andina undertook a 900 metre diamond drilling program on the Aroma property to test certain geochemical anomalies outlined during the previous program outlined above. Results are anticipated during September 2006.

Anocarire property - Exploration activities in 2005 at the Anocarire property, located nearby the Aroma property and 120 kilometres east of Arica, outlined a large steam-heated alteration system, with characteristics similar to alteration systems associated with major gold deposits in the Andes. The property overlies a prominent collapsed stratovolcano approximately six kilometres in diameter. Andina completed 2,500 metres of bulldozer trenching and collected 268 channel samples across a portion of the alteration system. Results showed widespread anomalous mercury values and gold values ranged between 10 and 100 ppb – these values are typical for steam-heated (acid-leached) alteration zones.

Subsequent to June 30, 2006, and in conjunction with the Aroma drilling program, Andina commenced a 900 metre diamond drilling program on the Anocarire property to determine the nature of geological environment underlying the large alteration system. Results are anticipated during September 2006.

Encrucijada and Pampa Buenos Aires properties – These properties have been subject to geological, geochemical and geophysical surveys in the past. Surface trenching and a limited reverse circulation drilling programs have confirmed the presence of epithermal gold mineralization at Encrucijada. Andina undertook limited exploration activities on these properties in 2005 in preparation for further exploration work in 2006.

Subsequent to the end of the period the Company signed a letter of intent to enter into an option to purchase agreement with the Chilean subsidiary of Mena Resources Inc. (“Mena”) whereby Mena may acquire a 50% interest in Andina’s interest in the Pampa Buenos Aires property. Andina and Mena will prepare a definitive agreement formalizing the terms of the letter of intent during the third quarter of 2006. Upon signing the definitive agreement Mena will undertake to make all 2006 tax payments up to \$45,000 and undertake exploration expenditures of \$250,000 prior to August 1, 2007. Upon completion of its obligations, and prior to August 1, 2007, Mena may earn a 50% interest in the Pampa Buenos Aires property by issuing 300,000 common shares of Mena to Andina. At that time, the parties will form a joint venture, in the form of a Chilean contractual mining company, to continue exploration activities on the property. By allowing Mena to earn an interest in the Pampa Buenos Aires property Andina can expedite exploration work on this project while Andina focuses its resources on its Volcan property.

Quitovac property - The Quitovac property is located in the Sonora area of Mexico. On December 5, 2003, Andina signed an option agreement with Copper Ridge Explorations Inc. and Cuesta del Cobra S.A. de C.V. (“Copper Ridge”) which granted Copper Ridge the option to acquire a 55% interest in the Quitovac property during the five-year option period and thereafter up to a 75% interest. On review of the carrying value of the Quitovac property at December 31, 2005 and based on a letter of intent with Copper Ridge dated January 9, 2006 with respect to the sale of the Quitovac property to Copper Ridge, the Company wrote down the carrying value of the property to its estimated fair value of \$95,000. A loss of \$1,889,496, net of deferred taxes of \$622,179, was charged to operations in 2005. Property taxes of \$55,886 were paid in the six months ended June 30, 2005 and written off.

1.3 Property Expenditures and Commitments

The following table summarizes expenditures on Andina's mineral properties in 2005:

Project	Balance December 31, 2005	Option payments and acquisition costs	Exploration costs	Costs written off	Balance June 30, 2006
Aroma	\$ 324,433	\$ 64,314	\$ 35,633	-	424,380
Anocarire	264,708	64,314	5,273	-	334,295
Encrucijada	208,925	114,656	21,333	-	344,914
Pampa Buenos Aires	164,960	14,656	64,259	-	243,875
Volcan	2,881,274	229,314	3,620,502	-	6,731,090
	3,844,300	487,254	3,747,000	-	8,078,554
Quitovac	95,000	-	55,886	(55,886)	95,000
	\$ 3,939,300	\$ 487,254	\$ 3,802,886	\$ (55,886)	\$ 8,173,554

During the six months ended June 30, 2006 Andina incurred \$4,290,140 (2005 - \$1,631,061) in expenditures on these properties focused mainly on the Volcan property. These expenditures included \$3,802,886 in capitalized exploration costs (2005 - \$1,191,216) and \$487,254 in option payments and acquisition costs (2005 - \$439,845).

Of the \$3,747,000 in exploration expenditures on the Chilean properties, \$1,124,151 (2005 - \$461,050) was incurred on drilling, \$536,916 (2005 - \$75,168) was spent on trenching and \$536,916 (2005 - \$272,933) was paid to exploration staff in Chile. 97% of the exploration costs were incurred on the Volcan property as Andina focused its exploration activities on its most prospective property. As a result, limited work was undertaken on the Anocarire, Aroma, Encrucijada and Pampa Buenos Aires properties.

The remaining mineral property option payments include the following:

Property	2006	2007	2008	Total
Anocarire	\$ -	\$ 390,000	\$ 3,000,000	\$ 3,390,000
Aroma	140,000	275,000	1,000,000	1,415,000
Encrucijada	200,000	400,000	-	600,000
Volcan	400,000	5,000,000	5,500,000	10,900,000
	\$ 740,000	\$ 6,065,000	\$ 9,500,000	\$ 16,305,000

The most significant future payment is the 2007 Volcan cash payment of \$5 million. Based on the success of the Company's exploration program on the Volcan property, the Company plans to use

a portion of the funds from its recent CDN\$17.6 million financing (see item 5) to fund this commitment. The \$5.5 million 2008 Volcan payment can be made in cash or Andina shares.

2. Outlook

Having completed its exploration program on the Volcan property in the second quarter of 2006 before the winter season stopped exploration work, Andina looks forward to completing a new mineral resource estimate in the third quarter of 2006 to expand the resources at this property. The Company continues to review its exploration plans for its other properties.

Based on the results of the Volcan exploration program, Andina will prioritize its exploration activities in 2006 to ensure it is able to increase its gold resources as rapidly as possible with the capital available to it.

On April 12, 2006 Andina completed a CDN\$17.6 million private placement offering of the units at CDN\$1.10 per unit. Each unit consisted of one common share and one-half of a common share purchase warrant. A total of 16,000,000 units were issued. Each whole warrant is exercisable at a price of CDN\$1.50 for a period of 24 months from the closing date.

3. Selected Annual and Quarterly Information

Summary Financial Information

Quarterly Financial Information

	Quarter Ended Sep. 30 2005	Quarter Ended Dec. 31 2005	Quarter Ended Mar. 31 2006	Quarter Ended Jun. 30 2006
<i>Operations</i>				
Expenses	\$(50,789)	\$(2,285)	\$144,490	\$(322,212)
Stock-based compensation	82,752	63,713	66,852	322,049
Mineral properties written off	24,830	1,897,787	55,102	784
Future income tax recovery	-	(622,179)	-	-
Loss	\$56,793	\$1,337,036	\$266,444	\$16,621
Loss per share	Nil	\$0.06	\$0.01	Nil
	Sep. 30, 2005	Dec. 31, 2005	Mar. 31, 2006	Jun. 30, 2006
<i>Balance Sheet</i>				
Working capital	\$4,811,846	\$2,850,371	\$1,699,745	\$15,649,549
Mineral properties	3,960,716	3,939,300	5,825,948	8,173,554
Future income tax and other	(609,468)	100,100	95,396	83,423
	\$8,163,094	\$6,889,771	\$7,621,089	\$23,906,526
Capital stock	\$7,537,840	\$7,537,840	\$8,806,235	\$22,564,572
Warrants	1,735,529	1,735,529	1,398,044	3,619,716
Contributed surplus	375,745	439,458	506,310	828,359
Deficit	(1,486,020)	(2,823,056)	(3,089,500)	(3,106,121)
	\$8,163,094	\$6,889,771	\$7,621,089	\$23,906,526

	Quarter Ended Sep. 30 2004	Quarter Ended Dec. 31 2004	Quarter Ended Mar. 31 2005	Quarter Ended Jun. 30 2005
<i>Operations</i>				
Expenses	\$33,441	\$66,882	\$194,184	\$191,333
Stock-based compensation	-	-	152,056	61,114
Mineral properties written off	-	-	-	623,705
Future income tax recovery	-	-	-	-
Loss	\$33,441	\$66,882	\$346,240	\$876,152
Loss per share	\$0.01	\$0.01	\$0.01	\$0.03
	Sep. 30, 2004	Dec. 31, 2004	Mar. 31, 2005	Jun. 30, 2005
<i>Balance Sheet</i>				
Working capital	\$(9,528)	\$7,132,154	\$6,479,141	\$5,102,010
Mineral properties	469,576	2,636,382	3,086,545	3,643,738
Future income tax and other	-	(622,179)	(613,513)	(608,613)
	\$460,048	\$9,146,357	\$8,952,173	\$8,137,135
Capital stock	\$600,001	\$7,537,840	\$7,537,840	\$7,537,840
Warrants	-	1,735,529	1,735,529	1,735,529
Contributed surplus	-	79,823	231,879	292,993
Deficit	(139,953)	(206,835)	(553,075)	(1,429,227)
	\$460,048	\$9,146,357	\$8,952,173	\$8,137,135

Annual Financial Information

	Period From Inception To Dec. 31 2003	Year ended Dec. 31 2004	Year Ended Dec. 31 2005
<i>Operations</i>			
Expenses	\$2,170	\$132,112	\$332,443
Stock-based compensation	-	-	359,635
Mineral properties written off	-	72,553	2,546,322
Taxes	-	-	(622,179)
Loss	\$2,170	\$204,665	\$2,616,332
Loss per share	\$180.83	\$0.04	\$0.10
<i>Balance Sheet</i>			
Working capital	\$(2,169)	\$7,132,154	\$2,850,371
Mineral properties	-	2,636,382	3,939,300
Future income tax and other	-	(622,179)	100,100
	\$(2,169)	\$9,146,357	\$6,889,771
Capital stock	\$1	\$7,537,840	\$7,537,840
Warrants	-	1,735,529	1,735,529
Contributed surplus	-	79,823	439,458
Deficit	(2,170)	(206,835)	(2,823,056)
	\$(2,169)	\$9,146,357	\$6,889,771

The Company has not paid any dividends.

4. Results of Operations

4.1 Annual Results

Andina was incorporated on December 3, 2003 and as such, had very limited operations in 2004, incurring expenses of only \$132,112. The loss for 2003, after considering mineral properties written off, was \$204,665 or \$0.04 per share.

Andina started to acquire and explore mineral properties in Chile in the first quarter of 2004 and continued these activities through the third quarter of 2004. At that point it focused its activities on completing a reverse takeover transaction of CastleRock Resources Inc. and a CDN\$9,500,000 private placement financing. The completion of these transactions at the end of 2004 resulted in the increase in working capital and mineral properties.

Activities in 2005 focused on commencing exploration work on Andina's mineral properties, particularly the Volcan property.

Andina's operations during 2005 resulted in a loss of \$2,616,221 (2004 - \$204,665) or \$0.10 per share (2004 - \$0.04 per share). Professional fees, consulting, office, salaries, travel and general expenses were \$512,440 (2004 - \$127,336) as Andina established operations after the reverse takeover and private placement financing at the end of 2004. These levels of expenses was anticipated, given Andina's level of activity in 2005, and are expected to increase substantially in 2006 as activities levels, especially with respect to exploration activities on the Volcan property, are expanded.

Andina had a foreign exchange gain of \$51,053 (2004 - foreign exchange loss of \$4,776), recorded stock-based compensation of \$359,635 (related to the issue of stock options in 2005) (2004 - nil) and received interest income on cash balances of \$143,162 (2004 - nil). The depreciation expense in 2005 was \$14,218 (2004 - nil).

The results of Andina's exploration work on the Gitana and Domeyko properties did not meet Andina's objectives and Andina determined not to proceed with further exploration on these properties. Accordingly all capitalized costs associated with the Gitana property (\$492,119) together with the costs on the Domeyko property (\$164,707) were written off in 2005. On review of the carrying value of the Quitovac property at December 31, 2005 the Company wrote down the carrying value of the property to its estimated fair value of \$95,000. A loss of \$1,889,496, net of deferred taxes of \$622,179, was charged to operations. In 2004, Andina determined not to proceed with any further work on the Olivia property in Chile and wrote off the \$72,553 in capitalized costs associated with that property.

4.2 Quarterly Results

Six months ended June 30, 2006 - Andina's operations during the six months of 2006 resulted in a loss of \$283,065 (2005 - \$1,139,197) or \$0.01 per share (2005 - \$0.04 per share).

Professional fees, consulting, office, salaries, travel, general and depreciation expenses were \$378,408 (2005 - \$363,922). These expenditures were, as expected, similar to the prior year as activity levels were similar. However, these expenses are expected to increase substantially later

in 2006 and into 2007 as activities levels, especially with respect to exploration activities on the Volcan property, are expanded. Foreign exchange gains were \$428,297 (2005 – losses of \$82,477) due to weakening United States dollar during the period and interest income was \$126,121 (2005 - \$60,822) due to higher cash balances on completion of the April private placement. Stock-based compensation was \$388,901 (2005 - \$129,975) which was higher than in 2005 due to the issuance of 1,566,000 stock options during the period.

In the six months ended June 30, 2006, property taxes of \$55,886 related to the Quitovac property were paid and written off. In the corresponding period in 2005 \$623,705 in costs associated with the Gitana and Domeyko properties were written off.

Three months ended June 30, 2006 - Andina's operations during the three months ending June 30, 2006 resulted in a loss of \$16,621 (2005 - \$843,642) or Nil per share (2005 - \$0.03 per share).

Professional fees, consulting, office, salaries, travel, general and depreciation expenses were \$243,216 (2005 - \$204,513). These expenditures were, as expected, similar to the prior year as activity levels were similar. Again, these expenses are expected to increase substantially later in 2006 and into 2007 as activities levels, especially with respect to exploration activities on the Volcan property, are expanded. Foreign exchange gains were \$445,564 (2005 – losses of \$14,353) due to weakening United States dollar during the period and interest income was \$111,047 (2005 - \$27,533) due to higher cash balances on completion of the April private placement. Stock-based compensation was \$322,049 (2005 - \$28,604) which was higher than in 2005 due to the issuance of 1,566,000 stock options during the quarter.

In the six months ended June 30, 2006, property taxes of \$784 related to the Quitovac property were paid and written off. In the corresponding period in 2005 \$623,705 in costs associated with the Gitana and Domeyko properties were written off.

5. Liquidity and Capital Resources

Andina is dependent on equity financing to complete the development of its mineral properties and meet its obligations under various mineral property option agreements and the success of future operations is dependent on Andina's ability to source funding for its mineral exploration properties.

As at June 30, 2006 Andina had working capital of \$15,649,549 (December 31, 2005 – \$2,850,371) including \$15,790,567 (December 31, 2005 - \$3,509,651) in cash and cash equivalents and marketable securities. The increase from the previous year is primarily due to the completion of a private placement in April 2006.

On April 12, 2006 the Company completed a CDN\$17.6 million private placement offering of the units at CDN\$1.10 per unit. Each unit consisted of one common share and one-half of a common share purchase warrant. A total of 16,000,000 units were issued. Each whole warrant will be exercisable at a price of CDN\$1.50 for a period of 24 months from the closing date.

The Company's agents on the financing received a commission of 6% of the gross proceeds raised in this private placement, as well as broker warrants which will entitle the agents to purchase up to 960,000 units, at an exercise price equal to CDN\$1.10 until April 11, 2008.

Andina had no off balance sheet arrangements as at December 31, 2005.

6. Critical Accounting Estimates

Andina's significant accounting policies are summarized in note 1 and note 2 to the audited consolidated financial statements for the year ended December 31, 2005. The policies described below, and estimates related to them, have the most significant effect in preparation and presentation of Andina's consolidated financial statements.

6.1 Mineral Properties

The recoverability of the amounts shown for mineral properties and related deferred exploration expenditures is dependent on the existence of economically recoverable reserves, Andina's ability to obtain financing to complete the development of such reserves and meet its obligations under various agreements and the success of future operations or dispositions. Changes in future conditions could require material write-downs of the carrying amounts of the mineral properties.

Andina considers its exploration costs to have the characteristics of property, plant and equipment. As such, Andina defers all exploration costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties until those properties are brought into production, at which time, they will be amortized on a unit-of-production basis based on proven and probable reserves or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made. Andina reviews the carrying values of its mineral properties on a regular basis by reference to project economics including the timing of the exploration and development work and the work programs and exploration results experienced by Andina and others. When the carrying value of a property exceeds its estimated net undiscounted future cash flows, a provision is made for the decline in value and charged to operations.

7. Outstanding Share Data

	Outstanding Number of Shares
Outstanding common shares – December 31, 2004 and 2005	25,740,963
April 12, 2006 brokered private placement	16,000,000
Warrants, broker warrants and options exercised subsequent to December 31, 2005	
Exercise of warrants issued in connection with 2004 brokered private placement	2,487,303
Exercise of broker warrants issued in connection with 2004 brokered private placement	1,583,333
	<hr/>
Common shares outstanding – August 18, 2006	45,811,599
Unexercised warrants – 2004 brokered private placement	6,221,031
Unexercised warrants – 2006 brokered private placement	8,480,000
Unexercised broker warrants – 2006 brokered private placement	960,000
Unexercised stock options	3,930,500
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Fully diluted common shares outstanding – August 18, 2006	<u><u>65,403,130</u></u>

7.1 Common Shares

Andina has an authorized share capital consisting of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. No preferred shares have been issued.

7.2 Warrants

2004 Brokered Private Placement

Each of the warrants issued in connection with the 2004 private placement financing on December 31, 2004 entitles the holder to purchase one additional common share at a price of CDN\$0.80 until December 29, 2006.

Each of the broker warrants issued in connection with the 2004 private placement financing entitled the agent to purchase a unit at a price of CDN\$0.60 per unit until June 29, 2006. Each unit consists of one common share and one-half of one warrant. All of these broker warrants were exercised by June 29, 2006.

2006 Brokered Private Placement

Each of the warrants issued in connection with the 2006 private placement financing on April 12, 2006 entitles the holder to purchase one additional common share at a price of CDN\$1.50 until April 11, 2008.

Each of the broker warrants issued in connection with the 2006 private placement financing entitles the agent to purchase a unit at a price of CDN\$1.10 per unit until April 11, 2008. Each unit consists of one common share and one-half of one warrant.

7.3 *Stock Options*

The Company has a stock option plan under which stock options may be granted to the Company's directors, senior officers, employees, consultants and consultant companies. The stock option plan: (i) provides that the number of common shares reserved for issuance, within a one year period, to any one optionee, shall not exceed 5% of the outstanding common shares; (ii) provides the maximum number of common shares reserved for issuance pursuant to options granted may not exceed 10% of the issued common shares; (iii) generally provides for a maximum vesting period of 18 months; (iv) contains other provisions to ensure the stock option plan is compliant with stock exchange regulations.

During the first six months of 2006 Andina issued a total of 1,566,000 options to purchase common shares at prices of CDN\$1.35.

Issue Date	Options Outstanding	Exercise Price (CDN\$)	Expiry Date
February 28, 2003	72,500	\$1.50	February 28, 2008
December 22, 2003	75,000	\$4.50	December 22, 2008
January 6, 2005	1,485,000	\$0.70	January 6, 2010
March 4, 2005	40,000	\$0.70	March 4, 2010
April 21, 2005	121,000	\$0.74	April 21, 2010
August 24, 2005	100,000	\$0.70	August 24, 2010
September 27, 2005	471,000	\$0.70	September 27, 2010
April 18, 2006	1,566,000	\$1.35	April 17, 2010
	<u>3,930,500</u>		

8. **Other Information**

8.1 *Contractual Commitments*

Andina has no contractual commitments, other than leases on offices and office equipment entered into in the ordinary course of business. All mineral property agreements commitments are at the option of Andina and Andina can terminate the agreements prior to being required to make payments on the properties. A summary of these commitments is included above.

8.2 *Related Party Transactions*

The option on the Anocarire property was acquired from SBX Asesorias Inversiones Ltda. ("SBX"), a company that is 51% owned by a shareholder of the Company. During the six months ended June 30, 2006, the Company paid a total of \$75,360 to SBX for geological and administrative services. As well, 50% of the \$35,000 property payment on the Anocarire property was made to SBX.

These transactions have been recorded at the exchange amount, which is the consideration paid as established and agreed to by the related parties.

8.4 Risk Factors

Andina is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. As in prior periods, the risks include, but are not limited to, limited operating history, speculative nature of mineral exploration and development activities, operating hazards and risks, mining risks and insurance, no proven reserves, foreign operations, environmental and other regulatory requirements, competition, stage of development, fluctuations in commodity prices, currency risk, conflicts of interest, reliance on key individuals and enforcement of civil liabilities.

8.5 Forward Looking Statements

This quarterly report may contain forward-looking statements, including predictions, projections and forecasts. Forward-looking statements include, but are not limited to, statements with respect to exploration results, the future price of gold, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, costs of production, anticipated budgets and exploration expenditures, capital expenditures, costs and timing of the development of new deposits, the success of exploration activities generally, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of exploration and mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of any pending litigation. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or describes a “goal”, or variation of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, future events, conditions, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, prediction, projection, forecast, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, the actual results of current exploration activities; actual results and interpretation of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold, silver and copper; possible variations in ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of exploration, development or construction activities, as well as those factors disclosed in the company's publicly filed documents. Although Andina has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.