

ANDINA MINERALS INC.

Management's Discussion and Analysis

December 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 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 audited consolidated financial statements for the year ended December 31, 2006. 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's discussion and analysis is April 25, 2007. 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 Standards of Disclosure for Mineral Projects ("NI43-101") of the Canadian Securities Administrators for Andina's exploration projects in the following discussion and analysis are noted as follows. The February 2007 resource estimate for the Volcan property was carried out under the supervision of Michael Easdon, a Registered Professional Geologist resident in Santiago, Chile and Ralph Gonzalez, a Registered Professional Geologist resident in Burnaby, Canada, both of whom are "Independent Qualified Persons" as defined by NI43-101. The most recent NI43-101 compliant technical report for the Volcan property was co-authored by Mr. Easdon and Mr. Gonzalez and is titled "Volcan Gold Project, Dorado West Zone, Region III, Chile" dated April 4, 2007 which was filed at www.sedar.com on April 10, 2007. Mr. Gonzalez is the "Qualified Person" for the Volcan project as defined by NI43-101. Mr. Easdon has audited and previously prepared NI43-101 compliant technical reports which incorporated the resource estimates for the Volcan East and Central Zones and which have been filed on www.sedar.com. Mr. Easdon was also the qualified person for each of the exploration programs for both the Aroma and Anocarire projects.

Andina is a development stage company with activities focused mainly on Andina's Volcan gold property where a drilling program is underway to increase the size of the present mineral resource of 62 million tonnes grading 0.99 grams per tonne gold ("g/t Au") gold for 1.98 million ounces of gold in the indicated mineral resource category and 46 million tonnes grading 1.00 g/t Au for 1.46 million ounces of gold in the inferred mineral resource category (at a cut-off grade of 0.5 g/t Au) (see Section 1.1).

1. Exploration Activities

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

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

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 Andina'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 exploration program (Phase I) on the Volcan property which included drilling a single hole into the Dorado East Zone. The results were encouraging and included a 146 metre interval from diamond drill hole DVA-01 grading 1.27 g/t Au commencing from surface and a second interval of 24 metres grading 0.67 g/t Au starting 262 metres downhole. 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 which outlined 12.3 million tonnes grading 1.04 g/t Au or 411,700 ounces of gold in the inferred mineral resource category at a cut-off grade of 0.5 g/t Au. The resource estimate incorporated historical drilling data, Andina's single drill hole, and surface trench sampling data.

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 during the Phase I program.

By February 2006, Andina had completed sufficient drilling on the East and Central Zones to undertake a new resource estimate which outlined 14.3 million tonnes grading 1.00 g/t Au or 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 or 773,400 ounces of gold 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 500 metres west of the Central Zone. Andina drilled 5,700 metres into the West Zone during the first half of 2006 which outlined 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).

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

Andina also identified a significant new area of gold 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 Au 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; and,
- identified targets for the Phase III (2006-2007) program which commenced in October 2006.

On September 18, 2006, Andina reported that the updated resource estimate for the Volcan property had significantly increased both the indicated and inferred mineral resources, up 310% and 150% respectively, as compared to its February 22, 2006 estimate. The Volcan property's indicated mineral resource increased to 43.9 million tonnes grading 1.02 g/t Au for 1.44 million ounces of gold and inferred mineral resources increased to 37.2 million tonnes grading 0.97 g/t Au for 1.16 million ounces of gold (both based on a cut-off grade of 0.5 g/t Au).

In October 2006, Andina commenced a 40,000 metre, Phase III drilling program on the Volcan property with the goal of continuing to increase the resource base of the Dorado area of the property as well as conducting preliminary exploration drilling in the Ojo de Agua area of the property. An interim resource estimate from Andina's ongoing Phase III drilling campaign on the Volcan property was released on February 26, 2007. The project's indicated mineral resource increased by 38% to 62 million tonnes grading 0.99 g/t Au gold for 1.98 million ounces of gold and the inferred mineral resource increased by 26% to 46 million tonnes grading 1.00 g/t Au for 1.46 million ounces of gold (at a cut-off grade of 0.5 g/t Au).

The resource increase was due to the expansion of the Dorado West Zone deposit as a result of Andina's continuing program of infill drilling and extensional drilling along strike to the northeast. The West Zone indicated resource increased 79% to 39 million tonnes grading 0.98 g/t Au for 1.22 million ounces of gold while the inferred resource increased 42% to 31 million tonnes grading 1.05 g/t Au for 1.02 million ounces of gold. The interim resource estimate incorporates approximately 13,000 metres of drill results from the planned 40,000 metre program, in addition to drill data from Andina's previous drilling campaigns and historical drill data.

The fieldwork associated with the Phase III 2006-2007 program will be completed in May 2007 before Chile's winter season and a new resource estimate is anticipated in the third quarter of 2007. Contingent on the results from the current program, a Phase IV (2007-2008) exploration program will be planned to further outline the gold resources of the Volcan property.

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. Andina has recently completed an exploration program on its Anocarire property, is reviewing plans for its Encrucijada property, entered into a joint venture agreement on its Pampa Buenos Aires property and acquired the Valeriano property.

Anocarire property - Exploration activities in 2005 at the Anocarire property, located 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.

In the third quarter of 2006, Andina conducted a diamond drilling program on the Anocarire property to determine the nature of the geological environment underlying the large alteration system. 403 metres were drilled in two diamond drill holes. Drill hole DAN-01, drilled to a depth of 286 metres, returned elevated gold values averaging 0.06 g/t Au over the bottom 106 metres of the drill hole along with elevated barium and mercury values. Drill hole DAN-02, was lost at a depth of 117 metres as a result of poor ground conditions; however, anomalous gold values were obtained throughout the drill hole with maximum values up to 0.1 g/t Au. The presence of elevated gold, barium and mercury assay results associated with a high sulphidation-type alteration system is encouraging as such systems classically overlie large high sulphidation systems elsewhere in the Chilean Andes. Andina is reviewing plans for further exploration activities on the property.

Encrucijada property – This property has 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 a limited exploration program on the Encrucijada property in 2005 and is reviewing plans for further work.

Pampa Buenos Aires property - On August 28, 2006, Andina signed a letter of intent to enter into an option to purchase agreement with Mena Resources Inc. ("Mena") whereby Mena may acquire a 50% interest in Andina's interest in the Pampa Buenos Aires property. Upon signing the definitive agreement, Mena will undertake to reimburse Andina for 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. Subsequent to entering into the letter of intent Mena has agreed to be acquired by Resoro Mining Ltd. in a transaction scheduled to close in the second quarter of 2007. Closing of this transaction

will necessitate amendments to the option agreement with respect to the issue of Mena common shares. By allowing Mena to earn an interest in the Pampa Buenos Aries property, Andina can expedite exploration work on this project while Andina focuses its resources on its Volcan property.

Valeriano property – Subsequent to year end Andina entered into an option agreement to acquire the 3,000 hectare Valeriano Project located 120 kilometres east of Vallenar and 30 kilometres north of Barrick Gold’s Pascua-Lama Project.

Since the early 1980’s, the Valeriano Project has been the focus of a number of exploration programs by senior mining companies. Between 1996 and 1999, Barrick Gold was engaged in an exploration project on the property which included 12,600 metres of drilling. Andina believes the combined results from the previous exploration campaigns are sufficient to warrant further exploration.

The target of the previous exploration programs was a series of alteration systems cutting Palaeozoic to Triassic volcanics and Tertiary volcanics and intrusives which underlie the Valeriano Property. A number of geochemical anomalies associated with alteration systems, possibly related to Maricunga-style gold porphyry systems, remain untested and will be the initial focus of Andina’s exploration activities at Valeriano.

Andina can earn a 100% interest in the Valeriano Project by issuing the vendor 350,000 Andina common shares by July 8, 2008 and a further 650,000 common shares by July 8, 2009. There are no minimum exploration expenditures. Upon the signing of the option agreement, a cash payment of US\$100,000 was made to the vendor.

Aroma property - At the Aroma property, four diamond drill holes totaling 900 metres were completed in the third quarter of 2006 to test a large alteration system, with coincidental base metal and gold anomalies, exhibiting characteristics of a high sulphidation epithermal system. While the assay results confirmed the presence of anomalous gold and molybdenum mineralization, the results were economically insignificant and do not warrant further exploration expenditures. The Aroma option agreement was therefore terminated.

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, Andina 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 and fees of \$92,243 were paid in the year ended December 31, 2006 and written off.

1.3 Property Expenditures and Commitments

The following table summarizes expenditures on Andina’s mineral properties in 2006:

| Project | Balance December 31, 2005 | Option payments and acquisition costs | Exploration costs | Costs written off | Balance December 31, 2006 |
|-----------------------|--|--|------------------------------|------------------------------|--|
| Aroma | \$ 324,433 | \$ 74,431 | \$ 294,880 | \$ (693,744) | \$ - |
| Anocarire | 264,708 | 91,955 | 283,128 | - | 639,791 |
| Encrucijada | 208,925 | 128,478 | 34,683 | - | 372,086 |
| Pampa Buenos Aires | 164,960 | 28,478 | 72,043 | - | 265,481 |
| Volcan | 2,881,274 | 656,955 | 6,709,012 | - | 10,247,241 |
| | <u>3,844,300</u> | <u>980,297</u> | <u>7,393,746</u> | <u>(693,744)</u> | <u>11,524,599</u> |
| Quitovac | 95,000 | - | 92,243 | (92,243) | 95,000 |
| | <u>\$ 3,939,300</u> | <u>\$ 980,297</u> | <u>\$ 7,485,989</u> | <u>\$ (785,987)</u> | <u>\$ 11,619,599</u> |

During the year ended December 31, 2006, Andina incurred \$8,466,286 (2005 - \$3,849,240) in expenditures on these properties focused mainly on an expanded exploration program on the Volcan property. These expenditures included \$7,485,989 in capitalized exploration costs (2005 - \$3,062,537) and \$980,297 in option payments and acquisition costs (2005 - \$786,703).

Of the \$7,393,746 in 2006 exploration expenditures on the Chilean properties (2005 - \$3,062,537), \$1,962,405 (2005 - \$802,560) was incurred on drilling, \$981,593 (2005 - \$460,482) was spent on trenching, \$1,458,774 (2005 - \$613,492) was paid to exploration staff in Chile and \$2,990,974 (2005 - \$1,186,003) was spent on other activities. 91% (2005 - 73%) 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 | 2007 | 2008 | Total |
|-----------------|---------------------|---------------------|----------------------|
| Anocarire | \$ 390,000 | \$ 3,000,000 | \$ 3,390,000 |
| Encrucijada | 500,000 | - | 500,000 |
| Volcan | 5,000,000 | 5,500,000 | 10,500,000 |
| | <u>\$ 5,890,000</u> | <u>\$ 8,500,000</u> | <u>\$ 14,390,000</u> |

The most significant future payment is the 2007 Volcan cash payment of \$5 million. Based on the success of Andina's exploration program on the Volcan property, Andina plans to use a portion of the funds from its recent CDN\$24 million private placement of common shares (see item 5) to fund this commitment. The \$5.5 million 2008 Volcan payment can be made in cash or Andina common shares at Andina's option.

2. Outlook

Andina is completing its current exploration program on the Volcan property in the second quarter of 2007 before the start of the Chilean winter season. Andina will prepare a new mineral resource estimate in the third quarter of 2007 - this resource estimate is expected to once again significantly expand the gold resources at the Volcan property. Based on these results, Andina anticipates that it will prioritize its exploration activities in 2007-2008 to ensure it is able to increase its gold resources as rapidly as possible with the capital available to it. Andina continues to review its exploration plans for its other properties.

3. Annual Financial Information

| | Year ended Dec. 31 2004 | Year Ended Dec. 31 2005 | Year Ended Dec. 31 2006 |
|--------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Operations | | | |
| Expenses | \$132,112 | \$332,443 | \$619,122 |
| Stock-based compensation | - | 359,635 | 782,811 |
| Mineral properties written off | 72,553 | 2,546,322 | 785,987 |
| Taxes | - | (622,179) | - |
| Loss | \$204,665 | \$2,616,221 | \$2,187,920 |
| Loss per share | \$0.04 | \$0.10 | \$0.05 |
| Balance Sheet | | | |
| Working capital | \$7,132,154 | \$2,850,371 | \$15,619,969 |
| Mineral properties | 2,636,382 | 3,939,300 | 11,619,599 |
| Future income tax and other | (622,179) | 100,100 | 118,488 |
| | \$9,146,357 | \$6,889,771 | \$27,358,056 |
| Capital stock | \$7,537,840 | \$7,537,840 | \$28,179,252 |
| Warrants | 1,735,529 | 1,735,529 | 2,973,561 |
| Contributed surplus | 79,823 | 439,458 | 1,216,219 |
| Deficit | (206,835) | (2,823,056) | (5,010,976) |
| | \$9,146,357 | \$6,889,771 | \$27,358,056 |

Andina has not paid any dividends.

Annual Results

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

Andina commenced property acquisition and mineral exploration activities 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 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 a significant increase in working capital and mineral properties.

Activities in 2005 focused on commencing exploration work on Andina's mineral properties, particularly the Volcan property. Due to the success in rapidly expanding the gold resource at the Volcan property, Andina continued to focus its mineral exploration activities on the Volcan

through 2006. These activities were funded by a CDN\$17.6 million equity financing completed in April 2006.

Andina's operations during 2006 resulted in a loss of \$2,187,920 (2005 - \$2,616,221) or \$0.05 per share (2005 - \$0.10 per share). Professional fees, consulting, office, salaries, travel and general expenses were \$763,878 in 2006 (2005 - \$512,440). These higher levels of expenses were anticipated, given Andina's somewhat limited level of activity in the first half of 2005. In particular, professional fees increased by \$83,433 in 2006 compared to 2005 due to the financing activities undertaken in 2006 and payroll and consulting fees increased by \$65,777 in 2006 compared to 2005 due to increased head office activities in 2006. These expenses are expected to increase again in 2007 as activities levels, especially with respect to financing and exploration activities on the Volcan property, are expanded.

Andina had a foreign exchange loss of \$241,082 (2005 - foreign exchange gain of \$51,053) associated with holding assets in Canadian dollars and Chilean pesos. Andina recorded stock-based compensation of \$782,811 (2005 - \$359,635) and received interest income of \$420,455 (2005 - \$143,162). The depreciation expense in 2006 was \$34,607 (2005 - \$14,218).

All costs associated with the Aroma property (\$693,744) were written off in 2006 as Andina determined not to proceed with further exploration on this mineral property. In addition, property costs of \$92,243 related to the Quitovac property were paid and written off. In the corresponding period in 2005, \$656,826 in costs associated with the Gitana and Domeyko properties were written off and \$1,889,496 of costs (less a \$622,179 related tax recovery) associated with the Quitovac property were written off as Andina wrote down the carrying value of the property to its estimated fair value of \$95,000.

4. Quarterly Financial Information

| | Quarter Ended Mar. 31 2006 (Unaudited) | Quarter Ended Jun. 30 2006 (Unaudited) | Quarter Ended Sep. 30 2006 (Unaudited) | Quarter Ended Dec. 31 2006 (Unaudited) |
|--------------------------------|---|---|---|---|
| Operations | | | | |
| Expenses | \$144,490 | \$(306,212) | \$23,299 | \$757,545 |
| Stock-based compensation | 66,852 | 322,049 | 124,028 | 269,882 |
| Mineral properties written off | 55,102 | 784 | 674,995 | 55,106 |
| Future income tax recovery | - | - | - | - |
| Loss | \$266,444 | \$16,621 | \$822,322 | \$1,082,533 |
| Loss per share | \$0.01 | Nil | \$0.02 | \$0.02 |
| | Mar. 31, 2006 | Jun. 30, 2006 | Sep. 30, 2006 | Dec. 31, 2006 |
| Balance Sheet | | | | |
| Working capital | \$1,699,745 | \$15,649,549 | \$14,874,464 | \$15,619,969 |
| Mineral properties | 5,825,948 | 8,173,554 | 8,680,432 | 11,619,599 |
| Future income tax and other | 95,396 | 83,423 | 84,979 | 118,488 |
| | \$7,621,089 | \$23,906,526 | \$23,639,875 | \$27,358,056 |
| Capital stock | \$8,806,235 | \$22,564,572 | \$23,073,561 | \$28,179,252 |
| Warrants | 1,398,044 | 3,619,716 | 3,542,370 | 2,973,561 |
| Contributed surplus | 506,310 | 828,359 | 952,387 | 1,216,219 |
| Deficit | (3,089,500) | (3,106,121) | (3,928,443) | (5,010,976) |
| | \$7,621,089 | \$23,906,526 | \$23,639,875 | \$27,358,056 |

| | Quarter Ended Mar. 31 2005 (Unaudited) | Quarter Ended Jun. 30 2005 (Unaudited) | Quarter Ended Sep. 30 2005 (Unaudited) | Quarter Ended Dec. 31 2005 (Unaudited) |
|--------------------------------|---|---|---|---|
| Operations | | | | |
| Expenses | \$194,184 | \$191,333 | \$(50,789) | \$(2,285) |
| Stock-based compensation | 152,056 | 61,114 | 82,752 | 63,713 |
| Mineral properties written off | - | 623,705 | 24,830 | 1,897,787 |
| Future income tax recovery | - | - | - | (622,179) |
| Loss | \$346,240 | \$876,152 | \$56,793 | \$1,337,036 |
| Loss per share | \$0.01 | \$0.03 | Nil | \$0.06 |
| Balance Sheet | | | | |
| Working capital | \$6,479,141 | \$5,102,010 | \$4,811,846 | \$2,850,371 |
| Mineral properties | 3,086,545 | 3,643,738 | 3,960,716 | 3,939,300 |
| Future income tax and other | (613,513) | (608,613) | (609,468) | 100,100 |
| | \$8,952,173 | \$8,137,135 | \$8,163,094 | \$6,889,771 |
| Capital stock | \$7,537,840 | \$7,537,840 | \$7,537,840 | \$7,537,840 |
| Warrants | 1,735,529 | 1,735,529 | 1,735,529 | 1,735,529 |
| Contributed surplus | 231,879 | 292,993 | 375,745 | 439,458 |
| Deficit | (553,075) | (1,429,227) | (1,486,020) | (2,823,056) |
| | \$8,952,173 | \$8,137,135 | \$8,163,094 | \$6,889,771 |

4.1 Three months ended December 31, 2006

Andina's operations during the three months ending December 31, 2006 resulted in a loss of \$1,082,533 (2005 - \$1,337,036) or \$0.02 per share (2005 - \$0.06 per share).

Professional fees, consulting, office, salaries, travel and general expenses were \$237,191 (2005 - \$55,962). These expenditures were, as expected, higher than in the prior year due to higher activity levels in 2006. In particular, Andina incurred higher travel expenses and costs associated with attending industry trade shows. Foreign exchange losses were \$653,240 (2005 - gain of \$8,267) as the United States dollar appreciated during the period. Interest income was \$144,872 (2005 - \$63,343) due to higher cash balances on completion of the April 2006 private placement. Stock-based compensation was \$269,882 (2005 - \$63,713) which was higher than in 2005 due to the issuance of 1,716,000 stock options in 2006.

All costs associated with the Aroma property were written off in 2006 as Andina determined not to proceed with further exploration on this mineral property. In addition, property costs related to the Quitovac property were paid and written off. Andina wrote off \$55,106 in costs associated with these properties in the period. In the fourth quarter of 2005, \$1,897,787 in costs (less a \$622,179 related tax recovery) associated with the Gitana, Domeyko and Quitovac properties were written off.

4.2 Subsequent Event

On February 9, 2007 Andina completed a CDN\$24 million financing with a syndicate of underwriters under which the underwriters bought on a private placement, bought deal basis,

8,000,000 units at a price of CDN\$3.00 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of CDN\$4.00 until August 9, 2009.

5. Liquidity and Capital Resources

Andina is wholly 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. Andina has not generated any revenue from operations and does not expect to generate any such revenue in its current or next fiscal year.

As at December 31, 2006, Andina had working capital of \$15,619,969 (December 31, 2005 – \$2,850,371) including \$16,651,803 (December 31, 2005 - \$3,509,651) in cash, 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, 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 will be exercisable at a price of CDN\$1.50 until April 11, 2008.

The 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.

On February 9, 2007 Andina completed a CDN\$24 million financing with a syndicate of underwriters under which the underwriters bought on a private placement, bought deal basis, 8,000,000 units at a price of CDN\$3.00 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of CDN\$4.00 until August 9, 2009. The underwriters also received broker warrants which entitle the underwriters to purchase up to 240,000 units at a price of CDN\$3.00 per unit until August 9, 2009. Each unit consists of one common share and one-half of one warrant.

The funds from this financing combined with \$16.7 million in cash, cash equivalents and marketable securities at December 31, 2006 will allow Andina will be able to make the \$5 million 2007 option payment on the Volcan property and carry out another series of significant exploration programs on the Volcan property through the 2008-2009 drilling season. The main goal of these exploration programs is to continue increasing the size of the Volcan gold resource which presently stands at an indicated mineral resource of 62 million tonnes grading 0.99 g/t Au gold for 1.98 million ounces of gold and an inferred mineral resource of 46 million tonnes grading 1.00 g/t Au for 1.46 million ounces of gold (at a cut-off grade of 0.5 g/t Au).

Andina had no off balance sheet arrangements as at December 31, 2006.

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, 2006. These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business. However, the Company is in the development stage and is subject to risks and challenges similar to companies in a comparable stage of development (see Section 8.5). As a result of these circumstances, there is substantial doubt as to the appropriateness of the going concern presumption. There is no assurance that the Company's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

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.

6.2 Warrants

Andina accounts for warrants using the fair value method. Under this method, the value of warrants is measured at fair value at the grant date using the Black-Scholes valuation model and recorded as share capital when the warrants are exercised.

6.3 Stock-based Compensation

Andina has a stock-based compensation plan. Andina accounts for stock options using the fair

value method. Under this method, compensation expense for stock options granted is measured at fair value at the grant date using the Black-Scholes valuation model and recognized over the vesting period of the options granted.

7. Outstanding Share Data

| | Outstanding Number of Shares |
|---|---|
| Outstanding common shares – December 31, 2004 and 2005 | 25,740,963 |
| April 12, 2006 private placement | 16,000,000 |
| Exercise of warrants - 2004 private placement | 8,708,315 |
| Exercise of broker warrants - 2004 private placement | 1,583,333 |
| Exercise of warrants – 2006 private placement | 332,800 |
| Exercise of broker warrants - 2006 private placement | 138,600 |
| Exercise of stock options | <u>23,500</u> |
| Common shares outstanding – December 31, 2006 | 52,527,511 |
| February 9, 2007 private placement | 8,000,000 |
| Exercise of warrants - 2006 private placement | 515,000 |
| Exercise of stock options | <u>119,000</u> |
| Common shares outstanding – April 25, 2007 | 61,161,511 |
| Unexercised warrants – 2006 private placement | 7,221,500 |
| Unexercised broker warrants – 2006 private placement | 821,400 |
| Unexercised warrants – 2007 private placement | 4,000,000 |
| Unexercised broker warrants – 2007 private placement | 240,000 |
| Unexercised stock options | <u>3,928,000</u> |
| Fully diluted common shares outstanding – April 25, 2007 | <u><u>77,372,411</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

2006 Brokered Private Placement

Each of the warrants issued in connection with the 2006 private placement financing of April 12, 2006 entitles the holder to purchase one 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.

2007 Bought Deal Financing

Each of the warrants issued in connection with the 2007 Andina bought deal private placement financing of February 9, 2007 entitles the holder to purchase one common share at a price of CDN\$4.00 until August 9, 2009.

Each of the broker warrants issued in connection with the 2007 private placement financing entitles the agent to purchase a unit at a price of CDN\$3.00 per unit until August 9, 2009. Each unit consists of one common share and one-half of one warrant.

7.3 Stock Options

Andina has a stock option plan under which stock options may be granted to the Andina'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; and (iv) contains other provisions to ensure the stock option plan is compliant with stock exchange regulations.

During 2006 Andina issued a total of 1,716,000 options, 23,500 options were exercised and 40,000 options were expired or cancelled. The following options were outstanding at December 31, 2006:

| 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 | 92,000 | \$0.74 | April 21, 2010 |
| August 24, 2005 | 100,000 | \$0.70 | August 24, 2010 |
| September 27, 2005 | 466,500 | \$0.70 | September 27, 2010 |
| April 18, 2006 | 1,566,000 | \$1.35 | April 18, 2011 |
| August 25, 2006 | 50,000 | \$1.60 | August 25, 2011 |
| December 5, 2006 | 100,000 | \$2.74 | December 5, 2011 |
| | <u>4,047,000</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 agreement 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 in Section 1.3.

8.2 *Related Party Transactions*

The option on the Anocarire property was acquired from vendors which included SBX Asesorias Inversiones Ltda. ("SBX"), a company that is 51% owned by a shareholder of the Company. During 2006 Andina paid a total of \$142,360 (2005 - \$93,300) to SBX for geological and administrative services. As well, 50% of the \$35,000 2006 property payment and the \$25,000 2005 property payment on the Anocarire property were 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.

8.3 *Changes in accounting standards*

In January 2005, the CICA issued new standards relating to financial instruments. Section 3855, Financial Instruments – Recognition and Measurement, prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and at what amount – sometimes using fair value; other times using cost-based measures. It also specifies how financial instruments gains and losses are to be presented. Section 3865, Hedges, is applicable whenever an enterprise chooses to designate a hedging relationship for accounting purposes. It expands on AcG No. 13, Hedging Relationships, and Section 1650, Foreign Currency Translation by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. Section 1530, Comprehensive Income, introduces new rules for the reporting and display of comprehensive income. Comprehensive Income is the change in equity (net assets) of an enterprise during a reporting period from transaction and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distribution to owners.

These standards are applicable for fiscal years beginning on or after October 1, 2006. Andina is currently reviewing the impact of these new standards.

8.4 *Disclosure Control and Procedures*

Andina's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining Andina's disclosure controls and procedures. Access to material information is facilitated by the small size of Andina's senior management team. The CEO and CFO, after evaluating the effectiveness of the Andina's disclosure controls and procedures as of December 31, 2006, have concluded that Andina's disclosure controls and procedures were adequate and effective to ensure that material information relating to Andina and its subsidiaries would have been known to them.

Further, Andina maintains and is reviewing, a set of internal controls over financial reporting which have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparing of financial statements in accordance with Canadian GAAP.

8.5 Risk Factors

The Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. 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 mineral 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, no key man insurance and enforcement of civil liabilities.

Limited Operating History

An investment in Andina should be considered highly speculative due to the nature of Andina's business. Andina has no history of earnings, it has not paid any dividends and it is unlikely to enjoy earnings or paying dividends in the immediate or foreseeable future.

Speculative Nature of Mineral Exploration and Development Activities

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by Andina may be affected by numerous factors which are beyond the control of Andina and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in Andina not receiving an adequate return of investment capital.

Substantial expenditures are required to establish mineral reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities and grades to justify commercial operations or that the funds required for development can be obtained on a timely basis. Estimates of mineral reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short-term factors relating to reserves, such as the need for orderly development of orebodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. Material changes in mineral reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

Andina's mineral properties are in the exploration stage only and are without known bodies of mineral reserves, although a mineral resource has been established by the Company on its Volcan property. The exploration programs proposed in the Andina Technical Report are exploratory searches for commercial orebodies only. Development of any of Andina's mineral properties will only follow upon obtaining satisfactory exploration results.

Few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral reserves, develop metallurgical processes and construct mining and processing facilities at a particular site. There is no assurance that Andina's mineral exploration activities will result in any discoveries of commercial bodies of ore. Also, no assurance can be given that any or all of Andina's properties will not be subject to prior unregistered agreements or interests or undetected claims which could be materially adverse to Andina.

Operating Hazards and Risks

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Andina's operations will be subject to all the hazards and risks normally incidental to exploration, development and production of metals, such as unusual or unexpected formations, cave-ins or pollution, all of which could result in work stoppages, damage to property and possible environmental damage.

Mining Risks and Insurance

The business of mining for gold and other metals is generally subject to a number of risks and hazards including environmental hazards, industrial accidents, labour disputes, unusual or unexpected geological conditions, pressures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, blizzards and earthquakes. No assurance can be given that such insurance will continue to be available or that it will be available at economically feasible premiums. Mining operations will be subject to risks normally encountered in the mining business.

No Mineral Reserves

All of the Andina properties are considered to be in the exploration stage only and do not contain a known body of commercial ore. Mineral reserves are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Reserve estimates for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations of metals, as well as increased production costs or reduced recovery rates may render mineral reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. Moreover, short-term operating factors relating to the mineral reserves, such as the need for orderly development of the orebodies and the processing of new or different ore grades may cause a mining operation to be unprofitable in any particular accounting period. While Andina does have mineral resources, such resources are mineral reserves and do not have demonstrated economic viability.

Foreign Operations

All of the Andina properties are located in Chile or Mexico. Such projects could be adversely affected by exchange controls, currency fluctuations, taxation and laws or policies of Chile, Mexico or Canada affecting foreign trade, investment or taxation.

Changes in mining or investment policies or shifts in political attitude in Chile or Mexico may adversely affect Andina's business. Operations may be affected by governmental regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. The effect of these factors cannot be accurately predicted.

Environmental and Other Regulatory Requirements

Andina's activities are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The exploration operations of Andina and development and commencement of production on its properties, require permits from various federal and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Andina believes it is in substantial compliance with all material laws and regulations which currently apply to its activities.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Competition

Significant and increasing competition exists for the limited number of mineral acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than Andina. The Company may be unable to acquire additional attractive mineral properties on terms it considers acceptable. Accordingly, there can be no assurance that Andina's exploration and acquisition programs will yield any reserves or result in any commercial mining operation.

Stage of Development

Andina is in the business of exploring for, with the ultimate goal of producing, precious and base metals from its mineral exploration properties. None of the Andina properties have commenced commercial production and Andina has no history of earnings or cash flow from its operations. As a result of the foregoing, there can be no assurance that Andina will be able to develop any of its properties profitably or that its activities will generate positive cash flow.

Andina has not paid any dividends and it is unlikely to enjoy earnings or paying dividends in the immediate or foreseeable future. Andina has not sufficiently diversified such that it can mitigate the risks associated with its planned activities. Andina has limited cash and other assets.

A prospective investor in Andina must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of Andina's management in all aspects of the development and implementation of Andina's business activities.

Fluctuations in Commodity Prices

The profitability, if any, in any mining operation in which Andina has an interest is significantly affected by changes in the market price of precious and base metals which fluctuate on a daily basis and are affected by numerous factors beyond Andina's control.

Currency Risk

A portion of Andina's current and proposed activities are carried on in currencies other than the United States dollar. Accordingly, such activities are subject to risks associated with fluctuations of the rate of exchange of the United States dollar and foreign currencies, particularly the Canadian dollar and Chilean peso. Andina does not currently hedge its currency exposure.

Conflicts of Interest

Certain of the directors and officers of Andina are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of Andina may become subject to conflicts of interest. The CBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement

unless otherwise provided under the CBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the CBCA.

Reliance on Key Individuals

Andina's success depends to a certain degree upon certain key members of the management. These individuals are a significant factor in Andina's growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on Andina.

No Key Man Insurance

Andina does not anticipate having key man insurance in place in respect of any of its senior officers or personnel.

Enforcement of Civil Liabilities

As the proposed major assets of Andina and certain of its existing and proposed management are or will be located outside of Canada, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of Andina, or the management of Andina, residing outside of Canada.

8.6 Forward Looking Statements

This 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 Andina'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.