

***ANDINA MINERALS INC.***

*Management's Discussion and Analysis*

*March 31, 2008*

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MARCH 31, 2008

*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 months ended March 31, 2008 and the audited consolidated financial statements for the year ended December 31, 2007. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and **all dollar amounts are in United States dollars**, unless otherwise noted. The date of this management's discussion and analysis is May 28, 2008. 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](http://www.sedar.com).*

*The "Independent Qualified Person(s)" under the guidelines of National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian Securities Administrators for Andina's exploration properties in the following discussion and analysis are noted as follows. The qualified person for the Volcan property is Ralph Gonzalez, a resident of Burnaby, British Columbia, Canada. Mr. Gonzalez is a professional engineer registered with the Association of Professional Engineers of the Province of Manitoba since 1977 and a Professional Geologist registered with the Association of Professional Engineers and Geoscientists in the Province of British Columbia since 1992. The October 2007 resource estimate was prepared by NCL Ingenieria y Construccion S.A., Santiago, Chile in conjunction with Eduardo Magri, Ph.D. in mining engineering (Witwatersrand) and a Fellow of the SAIMM with over 30 years of industry experience. Mr. Gonzalez prepared the October 2007 resource estimate NI 43-101 compliant technical report for the Volcan property dated November 28, 2007 that was filed on the SEDAR system. The qualified person for the Anocarire property is Michael Easdon, a Registered Professional Geologist residing in Santiago, Chile.*

### 1. Exploration Activities

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

Property	Target	Location	Owned/Under Option <sup>(1)</sup>
Volcan	Gold porphyry	Region III	Owned
Anocarire	Gold porphyry	Region I	Under option
Encrucijada	Gold/silver epithermal veins	Region III	Owned <sup>(2)</sup>
Pampa Buenos Aires	Gold/silver epithermal veins	Region II	Owned <sup>(2)</sup>
Valeriano	Gold/silver	Region III	Under option

(1) Subject to certain royalty payments described below.

(2) Under option to other companies as described below.

All of the exploration properties are at an early stage of development. A summary of the work performed by the previous operators on the Volcan, Anocarire, Encrucijada and Pampa Buenos Aires 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 (filed at [www.sedar.com](http://www.sedar.com) on November 24, 2004).

### ***1.1 Volcan Gold Property***

The Volcan property, located 170 kilometres by road 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 during the early to mid-1990's.

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 deposit. The results were encouraging, confirming historical drill results, and during the third quarter of 2005, Andina completed an estimate of the mineral resource at the Dorado East deposit which outlined 12.3 million tonnes grading 1.04 grams per tonne gold ("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.

Andina commenced a Phase II exploration program at the end of the third quarter of 2005 focused on increasing the resource base in the Dorado area of the Volcan property. The initial focus of the exploration program was delineation and infill drilling at the Dorado East deposit which was then followed by a delineation drilling program at the Dorado Central deposit, which Andina had discovered during the Phase I program.

In addition to the Dorado East and Central deposits, a number of high priority areas were targeted during the Phase II program, the most significant being the Dorado West deposit which lies approximately 500 metres west of the Dorado Central deposit. Andina drilled 5,700 metres into the Dorado West deposit 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.

In September 2006, Andina reported that the updated resource estimate for the Volcan property had significantly increased both the indicated and inferred mineral resources as compared to its interim February 2006 estimate. Indicated mineral resource increased 310% to 43.9 million tonnes grading 1.02 g/t Au for 1.44 million ounces of gold and inferred mineral resource increased 150% 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 Phase III exploration program on the Volcan property with the goal of continuing to increase the resource base of the Dorado area as well as conducting preliminary exploration drilling in the Ojo de Agua area of the property. The fieldwork associated with the Phase III 2006-2007 program was completed in May 2007 before the onset of Chile's winter season. Approximately 34,000 metres of drilling was completed in addition to surface trenching, geological mapping and geophysical surveys.

On December 5, 2007, Andina filed an updated NI 43-101 compliant resource estimate for the Volcan property. Compared to Andina's interim February 2007 resource estimate, total measured

and indicated resources for the three Dorado deposits increased 48% to 2.93 million contained ounces of gold (115.1 million tonnes grading 0.79 g/t Au) while the inferred resource increased 188% to 4.20 million ounces of gold (170.3 million tonnes grading 0.77 g/t Au) at a 0.5 g/t Au cut-off. Central to the deposits are higher grade core zones which, at a 0.7 g/t Au cut-off grade, host measured and indicated resources of 61.7 million tonnes grading 0.98 g/t Au containing 1.92 million ounces of gold with a further 83.1 million tonnes grading 0.96 g/t Au giving 2.55 million ounces of gold in the inferred resource category.

The December 2007 resource increase was largely due to:

- the extension of the Dorado West Zone deposit to the north where the mineralized corridor was outlined over widths of up to 600 metres; and
- infill drilling throughout the Dorado West Zone deposit. The increased infill drill density accounts for the establishment of the measured category resource.

Andina commenced a Phase IV, \$15.5 million exploration campaign on the Volcan property in the fourth quarter of 2007 which was completed in May 2008. The Phase IV program included 41,500 metres of drilling along with geophysical surveys, geological mapping and trenching. The majority of drilling was directed towards upgrading the confidence level of the existing resource by converting inferred resources to the measured and indicated category as well as increasing the size of the resource base, particularly in the area of the Dorado West deposit and its extension to the northwest (“NW Zone”). An updated Dorado area resource estimate is scheduled for release during the second quarter 2008.

Approximately a third of the Phase IV drilling focused on the Ojo de Agua area following up the on the drilling and geophysical survey results from the Phase III program. The drilling established the continuity of the Andrea Zone as well as resulted in the discovery of the a new zone of the gold mineralization, the Florencia Zone

In November 2007, Andina reported positive preliminary metallurgical test results from sulphide-bearing gold mineralization from the Volcan property. Gold recoveries from four column tests of the Dorado West deposit mineralization ranged from 57% to 77% with increasing recoveries directly correlated with increased gold grades. The column tests, conducted by McClelland Laboratories, Inc., Nevada, (“McClelland”) were run for 64 days with the recoveries showing a break out around four days and extraction generally levelling out after 26 days indicating very fast leach kinetics likely due to the high purity (~98%) and small grain size of the gold. Four 96-hour bottle roll tests, completed by McClelland on the same composite samples, returned slightly lower gold recoveries ranging from 51% to 71%. Advanced Mineral Technology Laboratory, London, Ontario, conducted 48-hour bottle roll tests on the same composite samples achieving gold recoveries ranging from 54% to 78% in line with the column test results. Both sets of bottle roll tests displayed a positive correlation between increased recoveries and increased gold grades.

In May 2008, Andina reported continued positive metallurgical test results. The results from three column tests along with load tests, further confirmed that the Volcan property’s sulphide-hosted gold mineralization is amenable to heap leaching. Column tests completed on two composite samples from the Dorado East deposit achieved gold recoveries of 77%. These results compare favourably with previously reported gold recoveries, which varied between 64% and 77%. The third column test, a composite sample of low-grade mineralization (0.32 g/t Au) from the Dorado

West deposit, returned a gold recovery of 63%, which is higher than the 57% recovery achieved from a previously reported column test on lower grade Dorado West deposit mineralization.

In addition to the column test work, positive results were obtained from load / permeability tests completed on two samples which confirmed permeability of the leached material for simulated heaps up to 40 metres high.

Samples have been collected for further metallurgical test work with the goal of establishing basic parameters to support an economic assessment of the Volcan property. It is anticipated that this study will commence during the second half of 2008.

In January 2008, Andina entered into a letter agreement to acquire water rights from a private Chilean company. Subject to the conclusion of legal and technical due diligence, drafting of definitive documentation, and receipt of necessary approvals from the TSX Venture Exchange, on May 30, 2008, Andina will issue to the owner of the water rights 6.7 million common shares for the purchase of the water rights. The water rights are located approximately 20 kilometres northeast of Andina's Volcan property.

### ***Volcan Property Sulphur Mineralization***

A twenty kilogram sample of native sulphur mineralization, collected from an occurrence located on the slopes of Cerro Azufre (Sulphur Mountain) on the Volcan property, has been shipped to Advanced Mineral Technology Laboratory, Ontario, Canada, for the purpose of investigative metallurgical testing. The testing will determine the quality of the sulphur and whether it is amenable to flotation.

As noted in Andina's technical report, "Review of Gold and Copper Exploration Potential of Minerals Properties in Chile" dated November 12, 2004, a reserve estimate of 4.7 million tonnes grading 40% sulphur was published by the Chilean government organization Centro de Investigaciones Metalurgicas y Mineras of Santiago in the "Boletin Minero" based on a Corporacion de Fomento de la Produccion report dated 1987. The reserve estimate is a historical estimate for National Instrument 43-101 reporting purposes, but is not a reserve as defined by CIM categories. Andina has no reason to believe that this historical reserve estimate is not reliable. There are no more recent reserve or resource estimates available to Andina.

### ***1.2 Other Gold Properties***

***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 bulldozer trenching and collected 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. The holes returned elevated gold values along with elevated barium and mercury values.

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 re-established the access road to the property and is reviewing plans for further exploration activities on the property. The option contract is under negotiation to modify the terms and extend the terms of the payments.

***Encrucijada property*** – This property has been subject to geological, geochemical and geophysical surveys in the past. Surface trenching and limited reverse circulation drilling programs have confirmed the presence of epithermal gold mineralization at Encrucijada. Andina undertook a limited exploration program in 2007 and after acquiring 100% of the property with no royalties or other back-in rights Andina entered into an agreement with Hochschild Mining plc, (“Hochschild”) whereby Hochschild can earn up to a 60% interest in the Encrucijada property. Hochschild can earn a 51% interest in the Encrucijada property by paying Andina \$500,000 upon signing (completed) and spending \$3 million on exploration over the following 36 months. Hochschild may then increase its interest in the partnership to 60% by funding the first \$3.5 million towards a feasibility study within the next 36 months.

***Pampa Buenos Aires property*** - The Pampa Buenos Aires is a broad plain underlain primarily by andesitic volcanic rocks but mostly covered by gravels. A number of zones of hydrothermal alteration occur on the mineral concessions and one highly silicified zone on the southwest of the concession block has been mined in the past for silica used as flux in smelting operations. These silicified zones are indicative of the volcanic-hydrothermal and structural history of the area. Andina acquired 100% of the property of Pampa Buenos Aires property with no royalties or other back-in rights during 2007. On July 25, 2007, Andina and Rusoro signed an agreement under which Rusoro can earn a 50% interest in the concessions forming the Pampa Buenos Aires property by completing exploration expenditures of \$250,000 on the Pampa Buenos Aires property and issuing 176,479 Rusoro common shares to Andina by June 30, 2008. Rusoro is expected to start drilling on the Pampa Buenos Aires property during the second quarter of 2008.

***Valeriano property*** – Early in 2007 Andina entered into an option agreement to acquire the 3,000 hectare Valeriano property located 120 kilometres east of Vallenar and 30 kilometres north of Barrick Gold’s Pascua-Lama Project. Since the early 1980’s, the Valeriano property 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 property 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 \$100,000 was made to the vendor.

### 1.3 Property Expenditures and Commitments

The following table summarizes expenditures on Andina's mineral properties in 2007:

Property	Balance December 31, 2007	Option payments and acquisition costs	Property payments received	Exploration costs	Balance March 31, 2008
Anocarire	\$ 944,792	\$ 55,388	\$ -	\$ 14,806	\$ 1,014,986
Encrucijada	1,091,604	27,694	(500,000)	157,409	776,707
Pampa Buenos Aires	1,163,355	27,694	-	59,986	1,251,035
Valeriano	202,530	55,388	-	-	257,918
Volcan	33,522,701	55,388	-	7,118,622	40,696,711
	36,924,982	221,552	(500,000)	7,350,823	43,997,357
Quitovac (i)	95,000	-	-	-	95,000
	\$ 37,019,982	\$ 221,552	\$ (500,000)	\$ 7,350,823	\$ 44,092,357

During the three months ended March 31, 2008, Andina incurred \$7,072,375 (2007 - \$5,265,146) in expenditures on these properties focused mainly on an expanded exploration program on the Volcan property. These expenditures included \$7,350,823 in capitalized exploration costs (2007 - \$5,065,888) and \$221,552 in option payments and acquisition costs (2007 - \$256,850) less a \$500,000 property payment received on the Encrucijada property from Hochschild.

Of the \$7,350,823 spent in 2008 on exploration expenditures on the Chilean properties, 97% of the exploration costs, or \$7,118,622 (2007 - \$4,961,147), 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, Encrucijada, Pampa Buenos Aires and Valeriano properties.

Of the \$7,118,622 spent in 2008 on exploration expenditures on the Volcan property \$3,800,787 was incurred on drilling, \$838,130 (including \$85,566 in stock-based compensation) was paid to exploration staff in Chile, \$525,374 was spent on trenching and bulldozing, \$1,015,700 was paid in value added taxes on exploration expenditures and \$938,631 (including \$14,241 in amortization of equipment) was spent on assaying, field costs and other activities. The costs included the third quarter of the 2007/2008 \$15.5 million Phase IV exploration program.

Andina's mineral property obligations, including option payments on the Anocarire and Valeriano properties and royalty payments on the Anocarire and Volcan properties, are outlined in note 4 in its consolidated financial statements for the three months ended March 31, 2008. The Anocarire and Quitovac contracts are under negotiation to modify the terms and extend the terms of the payments.

## **2. Outlook**

Andina completed its Phase IV 2007-2008 exploration program on the Volcan property in the second quarter of 2008 as the Chilean winter season began. Final drill assay results are pending. A new mineral resource estimate for the Dorado area of the Volcan property is being prepared for a planned release during the second quarter 2008. Results from the Ojo de Agua area drilling are being reviewed.

In November 2007, and May 2008, Andina released positive metallurgical test results from composite samples of gold mineralization collected from the Dorado West and Dorado East deposits. The ongoing metallurgical test work is being conducted with the goal of establishing basic parameters to support an economic assessment of the Volcan property. It is anticipated that this study will commence during the second half of 2008.

In January 2008, Andina entered into a letter agreement to acquire water rights a private Chilean company. Subject to the conclusion of legal and technical due diligence, drafting of definitive documentation, and receipt of necessary approvals from the TSX Venture Exchange, on May 30, 2008, Andina will issue to owner of the water rights 6.7 million common shares for the purchase of the water rights. The water rights are located approximately 20 kilometres northeast of Andina's Volcan property.

Andina continues to review its exploration plans for its other properties.

### 3. Quarterly Financial Information

	Quarter Ended Jun. 30 2007 (Unaudited)	Quarter Ended Sep. 30 2007 (Unaudited)	Quarter Ended Dec. 31 2007 (Unaudited)	Quarter Ended Mar. 31 2008 (Unaudited)
<b>Operations</b>				
Expenses	\$(1,693,776)	\$(1,238,607)	\$112,824	\$612,911
Stock-based compensation	574,999	482,807	(34,986)	211,440
Mineral properties written off	-	-	-	-
(Net earnings) loss	<b>\$(1,118,777)</b>	<b>\$(755,800)</b>	<b>\$77,838</b>	<b>\$824,351</b>
(Earnings) loss per share	\$ (0.02)	\$ (0.01)	\$ nil	\$ 0.01
	<b>Jun. 30, 2007</b>	<b>Sep. 30, 2007</b>	<b>Dec. 31, 2007</b>	<b>Mar. 31, 2008</b>
<b>Balance Sheet</b>				
Working capital	\$24,392,663	\$25,135,734	\$22,723,240	\$17,168,406
Mineral properties	30,510,110	31,171,834	37,019,982	44,092,357
Future income tax and other	82,037	81,415	62,052	46,769
	<b>\$54,984,810</b>	<b>\$56,388,983</b>	<b>\$59,805,274</b>	<b>\$61,307,532</b>
Capital stock	\$49,967,169	\$50,235,196	\$54,032,727	\$56,588,837
Warrants	7,067,969	7,067,969	6,419,233	6,086,406
Contributed surplus	1,852,959	2,233,305	2,578,639	2,681,965
Deficit	(3,903,287)	(3,147,487)	(3,225,325)	(4,049,676)
	<b>\$54,984,810</b>	<b>\$56,388,983</b>	<b>\$59,805,274</b>	<b>\$61,307,532</b>

	Quarter Ended Jun. 30 2006 (Unaudited)	Quarter Ended Sep. 30 2006 (Unaudited)	Quarter Ended Dec. 31 2006 (Unaudited)	Quarter Ended Mar. 31 2007 (Unaudited)
<b>Operations</b>				
Expenses	\$(306,212)	\$23,299	\$757,545	\$(140,974)
Stock-based compensation	322,049	124,028	269,882	152,062
Mineral properties written off	784	674,995	55,106	-
Loss	<b>\$16,621</b>	<b>\$822,322</b>	<b>\$1,082,533</b>	<b>\$11,088</b>
Loss per share	\$ nil	\$0.02	\$0.02	\$ nil
	<b>Jun. 30, 2006</b>	<b>Sep. 30, 2006</b>	<b>Dec. 31, 2006</b>	<b>Mar. 31, 2007</b>
<b>Balance Sheet</b>				
Working capital	\$15,649,549	\$14,874,464	\$15,619,969	\$30,279,402
Mineral properties	8,173,554	8,680,432	11,619,599	16,884,745
Future income tax and other	83,423	84,979	118,488	101,297
	<b>\$23,906,526</b>	<b>\$23,639,875</b>	<b>\$27,358,056</b>	<b>\$47,265,444</b>
Capital stock	\$22,564,572	\$23,073,561	\$28,179,252	\$43,787,885
Warrants	3,619,716	3,542,370	2,973,561	7,136,672
Contributed surplus	828,359	952,387	1,216,219	1,362,951
Deficit	(3,106,121)	(3,928,443)	(5,010,976)	(5,022,064)
	<b>\$23,906,526</b>	<b>\$23,639,875</b>	<b>\$27,358,056</b>	<b>\$47,265,444</b>

Generally, the quarter to quarter fluctuations in losses are attributable to the following:

- Expenses: expenses are relatively consistent and changes from quarter to quarter are related to the amount of interest income earned on cash and cash equivalent balances and the effects of foreign exchange gains or losses. In the second quarter of 2007 a \$1,654,025 foreign exchange gain related primarily to the effects of a falling United States dollar on

Canadian dollar denominated cash and cash equivalent balances resulted in a significant change from prior quarters. This trend continued in the third quarter of 2007 as a \$1,209,220 foreign exchange gain related to the effects of a falling United States dollar was recorded.

- Stock-based compensation: these balances are affected primarily by the timing and size of stock option grants as amounts are expensed 25% on the date of grant and 75% over the eighteen month vesting period for the options.
- Mineral properties written off: balances are generally written off when a decision is made not to proceed with exploration on a property and, as such, these expenses fluctuate widely from quarter to quarter.

Changes in working capital from quarter to quarter result primarily from the timing of financings. Working capital increased in the second quarter of 2006 and the first quarter of 2007 as Andina completed a CDN\$17.6 million financing in April 2006 and a CDN\$24.0 financing in February 2007. As well warrants related to a 2004 financing were exercised in the fourth quarter of 2006. In other quarters, working capital decreased as funds were expended on exploration activities.

The increase in mineral properties is primarily related to \$19.4 million in exploration activities and \$11.2 million in option payments and acquisition costs on Andina's Volcan property during 2006 and 2007 and \$7.1 million in exploration expenditures on the Volcan property in the first quarter of 2008.

#### **4. Three months ended March 31, 2008**

Andina's operations during the three months ended March 31, 2008 resulted in a net loss of \$824,351 (2007 - \$11,088) or \$0.01 per share (2007 - \$ nil).

Professional fees, consulting, office, salaries, travel and other general expenses were \$418,939 (2007 - \$324,620). Payroll and consulting expenses were higher in 2008 compared to 2007 as the number of employees increased and pay levels increased. Regulatory and shareholder information expenses were higher in 2008 as Andina spent additional funds on promotional and investor relations activities. All of these expenses were generally higher in 2008 as they are denominated in Canadian dollars and the Canadian dollar was significantly higher, on average, in 2008 than in 2007.

Stock-based compensation was \$211,440 (2007 - \$152,062). This expense is affected primarily by the timing of option grants as 25% of the value of the options is expensed on the date of the grant and the remaining 75% of the value is expensed over the 18 month vesting period of the options.

Foreign exchange losses were \$367,762 (2007 - gain of \$301,142) as the United States dollar was relatively stable and strengthened marginally during the three months ended March 31, 2008. Interest is earned on cash and cash equivalent balances held on deposit with a major Canadian bank. Interest income in the period was \$173,790 (2007 - \$164,452). No mineral property costs were written off in the period or in the prior year.

## **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. 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 March 31, 2008, Andina had working capital of \$17,168,406 (December 31, 2007 – \$22,723,240) including \$21,071,077 in cash and cash equivalents (December 31, 2007 - \$25,189,491 in cash and cash equivalents). Andina's cash and cash equivalent balances are composed of cash and cash equivalents held in interest earning accounts at a major Canadian bank.

With the funds available to it at March 31, 2008, together with the CDN\$9.1 million in gross proceeds from the exercise subsequent to March 31, 2008 of 815,520 of the 2006 broker warrants exercisable at CDN\$1.10 and 5,487,760 of the 2006 warrants (including the 2006 warrants issuable on the exercise of the 2006 broker warrants) exercisable at CDN\$1.50 which were outstanding at March 31, 2008, Andina will be able to complete the Phase IV, \$15.5 million exploration campaign on the Volcan property. The Phase IV program included more than 40,000 metres of drilling and continued through to May 2008. On completion of the Phase IV exploration program and release of an updated mineral resource, Andina will then focus on plans for further exploration and development of the Volcan property for the 2008/2009 drilling season. In this manner Andina will ensure it is able to increase its gold resources as rapidly as possible with the capital available to it.

Andina entered into a letter agreement in January 2008 to acquire water rights from a private Chilean private. Subject to the conclusion of legal and technical due diligence, drafting of definitive documentation, and receipt of necessary approvals from the TSX Venture Exchange, on May 30, 2008 Andina will issue to the owner of the water rights 6.7 million common shares for the purchase of the water rights. The water rights are located approximately 20 kilometres northeast of Andina's Volcan property.

Andina had no off balance sheet arrangements as at March 31, 2008.

## **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, 2007. 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 exploration stage and is subject to risks and challenges similar to companies in a comparable stage of development (see section 8.7). 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

	<b>Outstanding Number of Shares</b>
<b>Common shares outstanding – December 31, 2007</b>	65,128,887
Exercise of 2006 warrants	825,940
Exercise of 2007 warrants	83,800
Shares issued on exercise of stock options	<u>285,000</u>
<b>Common shares outstanding – March 31, 2008</b>	66,323,627
Exercise of 2006 broker warrants	815,520
Exercise of 2006 warrants	<u>5,487,760</u>
<b>Common shares outstanding – May 28, 2008</b>	72,626,907
Unexercised warrants – 2007 private placement	3,768,700
Unexercised broker warrants – 2007 private placement	182,400
Unexercised stock options	<u>4,234,000</u>
<b>Fully diluted common shares outstanding – May 28, 2008</b>	<u>80,812,007</u>

### 7.1 Common and Preferred 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

Each of the warrants issued in connection with the 2007 Andina bought deal private placement financing of January 17, 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 entitles the underwriter 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 the three months ended March 31, 2008 Andina issued 75,000 options, 285,000 options were exercised and 100,000 options expired or were cancelled. The following options were outstanding at December 31, 2007:

<b>Issue Date</b>	<b>Options Outstanding</b>	<b>Options Exercisable</b>	<b>Exercise Price (CDN\$)</b>	<b>Expiry Date</b>
February 28, 2003	30,000	30,000	1.50	February 28, 2008
January 6, 2005	1,025,000	1,025,000	0.70	January 6, 2010
April 21, 2005	73,000	73,000	0.74	April 21, 2010
August 24, 2005	100,000	100,000	0.70	August 24, 2010
September 27, 2005	386,500	386,500	0.70	September 27, 2010
April 18, 2006	1,447,000	1,447,000	1.35	April 18, 2011
January 16, 2007	225,000	168,750	3.00	January 15, 2012
May 9, 2007	697,500	348,750	3.25	May 9, 2012
November 29, 2007	175,000	43,750	4.60	November 29, 2012
February 29, 2008	75,000	18,750	4.30	February 28, 2013
	<u>4,234,000</u>	<u>3,641,500</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 agreement commitments are at the option of Andina and Andina can terminate the agreements prior to being required to make payments on the properties. These commitments are described above in section 1.3.

### **8.2 Related Party Transactions**

The option on the Anocarire property was acquired from landowners which included SBX Asesorias Inversiones Ltda. (“SBX”), a company that is 51% owned by a shareholder of the Company. As well, the Company paid a total of \$48,613 during the three months ended March 31, 2008 to SBX (2007 - \$45,000) for geological and administrative services.

### **8.3 Changes in Accounting Policies including Initial Adoption**

Effective January 1, 2008, the Corporation adopted certain new accounting policies required by the Canadian Institute of Chartered Accountants (“CICA”), which included CICA Section 1535 - Capital Disclosures, Section 3862 - Financial Instruments – Disclosures and Section 3863 – Financial Instruments - Presentation. There were no impacts to results of operations or financial position as a result of adopting these standards, and the disclosures required by these CICA sections are included in the interim financial statements.

### **8.4 Disclosure Control and Procedures**

The Company’s Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of March 31, 2008. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures are effective to

ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is reported within the time periods specified in those rules.

### **8.5 *Internal Control over Financial Reporting***

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("Canadian GAAP"). There has been no change in the Company's internal control over financial reporting during the Company's three months ended March 31, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### **8.6 *Limitations of Controls and Procedures***

The Company's Chief Executive Officer and Chief Financial Officer believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

### **8.7 *Risk Factors***

Andina is in the exploration 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, dependence on the ability to secure adequate financing to meet the minimum capital required to successfully develop economically recoverable reserves and complete the Company's business plan, 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. For further information on these risk factors refer to the management's discussion and analysis for the year ended December 31, 2007.

## 8.8 *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, timing of economic and scoping level studies, 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.