



ANDEAN AMERICAN MINING CORP.

AUDIT COMMITTEE MANDATE

The following Audit Committee Mandate has been approved and adopted by the Board of Directors (the “Board”) of Andean American Mining Corp.

PURPOSE

1. The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) is to assist the Board in its oversight of: (i) the financial reporting process and the quality, transparency and integrity of the Company’s financial statements and other related public disclosures; (ii) the Company’s internal controls over financial reporting; (iii) the Company’s compliance with legal and regulatory requirements relevant to the financial statements and financial reporting; (v) the external auditor’s qualifications and independence; and (v) the performance of the external auditors.
2. The function of the Committee is oversight. The members of the Committee are not full-time employees of the Company. The Company’s management is responsible for the preparation of the Company’s financial statements in accordance with applicable accounting standards and applicable laws and regulations. The Company’s external auditors are responsible for the audit or review, as applicable, of the Company’s financial statements in accordance with applicable auditing standards and laws and regulations.

RESPONSIBILITIES

3. The Committee’s responsibilities shall include:

External auditors

- (a) retaining and terminating, and/or making recommendations to the Board of Directors and the shareholders with respect to the retention or termination of, an external auditing firm to conduct the annual audit of the Company’s financial statements;
- (b) communicating to the external auditors that they are ultimately accountable to the Board and the Committee as representatives of the shareholders;
- (c) evaluating the independence of the external auditor and any potential conflicts of interest and, in order to assess the auditors’ independence, all relationships between the external auditors





and the Company, including obtaining and reviewing an annual report prepared by the external auditors describing all relationships between the external auditors and the Company;

(d) approving, or recommending to the Board of Directors for approval, all audit engagement fees and terms, as well as all non-audit engagements of the external auditors prior to the commencement of the engagement;

(e) reviewing with the external auditors the plan and scope of the annual audit engagement;

Financial Reporting

(f) reviewing, discussing and recommending to the Board for approval the annual audited financial statements and related “management’s discussion and analysis of financial and operating results” prior to filing with securities regulatory authorities and delivery to shareholders;

(g) reviewing and discussing with the external auditors the results of their reviews and audit, any issues arising and management’s response, including any restrictions on the scope of the external auditors’ activities or requested information and any significant disagreements with management, and resolving any disputes;

(h) reviewing, discussing and approving the quarterly financial statements and quarterly “management’s discussion and analysis of financial and operating results” prior to filing with securities regulatory authorities and delivery to shareholders;

(i) reviewing and discussing with management and the external auditors the Company’s critical accounting policies and practices, material alternative accounting treatments, significant accounting and reporting judgments, material written communications between the external auditor and management (including management’s representation letters and any schedule of unadjusted differences) and significant adjustments resulting from the audit or review;

(j) reviewing and discussing with management the Company’s earnings press releases, as well as financial information and earnings guidance (if any);

(k) reviewing and discussing such other relevant public disclosures containing financial information as the Committee may consider necessary or appropriate;

(l) reviewing and discussing with management the procedures for the review of the Company’s public disclosure of financial information and the adequacy of such procedures;





Internal controls over financial reporting

- (m) reviewing and discussing with management and the external auditors the effectiveness of the Company's internal controls over financial reporting, including reviewing and discussing any significant deficiencies in the design or operation of internal controls, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting;
- (n) discussing the Company's process with respect to risk assessment (including fraud risk), risk management and the Company's major financial risks and financial reporting exposures, all as they relate to internal controls over financial reporting, and the steps management has taken to monitor and control such risks, including anti-fraud programs and controls;
- (o) reviewing and discussing with management the Company's Code of Business Conduct and Ethics and the actions taken to monitor and enforce compliance with the Code;
- (p) establishing procedures for:
 - i the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters; and
 - ii the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting, internal controls or auditing matters;

Other

- (q) meeting separately, periodically, with management and the external auditors;
- (r) reporting regularly to the Board;
- (s) reviewing and assessing its mandate and recommending any proposed changes to the Board on an annual basis; and
- (t) evaluating the functioning of the Committee on an annual basis and reporting the results to the Board.

POWERS

4. The Committee shall have the authority, including approval of fees and other retention terms, to obtain advice and assistance from outside legal, accounting or other advisors in its sole discretion, at the expense of the Company, which shall provide adequate funding for such purposes.





COMPOSITION

5. The Committee shall be appointed by the Board annually and shall be comprised of a minimum of three directors. If an appointment of members of the Committee is not made as prescribed, the members shall continue as such until their successors are appointed.
6. All of the members of the Committee shall be directors whom the Board has determined are independent, taking into account the applicable rules and regulations of securities regulatory authorities and/or stock exchanges.
7. Each member of the Committee shall be “financially literate” and at least one member of the Committee shall have “accounting or related financial management expertise”. At least one member of the Committee shall be an “audit committee financial expert”, as defined in the applicable rules and regulations of securities regulatory authorities and/or stock exchanges.

MEETINGS

8. The Committee shall have a minimum of four meetings per year, to coincide with the Company’s financial reporting cycle. Additional meetings will be scheduled as considered necessary or appropriate, including to consider specific matters at the request of the external auditors.
9. The time and place of the meetings of the Committee, the calling of meetings and the procedure in all things at such meetings shall be determined by the Chairman of the Committee.

