

ANDINA MINERALS INC.

March 31, 2006

ANDINA MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS
(United States Dollars)
UNAUDITED

	March 31, 2006	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	\$ 850,142	\$ 498,585
Marketable securities (note 3)	1,440,087	3,011,066
Amounts receivable and other current assets	58,613	54,754
	2,348,842	3,564,405
Mineral properties (note 4)	5,825,948	3,939,300
Equipment (note 5)	95,396	100,100
	\$ 8,270,186	\$ 7,603,805
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 649,097	\$ 714,034
Shareholders' Equity		
Capital stock (note 6(a))	8,806,235	7,537,840
Warrants (note 6(b))	1,398,044	1,735,529
Contributed surplus (note 6(b))	506,310	439,458
Deficit	(3,089,500)	(2,823,056)
	7,621,089	6,889,771
	\$ 8,270,186	\$ 7,603,805

Going concern (note 1), Subsequent event (note 11)

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board of Directors

T. Sean Harvey

(signed)

Director

Robert Whittall

(signed)

Director

ANDINA MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(United States Dollars)
UNAUDITED

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005	Cumulative Since Inception
Expenses			
Consulting fees	\$ 24,593	\$ 52,099	\$ 189,199
Payroll expenses	36,697	6,422	131,997
Professional fees	32,973	48,802	197,349
Office expenses	10,335	13,250	86,984
Regulatory expenses	8,840	7,617	53,767
Rent	11,995	4,109	51,517
Travel	8,048	25,631	42,568
Insurance	1,671	1,479	23,717
Amortization	7,145	-	21,363
Foreign exchange	17,267	68,124	(29,010)
Stock-based compensation (note 6(b))	66,852	152,056	426,487
Mineral properties written off (note 4)	55,102	-	2,673,977
	<u>281,518</u>	<u>379,589</u>	<u>3,869,915</u>
Interest income	<u>15,074</u>	<u>33,349</u>	<u>158,236</u>
Loss for the period before taxes	266,444	346,240	3,711,679
Future income tax recovery	<u>-</u>	<u>-</u>	<u>622,179</u>
Loss for the period	266,444	346,240	3,089,500
Deficit, beginning of period	<u>2,823,056</u>	<u>206,835</u>	<u>-</u>
Deficit, end of period	<u>\$ 3,089,500</u>	<u>\$ 553,075</u>	<u>\$ 3,089,500</u>
Loss per share (note 7)	<u>\$ 0.01</u>	<u>\$ 0.01</u>	

See accompanying notes to the consolidated financial statements

ANDINA MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(United States Dollars)
UNAUDITED

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005	Cumulative Since Inception
Cash provided by (used in)			
Operating activities			
Loss for the period	\$ (266,444)	\$ (346,240)	\$ (3,089,500)
Items not involving cash:			
Amortization	7,145	-	21,363
Stock-based compensation (note 6(b))	66,852	152,056	426,487
Mineral properties written off (note 4)	55,102	-	2,673,977
Future income tax recovery	-	-	(622,179)
	<u>(137,345)</u>	<u>(194,184)</u>	<u>(589,852)</u>
Net change in non-cash working capital			
Amounts receivable	(3,859)	(26,226)	(17,841)
Accounts payable and accrued liabilities	(64,937)	53,241	394,014
	<u>(206,141)</u>	<u>(167,169)</u>	<u>(213,679)</u>
Financing activities			
Issue of common shares for cash	-	-	470,001
Issue of common shares and warrants for cash, net of cash issue costs (note 6(a) and 6(b))	-	-	7,189,284
Issue of common shares for cash on exercise of warrants (note 6(a))	930,910	-	930,910
Loans	-	-	144,354
	<u>930,910</u>	<u>-</u>	<u>8,734,549</u>
Investing activities			
Mineral properties (note 4)	(1,941,750)	(450,163)	(6,385,429)
Equipment (note 5)	(2,441)	(8,666)	(116,759)
Marketable securities (note 2)	1,570,979	-	(1,440,087)
Cash acquired on reverse takeover	-	-	271,547
	<u>(373,212)</u>	<u>(458,829)</u>	<u>(7,670,728)</u>
Increase in cash and cash equivalents	351,557	(625,998)	850,142
Cash and cash equivalents, beginning of period	<u>498,585</u>	<u>7,346,000</u>	<u>-</u>
Cash and cash equivalents, end of period	\$ <u>850,142</u>	\$ <u>6,720,002</u>	\$ <u>850,142</u>

See accompanying notes to the consolidated financial statements

ANDINA MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
AS AT MARCH 31, 2006 AND 2005
AND FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(United States Dollars)
UNAUDITED

1. Nature of operations and going concern basis of accounting

Andina Minerals Inc. (the “Company”) was incorporated on January 23, 2001 under the Business Corporations Act (Alberta) as CastleRock Capital Inc. and listed as a Capital Pool Company on the TSX Venture Exchange. Effective February 28, 2003, the Company completed its Qualifying Transaction by acquiring all of the outstanding shares of Quitovac Mining Company Limited (“Quitovac”). In conjunction with the acquisition of Quitovac, the Company changed its name to CastleRock Resources Inc. and ceased to be a Capital Pool Company.

Effective December 31, 2004 the Company acquired all the outstanding shares of Andina Minerals Inc. (“Holdings”), a company incorporated on December 3, 2003. In conjunction with the acquisition of Holdings, the Company changed its name to Andina Minerals Inc. and Holdings changed its name to Andina Holdings Inc.

The Company’s activities are directed toward developing mineral properties in Chile. To date the Company has not earned any revenue and is considered to be in the development stage.

The recoverability of the amounts shown for mineral properties and related deferred exploration expenditures is dependent on the existence of economically recoverable reserves, the Company’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.

The unaudited interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. The accompanying unaudited consolidated financial statements should be read in conjunction with the notes to the Company’s audited consolidated financial statements for the year ended December 31, 2005, since these statements do not contain all disclosures required by Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

2. Auditor Involvement

The Company’s auditors have not performed a review of the unaudited consolidated financial statements for the three months ended March 31, 2006 and 2005.

3. Marketable Securities

Marketable securities at March 31, 2006 consisted of a cashable, prime-linked guaranteed investment certificate issued by a Canadian chartered bank maturing October 2, 2006.

4. Mineral properties

All of the Company's mineral properties, except the Quitovac project, are located in Chile. These Chilean mineral properties are currently under option agreements whereby the Company may acquire, subject to certain royalty payments, a 100% interest in the mineral properties from the landowners by making certain payments to the landowners (note 9). The Quitovac project is located in Mexico and is under option to another mineral exploration company.

Project	Balance December 31, 2005	Option payments and acquisition costs	Exploration costs	Costs written off	Balance March 31, 2006
Aroma	\$ 324,433	\$ 19,581	\$ 397	\$ -	\$ 344,411
Anocarire	264,708	4,581	1,179	-	270,468
Encrucijada	208,925	2,291	5,166	-	216,382
Pampa Buenos					
Aires	164,960	2,290	15,483	-	182,733
Volcan	2,881,274	4,581	1,831,099	-	4,716,954
	<u>3,844,300</u>	<u>33,324</u>	<u>1,853,324</u>	<u>-</u>	<u>5,730,948</u>
Quitovac (a)	95,000	-	55,102	(55,102)	95,000
	<u>\$ 3,939,300</u>	<u>\$ 33,324</u>	<u>\$ 1,908,426</u>	<u>\$ (55,102)</u>	<u>\$ 5,825,948</u>

- (a) The Quitovac property was acquired on the acquisition of the Company by Holdings (note 1). The Company, through its Mexican subsidiary, owns a 100% interest in the Quitovac property, located in Mexico. On December 5, 2003, the Company signed an option agreement (the "Copper Ridge Option") 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. Under the terms of the Copper Ridge Option, Copper Ridge is required to make payments of US\$370,000, issue 1,000,000 common shares and incur exploration expenditures of not less than US\$1,500,000 by December 5, 2008.

On review of the carrying value at December 31, 2005 the Company wrote down the carrying value of the property to its estimated fair value of \$95,000. An impairment loss of \$1,889,496, net of deferred taxes of \$622,179, was charged to operations during 2005. Property taxes of \$55,102 were paid in the three months ended March 31, 2006 and written off.

- (b) Deferred exploration costs on mineral properties are comprised as follows:

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Drilling	\$ 690,028	\$ 114,889
Exploration staff	335,648	62,517
Roads and trenches	301,800	14,482
IVA	186,670	39,696
Geochemical and geophysical analysis and assaying	118,790	-
Field expenses	69,849	5,088
Exploration office	29,199	35,616
Taxes and land costs	35,217	4,549
Field vehicles	10,902	41,519
Surveys, maps and studies	51,507	468
Travel	18,493	33,346
Legal	5,221	4,973
	<u>\$ 1,853,324</u>	<u>\$ 357,143</u>

5. Equipment

	Costs	Accumulated Amortization	Net Book Value March 31, 2006	Net Book Value December 31, 2005
Exploration equipment	\$ 53,238	\$ 9,817	\$ 43,421	\$ 45,809
Exploration vehicles	49,115	8,917	40,198	41,614
Office equipment	14,406	2,629	11,777	12,677
	<u>\$ 116,759</u>	<u>\$ 21,363</u>	<u>\$ 95,396</u>	<u>\$ 100,100</u>

6. Capital stock

(a) Authorized -

Unlimited common shares
Unlimited preferred shares, issuable in series

Issued -

	Number of Shares	Capital Stock
Shares issued before reverse takeover by Holdings (note 1)	14,861,481	\$ 3,196,165
Reverse takeover adjustment	-	(3,196,165)
Holdings common shares	-	600,001
Shares issued on reverse takeover	34,676,789	1,605,099
Transaction costs	-	(121,015)
Shares issued after reverse takeover by Holdings and before share consolidation	49,538,270	2,084,085
Share consolidation on a 5 for 1 basis	(39,630,641)	-
Shares issued after share consolidation	9,907,629	2,084,085
Private placement	15,833,334	6,792,749
Issue costs	-	(1,338,994)
Balance – December 31, 2004 and 2005	25,740,963	7,537,840
Shares issued on exercise of warrants	517,036	485,083
Shares issued on exercise of broker warrants	935,061	783,312
Balance – March 31, 2006	<u>27,193,060</u>	<u>\$ 8,806,235</u>

On December 31, 2004, following the reverse takeover as described in note 1, the Company consolidated its common shares on the basis of one new common share for five existing common shares.

On December 31, 2004, the Company completed a brokered private placement financing of 15,833,334 units at a price of CDN\$0.60 (\$0.50) for gross proceeds of CDN\$9,500,000 (\$7,892,600). Each unit consists of one common share and one-half of a share purchase warrant. Two brokers acted jointly on behalf of the Company with respect to the offering and received a total cash commission equal to 7.8% of the gross proceeds of the offering and broker's warrants to purchase up to 1,583,333 units (note 6(b)). The net proceeds of the financing, \$6,553,607, were allocated \$5,453,755 as to the common shares and \$1,099,852 as to the warrants. None of the warrants or broker warrants were exercised during 2005. 517,036 of the warrants and 935,061 of the broker warrants were exercised during the three months ended March 31, 2006.

(b) Warrants and Contributed Surplus**Warrants**

Warrants issued in connection with brokered private placement	\$ 1,324,567
Issue costs	(224,715)
	<hr/>
	1,099,852
Broker warrants	635,677
	<hr/>
Balance – December 31, 2004 and 2005	1,735,529
Exercise of warrants	(207,580)

Exercise of broker warrants	<u>(129,905)</u>
Balance – March 31, 2006	<u>\$ 1,398,044</u>

Contributed surplus

Warrants and stock options issued prior to reverse takeover of the Company by Holdings	<u>\$ 79,823</u>
Balance – December 31, 2004	79,823
Stock-based compensation	<u>359,635</u>
Balance – December 31, 2005	439,458
Stock-based compensation	<u>66,852</u>
Balance – March 31, 2006	<u>\$ 506,310</u>

Each of the 7,916,667 whole warrants issued in connection with the brokered private placement on December 31, 2004 entitles the holder to purchase one additional common share at a price of CDN\$0.80 until December 29, 2006.

Each of the 1,583,333 broker warrants issued in connection with the brokered private placement are exercisable at a price of CDN\$0.60 per unit until June 29, 2006. Each unit consists of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of CDN\$0.80 until December 29, 2006.

On November 28, 2003, as consideration for an option on a mineral property, the Company issued 15,000 shares and 6,000 warrants. Each warrant was exercisable on or before November 28, 2005 and entitled the holder to purchase one common share at a price of CDN\$4.25. The warrants expired unexercised.

The Company has a stock option plan under which stock options may be granted to the Company's directors, senior officers, employees, consultants and consultant companies. The stock option plan: (i) provides that the number of common shares reserved for issuance, within a one year period, to any one optionee, shall not exceed 5% of the outstanding common shares; (ii) provides the maximum number of common shares reserved for issuance pursuant to options granted to insiders may not exceed 10%; (iii) generally provides for a maximum vesting period of 18 months; (iv) contains other provisions to ensure the stock option plan is compliant with stock exchange regulations. The maximum number of options to purchase common shares at March 31, 2006 was 2,719,306.

Options

	Number of Options	Weighted Average Exercise Price (CDN\$)
Balance – December 31, 2005 and March 31, 2006	<u>2,394,500</u>	<u>\$0.85</u>

No stock options were issued, exercised or cancelled in the three months ended March 31, 2006. The unamortized stock option expense related to the grant of the options listed above at March 31, 2006 was \$108,332.

A summary of the Company's stock options at March 31, 2006 is presented below:

Issue Date	Options Outstanding	Options Exercisable	Exercise Price (CDN\$)	Expiry Date
May 25, 2001	30,000	30,000	\$1.25	May 25, 2006
February 28, 2003	72,500	72,500	\$1.50	February 28, 2008
December 22, 2003	75,000	75,000	\$4.50	December 22, 2008
January 6, 2005	1,485,000	1,113,750	\$0.70	January 6, 2010
March 4, 2005	40,000	30,000	\$0.70	March 4, 2010
April 21, 2005	121,000	60,500	\$0.74	April 21, 2010
August 24, 2005	100,000	50,000	\$0.70	August 24, 2010
September 27, 2005	471,000	235,500	\$0.70	September 27, 2010
	<u>2,394,500</u>	<u>1,667,250</u>		

The weighted average exercise price of these options is CDN\$0.85 for options outstanding and CDN\$0.92 for options exercisable. The weighted average remaining contractual life of outstanding options is 3.82 years.

7. Loss per share

The loss per share has been calculated using the weighted average number of shares outstanding during the period. No adjustments to diluted per share information was made as the result of these calculations are anti-dilutive.

	2005	2004
Loss	<u>\$ 266,444</u>	<u>\$ 346,240</u>
Weighted average shares outstanding	<u>26,012,636</u>	<u>25,740,963</u>
Loss per share	<u>\$ 0.01</u>	<u>\$ 0.01</u>

8. Related party transactions

The option on the Anocarire property were acquired from SBX Asesorias Inversiones Ltda. ("SBX"), a company that is 51% owned by a shareholder of the Company. During the three months ended March 31, 2006, the Company paid a total of \$18,325 to SBX for geological and administrative services.

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

9. Mineral property option agreements

The Company has entered into option agreements to purchase mineral properties in Chile with payments due as follows:

Property	2006	2007	2008	Total
Anocarire (a)	\$ 125,000	\$ 300,000	\$ 3,000,000	\$ 3,425,000
Aroma	145,000	275,000	1,000,000	1,420,000
Encrucijada (b)	300,000	400,000	-	700,000
Volcan (c)	600,000	5,000,000	5,500,000(d)	11,100,000
		\$		
	\$ 1,170,000	5,975,000	\$ 9,500,000	\$ 16,645,000

- (a) Subject to a net smelter return royalty of 0.75%.
- (b) A net smelter return of 1.5% is payable at a gold price less than or equal to \$380 per ounce or 2.0% at a gold price greater than \$380 per ounce. A net smelter return royalty of 0.75% is payable on copper production at a copper price of less than \$0.90 per pound. This royalty becomes 1.25% when the copper price exceeds \$0.90 per pound. The vendor retains the right to acquire a 60% interest in the properties, after completion of a feasibility study, by reimbursing the Company 200% of funds spent on the project.
- (c) Under the agreement, royalty payments are due as follows: \$5 per ounce for production between 2 million and 4 million ounces of gold. A net smelter return royalty of 1.0% is payable on production exceeding 4 million ounces of gold. There is no royalty payable on the first 2 million ounces of gold produced.
- (d) The final option payment on the Volcan property may be made in cash or shares of the Company. The number of shares issuable by the Company will be based on the trading price of the Company's shares.

None of the above properties have exploration expenditure commitments.

10. Segmented information

The Company has one operating segment, which is the exploration and development of mineral properties. The Company's principal operations are carried out in Chile. All of the investment income is earned in Canada. The Company's geographic segments are located as follows:

- (a) the Company's mineral properties in Chile;
- (b) the Quitovac property in Mexico;
- (c) corporate offices in Canada.

As at and for the period ended March 31, 2006, segmented information is presented as follows:

	Chile	Mexico	Corporate	Total
Cash	\$ 400,746	\$ nil	\$ 449,396	\$ 850,142
Other current assets	26,825	nil	1,471,875	1,498,700
Mineral properties and Equipment	5,814,567	95,000	11,777	5,921,344
Total assets	\$ 6,242,138	\$ 95,000	\$ 1,933,048	\$ 8,270,186
Current liabilities	\$ 559,951	\$ nil	\$ 89,146	\$ 649,097
Amortization Mineral properties written off	\$ 6,245	\$ -	\$ 900	\$ 7,145
Interest income	-	55,102	-	55,102
Other expenses	12,489	-	(15,074)	(15,074)
Loss	\$ 18,734	\$ 55,102	\$ 192,608	\$ 266,444
Mineral property expenditures	\$ 1,886,648	\$ 55,102	\$ -	\$ 1,941,750

11. Subsequent event

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

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

12. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's consolidated financial statement presentation.