

ANDINA MINERALS INC.

Consolidated Financial Statements

December 31, 2006

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Andina Minerals Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 2 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

PricewaterhouseCoopers LLP, the Company's independent auditors, conduct an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. As well, they make an assessment of the accounting principles used and significant estimates made by management and they evaluate the overall financial statement presentation.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are independent. The Audit Committee meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Company's Management Discussion and Analysis to ensure that the financial information reported therein is consistent with the information presented in the financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(Signed)

Carl B. Hansen
President and Chief Executive Officer

(Signed)

Thomas J. Pladsen
Chief Financial Officer

April 25, 2007

TO THE SHAREHOLDERS OF ANDINA MINERALS INC.:

We have audited the consolidated balance sheets of Andina Minerals Inc. as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed)

PricewaterhouseCoopers LLP
Chartered Accountants
Licensed Public Accountants
Toronto, Ontario, Canada
April 25, 2007

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

	December 31, 2006	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	\$ 8,234,652	\$ 498,585
Marketable securities (note 3)	8,417,151	3,011,066
Amounts receivable and other current assets	14,764	54,754
	<u>16,666,567</u>	<u>3,564,405</u>
Mineral properties (note 4)	11,619,599	3,939,300
Equipment (note 6)	118,488	100,100
	<u>\$ 28,404,654</u>	<u>\$ 7,603,805</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,046,598	\$ 714,034
Shareholders' Equity		
Capital stock (note 7(a))	28,179,252	7,537,840
Warrants (note 7(b))	2,973,561	1,735,529
Contributed surplus (note 7(b))	1,216,219	439,458
Deficit	<u>(5,010,976)</u>	<u>(2,823,056)</u>
	<u>27,358,056</u>	<u>6,889,771</u>
	<u>\$ 28,404,654</u>	<u>\$ 7,603,805</u>

Going concern (note 1), Subsequent events (note 12)

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board of Directors

(Signed)

T. Sean Harvey
Director

(Signed)

Robert Whittall
Director

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

	Year Ended December 31, 2006	Year Ended December 31, 2005	Cumulative Since Inception
Expenses			
Payroll	\$ 184,906	\$ 95,300	\$ 280,206
Professional fees	152,337	68,904	341,113
Consulting fees	116,377	140,206	256,583
Regulatory and shareholder information	92,252	44,927	137,179
Travel	67,721	34,520	102,241
Office	67,068	67,015	143,717
Rent	50,805	39,522	90,327
Amortization	34,607	14,218	48,825
Insurance	32,412	22,046	54,458
Foreign exchange	241,082	(51,053)	194,805
Stock-based compensation (note 7(c))	782,811	359,635	1,142,446
Mineral properties written off (note 4)	785,987	2,546,322	3,404,862
	<u>2,608,365</u>	<u>3,381,562</u>	<u>6,196,762</u>
Interest income	<u>420,445</u>	<u>143,162</u>	<u>563,607</u>
Loss for the period before taxes	2,187,920	3,238,400	5,633,155
Future income tax recovery (note 4 and note 8)	<u>-</u>	<u>622,179</u>	<u>622,179</u>
Loss for the period	2,187,920	2,616,221	5,010,976
Deficit, beginning of period	<u>2,823,056</u>	<u>206,835</u>	<u>-</u>
Deficit, end of period	<u>\$ 5,010,976</u>	<u>\$ 2,823,056</u>	<u>\$ 5,010,976</u>
Loss per share (note 9)	<u>\$ 0.05</u>	<u>\$ 0.10</u>	

See accompanying notes to the consolidated financial statements

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

	Year Ended December 31, 2006	Year Ended December 31, 2005	Cumulative Since Inception
Cash provided by (used in)			
Operating activities			
Loss for the period	\$ (2,187,920)	\$ (2,616,221)	\$ (5,010,976)
Items not involving cash:			
Amortization	34,607	14,218	48,825
Stock-based compensation	782,811	359,635	1,142,446
Mineral properties written off	785,987	2,546,322	3,404,862
Future income tax recovery	-	(622,179)	(622,179)
	<u>(584,515)</u>	<u>(318,225)</u>	<u>(1,037,022)</u>
Net change in non-cash working capital:			
Amounts receivable and other current assets	39,990	(10,246)	26,008
Accounts payable and accrued liabilities	332,564	455,680	791,515
	<u>(211,961)</u>	<u>127,209</u>	<u>(219,499)</u>
Financing activities			
Issue of common shares and warrants for cash	14,317,816	-	21,977,101
Exercise of warrants	7,540,656	-	7,540,656
Exercise of options	14,922	-	14,922
Loans	-	-	144,354
	<u>21,873,394</u>	<u>-</u>	<u>29,677,033</u>
Investing activities			
Exploration costs	(7,485,989)	(3,062,537)	(10,794,406)
Option payments and acquisition costs	(980,297)	(786,703)	(2,115,559)
Equipment	(52,995)	(114,318)	(167,313)
Marketable securities	(5,406,085)	(3,011,066)	(8,417,151)
Cash acquired on reverse takeover (note 1)	-	-	271,547
	<u>(13,925,366)</u>	<u>(6,974,624)</u>	<u>(21,222,882)</u>
Increase (decrease) in cash and cash equivalents	7,736,067	(6,847,415)	8,234,652
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>\$ 8,234,652</u>	<u>\$ 498,585</u>	<u>\$ 8,234,652</u>

See accompanying notes to the consolidated financial statements

ANDINA MINERALS INC.
(A DEVELOPMENT STAGE COMPANY)
AS AT DECEMBER 31, 2006 AND 2005
AND FOR YEARS ENDED DECEMBER 31, 2006 AND 2005
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(United States Dollars)

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.

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.

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. These risks include, but are not limited to, dependence on key individuals, successful development and 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. 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.

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. A summary of the Company’s significant policies is set out below:

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The Company's principal subsidiary is located in Chile.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions, in particular in respect of mineral properties, warrants and stock-based compensation that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(c) Translation of Foreign Currencies

The accounts of the foreign operations have been translated using the temporal method for foreign integrated operations. The functional currency of the Company is United States dollars, as the Company considers the United States dollar to be the principal currency of its operations. Under the temporal method, monetary assets and liabilities have been translated at the end of year exchange rates. Non-monetary assets, which primarily comprise of mineral interests and capital assets, have been translated using historic rates of exchange. Revenues and expenses have been translated at the average rates of exchange during the period. Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

(d) Cash and Cash Equivalents

Cash and cash equivalents include those short-term money market instruments which, on acquisition, have a term to maturity of three months or less.

(e) Mineral Properties

The Company considers its exploration costs to have the characteristics of property, plant and equipment. As such, the Company 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. The Company 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 the Company and others. When an assessment is made that the carrying value of a property will not be recovered, then the carrying amount is written down to its fair value. An impairment loss charged to operations is measured as the amount by which the carrying value exceeds its fair value.

(f) Equipment and Amortization

Equipment is recorded at cost net of accumulated amortization. Amortization is recorded using a straight-line method based on the estimated future lives of the assets of four years.

(g) Warrants

The Company 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.

(h) Stock-based Compensation

The Company has a stock-based compensation plan, which is described in note 7(c). The Company 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.

(i) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income and mining tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities resulting from a change in tax rates is included in income in the year in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

(j) Financial Instruments

The carrying amount of cash and cash equivalents, marketable securities, amounts receivable, accounts payable and accrued liabilities represents their fair value due to their short-term nature.

(k) Per Share Information

Per share information is calculated using the weighted average number of common shares outstanding during the year. Diluted per share information is calculated using the treasury stock method for options and warrants. The treasury stock method assumes that any proceeds obtained upon the exercise of options and warrants be used to purchase common shares at an average market price during the year.

3. Marketable Securities

Marketable securities consist of guaranteed investment certificates issued by a Canadian chartered bank.

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 5). The Pampa Buenos Aires property is under option to another mineral exploration company. 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 December 31, 2006
Aroma (i)	\$ 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 (ii)	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 (iii)	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>

Project	Balance December 31, 2004	Option payments and acquisition costs	Exploration costs	Costs written off	Balance December 31, 2005
Aroma	\$ 63,782	\$ 59,341	\$ 201,310	\$ -	\$ 324,433
Anocarire	67,020	54,341	143,347	-	264,708
Encrucijada	64,303	114,670	29,952	-	208,925
Pampa Buenos Aires	87,852	14,670	62,438	-	164,960
Volcan	207,500	454,341	2,219,433	-	2,881,274
Domeyko	-	39,670	125,037	(164,707)	-
Gitana	161,429	49,670	281,020	(492,119)	-
	<u>651,886</u>	<u>786,703</u>	<u>3,062,537</u>	<u>(656,826)</u>	<u>3,844,300</u>
Quitovac	1,984,496	-	-	(1,889,496)	95,000
	<u>\$ 2,636,382</u>	<u>\$ 786,703</u>	<u>\$ 3,062,537</u>	<u>\$ (2,546,322)</u>	<u>\$ 3,939,300</u>

(i) All costs associated with the Aroma property were written off in 2006 as the Company determined not to proceed with further exploration on this mineral property.

(ii) On August 28, 2006 the Company signed a letter of intent to enter into an option agreement with Mena Resources Inc. ("Mena") whereby Mena may acquire a 50% interest in the Company's interest in the Pampa Buenos Aires property. Upon signing of the definitive agreement, Mena will

undertake to make all 2006 tax payments up to \$45,000 and undertake exploration expenditures of \$250,000 prior to August 1, 2007. Upon completion of its obligations, and prior to August 1, 2007, Mena may earn a 50% interest in the Pampa Buenos Aires property by issuing 300,000 Mena common shares to the Company. 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.

- (iii) 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 \$370,000, issue the Company 1,000,000 Copper Ridge common shares and incur exploration expenditures of not less than \$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 and fees of \$92,243 were paid in 2006 and written off.

Deferred exploration costs on the Chilean mineral properties are comprised as follows:

Deferred Exploration Costs For The Year Ended December 31, 2006

	Drilling (\$)	Exploration staff (\$)	Trenching (\$)	Value Added Tax (\$)	Assaying (\$)	Field costs (\$)	Other (\$)	Total (\$)
Aroma	153,604	18,400	39,520	41,902	8,325	18,311	14,818	294,880
Anocarire	72,584	32,220	105,667	39,751	919	16,820	15,167	283,128
Encrucijada	-	-	-	1,405	-	137	33,141	34,683
Pampa Buenos Aires	-	-	-	288	-	232	71,523	72,043
Volcan	1,736,217	1,408,154	836,406	815,014	299,660	879,911	733,650	6,709,012
	<u>1,962,405</u>	<u>1,458,774</u>	<u>981,593</u>	<u>898,360</u>	<u>308,904</u>	<u>915,411</u>	<u>868,299</u>	<u>7,393,746</u>

Deferred Exploration Costs For The Year Ended December 31, 2005

	Drilling (\$)	Exploration staff (\$)	Trenching (\$)	Value Added Tax (\$)	Assaying (\$)	Field costs (\$)	Other (\$)	Total (\$)
Aroma	-	54,647	41,018	19,209	20,092	30,449	35,895	201,310
Anocarire	-	38,914	29,207	13,677	14,307	21,682	25,560	143,347
Domeyko	80,256	7,799	5,854	16,081	2,867	4,346	7,834	125,037
Encrucijada	-	8,131	6,103	2,858	2,989	4,530	5,341	29,952
Gitana	200,640	15,284	11,472	38,721	5,620	8,516	767	281,020
Pampa Buenos Aires	-	16,949	12,722	5,958	6,232	9,443	11,134	62,438
Volcan	521,664	471,768	354,106	252,533	173,456	262,860	183,046	2,219,433
	<u>802,560</u>	<u>613,492</u>	<u>460,482</u>	<u>349,037</u>	<u>225,563</u>	<u>341,826</u>	<u>269,577</u>	<u>3,062,537</u>

5. Mineral Property Option Agreements

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

Property	2007	2008	Total
Anocarire (i)	\$ 390,000	\$ 3,000,000	\$ 3,390,000
Encrucijada (ii)	500,000	-	500,000
Volcan (iii)	5,000,000	5,500,000	10,500,000
	<u>\$ 5,890,000</u>	<u>\$ 8,500,000</u>	<u>\$ 14,390,000</u>

- (i) Subject to a net smelter return royalty of 0.75%.
- (ii) 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.
- (iii) Under the agreement there is no payment or royalty payable on the first 2 million ounces of gold produced from the Volcan property. A payment of \$5 per ounce is due on any mineable ounces of gold between 2 million and 4 million ounces. A net smelter return royalty of 1.0% is payable on production exceeding 4 million ounces of gold.

The 2008 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.

6. Equipment

	Cost	Accumulated amortization	Net book value December 31, 2006	Net book value December 31, 2005
Exploration equipment	\$ 114,066	\$ 27,257	\$ 86,809	\$ 45,809
Exploration vehicles	35,416	12,723	22,693	41,614
Office equipment	14,407	5,421	8,986	12,677
	<u>\$ 163,889</u>	<u>\$ 45,401</u>	<u>\$ 118,488</u>	<u>\$ 100,100</u>

7. Capital stock

(a) Common Shares

Authorized -

Unlimited common shares
Unlimited preferred shares, issuable in series

Issued -

	Number of shares	Capital stock
Balance – December 31, 2004 and 2005	25,740,963	\$ 7,537,840
Private placement	16,000,000	12,556,278
Issue costs	-	(1,416,862)
Shares issued on exercise of 2004 broker warrants	1,583,333	1,474,421
Shares issued on exercise of 2004 warrants	8,708,315	7,229,107
Shares issued on exercise of 2006 broker warrants	138,600	236,973
Shares issued on exercise of 2006 warrants	332,800	540,523
Shares issued on exercise of stock options	23,500	20,972
	<hr/>	<hr/>
Balance – December 31, 2006	52,527,511	\$ 28,179,252

On December 31, 2004, the Company completed a brokered private placement 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. Agents acted 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.

Each of the 7,916,667 whole warrants issued in connection with the brokered private placement on December 31, 2004 entitled 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 were exercisable at a price of CDN\$0.60 per unit until June 29, 2006. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share at a price of CDN\$0.80 until December 29, 2006.

All of the warrants and broker warrants were exercised during 2006.

On April 12, 2006, the Company completed a brokered private placement of 16,000,000 units at a price of CDN\$1.10 (\$0.96) for gross proceeds of CDN\$17,600,000 (\$15,333,682). Each unit consists of one common share and one-half of a share purchase warrant. Agents acted on behalf of the Company with respect to the offering and received a total cash commission equal to 6.0% of the gross proceeds of the offering and broker's warrants to purchase up to 960,000 units. The net proceeds of the financing of \$13,603,415 were allocated \$11,139,416 as to the common shares and \$2,463,999 as to

the warrants.

Each of the 8,000,000 whole warrants issued on April 12, 2006 in connection with the brokered private placement entitles the holder to purchase one additional common share at a price of CDN\$1.50 until April 11, 2008. Each of the 960,000 broker warrants issued on April 12, 2006 in connection with the brokered private placement are exercisable at a price of CDN\$1.10 per unit until April 11, 2008. 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\$1.50 until April 11, 2008.

332,800 of the warrants and 138,600 of the broker warrants were exercised during 2006.

(b) Warrants and Contributed Surplus

Warrants	Number of warrants	Number of broker warrants	
Balance – December 31, 2004 and 2005	7,916,667	1,583,333	\$ 1,735,529
Exercise of 2004 broker warrants	791,667	(1,583,333)	(635,677)
Exercise of 2004 warrants	(8,708,334)		(1,099,852)
Warrants issued in connection with 2006 brokered private placement	8,000,000		2,777,403
Issue costs			(313,404)
2006 broker warrants		960,000	714,401
Exercise of 2006 broker warrants	69,300	(138,600)	(101,697)
Exercise of 2006 warrants	(332,800)		(103,142)
Balance – December 31, 2006	<u>7,736,500</u>	<u>821,400</u>	<u>\$ 2,973,561</u>

Contributed surplus

Balance – December 31, 2004	\$ 79,823
Stock-based compensation	<u>359,635</u>
Balance – December 31, 2005	439,458
Stock-based compensation	782,811
Exercise of stock options	<u>(6,050)</u>
Balance – December 31, 2006	<u>\$ 1,216,219</u>

During 2006 the following warrants were issued and valued using the Black-Scholes option pricing model parameters listed below (in each case with no dividends):

**Black-Scholes Option
Pricing Model Parameters**

Issue Date	Number of warrants	Exercise Price (CDN\$)	Risk-free Interest Rate	Expected Life	Volatility Factor
April 12, 2006					
Warrants	8,000,000	\$1.50	4.14%	2.0	93%
Broker warrants	960,000	\$1.10	4.14%	2.0	93%

(c) Stock Options

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

Options

	Number of options	Weighted average exercise price (CDN\$)
Balance – December 31, 2004	335,000	\$2.89
Granted	2,217,000	\$0.70
Expired or cancelled	(157,500)	\$3.07
Balance – December 31, 2005	2,394,500	\$0.85
Granted	1,716,000	\$1.44
Exercised	(23,500)	\$0.73
Expired or cancelled	(40,000)	\$1.12
Balance – December 31, 2006	4,047,000	\$1.10

During 2006 and 2005 the following stock options were issued and valued using the Black-Scholes option pricing model parameters listed below (in each case with no dividends):

Black-Scholes Option Pricing Model Parameters						
Issue Date	Number of options	Exercise Price (CDN\$)	Grant-Date Fair Value (CDN\$)	Risk-free Interest Rate	Expected Life	Volatility Factor
2006						
April 18, 2006	1,566,000	\$1.35	\$1.30	4.26%	2.5	92%
August 25, 2006	50,000	\$1.60	\$1.60	4.33%	2.5	87%
December 5, 2006	<u>100,000</u>	\$2.74	\$2.74	3.90%	2.5	80%
	<u>1,716,000</u>					
2005						
January 6, 2005	1,485,000	\$0.70	\$0.70	3.19%	2.5	75%
March 4, 2005	40,000	\$0.70	\$0.70	3.03%	2.5	75%
April 21, 2005	121,000	\$0.74	\$0.74	3.15%	2.5	75%
August 24, 2005	100,000	\$0.70	\$0.48	3.14%	2.5	75%
September 27, 2005	<u>471,000</u>	\$0.70	\$0.50	3.24%	2.5	75%
	<u>2,217,000</u>					

The unamortized stock option expense related to the grant of the options listed above at December 31, 2006 was \$514,114.

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

Issue Date	Options Outstanding	Options Exercisable	Exercise Price (CDN\$)	Expiry Date
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	1,485,000	\$0.70	January 6, 2010
March 4, 2005	40,000	40,000	\$0.70	March 4, 2010
April 21, 2005	92,000	92,000	\$0.74	April 21, 2010
August 24, 2005	100,000	75,000	\$0.70	August 24, 2010
September 27, 2005	466,500	349,875	\$0.70	September 27, 2010
April 18, 2006	1,566,000	783,000	\$1.35	April 18, 2011
August 25, 2006	50,000	12,500	\$1.60	August 25, 2011
December 5, 2006	<u>100,000</u>	<u>25,000</u>	\$2.74	December 5, 2011
	<u>4,047,000</u>	<u>3,009,875</u>		

The weighted average exercise price of these options was CDN\$1.10 for options outstanding and CDN\$1.00 for options exercisable. The weighted average remaining contractual life of outstanding options is 3.63 years.

8. Income taxes

The Company's income tax provision (recovery) has been calculated as follows:

	2006	2005
Loss for the year	\$ (2,187,920)	\$ (3,238,400)
Canadian combined federal and provincial income tax rate	36.12%	36.12%
Expected income tax expense (recovery) at Canadian statutory rates	\$ (790,277)	\$ (1,169,710)
Permanent differences	282,752	129,901
Increase in valuation allowance	846,675	209,381
Book to tax adjustments	(494,998)	
Foreign tax rate variance	155,848	208,249
Provision for income tax	\$ -	\$ (622,179)

The Company's future income tax assets at December 31, 2006 are summarized as follows:

	2006	2005
Exploration and development	\$ 624,492	\$ 475,192
Losses carried forward	1,164,149	635,053
Share issue costs	619,775	458,647
Property, plant and equipment	7,776	625
Net future income tax assets	2,416,192	1,569,517
Valuation allowance	(2,416,192)	(1,569,517)
	\$ -	\$ -

At December 31, 2006, the Company had unclaimed share issue costs of \$1,715,879 which do not expire. The Company also has unclaimed non-capital losses of \$3,180,083 that expire as follows:

Year of Expiry	\$
2008	15,615
2009	26,287
2010	486,316
2014	681,757
2015	744,650
2026	1,225,458

9. Loss Per Share

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

	2006	2005
Loss	\$ 2,187,920	\$ 2,616,221
Weighted average shares outstanding	40,694,281	25,740,963
Loss per share	\$ 0.05	\$ 0.10

10. 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 the Company 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.

11. 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 years ended December 31, 2006 and 2005, segmented information is presented as follows:

2006

	Chile	Mexico	Corporate	Total
Cash and cash equivalents	\$ 746,874	\$ -	\$ 7,487,778	\$ 8,234,652
Other current assets	6,961	-	8,424,954	8,431,915
Mineral properties and Equipment	11,634,101	95,000	8,986	11,738,087
Total assets	\$ 12,387,936	\$ 95,000	\$ 15,921,718	\$ 28,404,654
Current liabilities	\$ 911,706	\$ -	\$ 134,892	\$ 1,046,598
Amortization	\$ 30,915	\$ -	\$ 3,692	\$ 34,607
Mineral properties written off	693,744	92,243	-	785,987
Interest income	-	-	(420,445)	(420,445)
Other expenses	221	-	1,787,550	1,787,771
Loss	\$ 724,880	\$ 92,243	\$ 1,370,797	\$ 2,187,920
Mineral property expenditures	\$ 8,374,043	\$92,243	\$ -	\$ 8,466,286

2005

	Chile	Mexico	Corporate	Total
Cash	\$ 32,602	\$ -	\$ 465,983	\$ 498,585
Other current assets	27,735	-	3,038,085	3,065,820
Mineral properties and Equipment	3,931,723	95,000	12,677	4,039,400
Total assets	\$ 3,992,060	\$ 95,000	\$ 3,516,745	\$ 7,603,805
Current liabilities	\$ 664,692	\$ -	\$ 49,342	\$ 714,034
Amortization	\$12,489	\$ -	\$1,729	\$14,218
Mineral properties written off	656,826	1,889,496	-	2,546,322
Future income taxes	-	(622,179)	-	(622,179)
Interest income	-	-	(143,162)	(143,162)
Other expenses	12,702	-	808,320	821,022
Loss	\$ 682,017	\$ 1,267,317	\$ 666,887	\$ 2,616,221
Mineral property expenditures	\$ 3,849,240	\$ -	\$ -	\$ 3,849,240

12. Subsequent Events

- (a) On January 17 the Company entered into an agreement 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 for gross proceeds of CDN\$24 million. This private placement financing closed on February 9, 2007. 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.
- (b) On January 8, 2007 the Company entered into an option agreement to acquire the 3,000 hectare Valeriano Project in Chile. The Company can earn a 100% interest in the Valeriano Project by issuing the vendor 350,000 common shares of the Company by July 8, 2008 and a further 650,000 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.

13. Comparative figures

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