

CONSOLIDATED FINANCIAL STATEMENTS OF  
**ANDINA MINERALS INC.**  
(An Exploration Stage Company)

DECEMBER 31, 2008 and 2007

*(in US \$)*

April 8, 2009

## **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 ("GAAP"). 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 notes 2 and 3 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's 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) "George M. Bee"  
President and Chief Executive Officer

(Signed) "Thomas J. Pladsen"  
Chief Financial Officer

April 8, 2009

## **Auditors' Report**

### **To the Shareholders of Andina Minerals Inc.**

We have audited the consolidated balance sheets of **Andina Minerals Inc.** as at December 31, 2008 and 2007 and the consolidated statements of operations and comprehensive income (loss), 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 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, 2008 and 2007 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**

**ANDINA MINERALS INC.**

(An Exploration Stage Company)

**CONSOLIDATED BALANCE SHEETS***(in US \$ )*

As at	December 31, 2008	December 31, 2007
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 15,809,283	\$ 25,189,491
Marketable securities <i>(note 4)</i>	150,859	-
Accounts receivable and prepaid expenses	268,185	48,118
	16,228,327	25,237,609
<b>Mineral Properties <i>(notes 5 and 6)</i></b>	76,415,830	37,019,982
<b>Property, Plant and Equipment <i>(note 7)</i></b>	17,072	62,052
	\$ 92,661,229	\$ 62,319,643
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 703,934	\$ 2,514,369
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital <i>(note 8(a))</i>	94,479,486	54,032,727
Warrants <i>(note 8(b))</i>	3,929,021	6,419,233
Contributed Surplus <i>(note 8(c))</i>	3,330,110	2,578,639
Deficit	(9,781,322)	(3,225,325)
	91,957,295	59,805,274
	\$ 92,661,229	\$ 62,319,643

Going Concern *(note 1)*Subsequent Event *(note 15)*

See accompanying notes to financial statements

On behalf of the Board:

\_\_\_\_\_  
(Signed) "T. Sean Harvey"  
Director

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(Signed) "R. Gregory Laing"  
Director

**ANDINA MINERALS INC.**

(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)***(in US \$)*

For the years ended	December 31, 2008	December 31, 2007	Cumulative Since Inception
<b>Expenses</b>			
Salaries, benefits and director fees	\$ 885,882	\$ 549,579	\$ 1,715,667
Professional fees	236,722	157,487	735,322
Regulatory and shareholder information	226,575	209,979	573,733
Consulting fees	214,438	46,978	517,999
Travel	160,933	92,421	355,595
Office	157,193	141,787	442,697
Unrealized loss on marketable securities held for trading <i>(note 4)</i>	105,735	-	105,735
Rent	82,633	50,644	223,604
Insurance	41,830	23,253	119,541
Amortization	7,437	3,899	60,161
Foreign exchange loss (gain)	2,800,178	(3,134,429)	(139,446)
Stock-based compensation <i>(notes 8(c) and 12)</i>	568,767	1,174,882	2,886,095
Mineral properties written off <i>(note 5)</i>	1,586,694	-	4,991,556
	<b>7,075,017</b>	<b>(683,520)</b>	<b>12,588,259</b>
Interest income	519,020	1,102,131	2,184,758
<b>Earnings (loss) before income taxes</b>	<b>(6,555,997)</b>	<b>1,785,651</b>	<b>(10,403,501)</b>
<b>Future income tax recovery</b>	<b>-</b>	<b>-</b>	<b>622,179</b>
<b>Earnings (loss) and comprehensive income (loss) for the year</b>	<b>\$ (6,555,997)</b>	<b>\$ 1,785,651</b>	<b>\$ (9,781,322)</b>
<b>Basic earnings (loss) per share</b>	<b>\$ (0.09)</b>	<b>\$ 0.03</b>	
<b>Fully diluted earnings (loss) per share</b>	<b>\$ (0.09)</b>	<b>\$ 0.03</b>	
<b>Weighted average number of shares outstanding during the year</b>			
Basic	74,806,513	61,589,981	
Fully diluted	74,806,513	68,789,948	

Fully diluted weighted average common shares outstanding during the year ended December 31, 2008 is not reflective of the outstanding stock options and warrants as their exercise would be anti-dilutive in the loss per share calculation.

**Going Concern *(note 1)***

See accompanying notes to financial statements

**ANDINA MINERALS INC.**

(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF DEFICIT**

(in US \$)

For the years ended	December 31, 2008	December 31, 2007
<b>Deficit, beginning of year</b>	<b>\$ (3,225,325)</b>	<b>\$ (5,010,976)</b>
<b>Earnings (loss) for the year</b>	<b>(6,555,997)</b>	<b>1,785,651</b>
<b>Deficit, end of year</b>	<b>\$ (9,781,322)</b>	<b>\$ (3,225,325)</b>

See accompanying notes to financial statements

**ANDINA MINERALS INC.**

(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF CASH FLOWS***(in US \$ )*

For the years ended	December 31, 2008	December 31, 2007	Cumulative Since Inception
<b>Cash provided by (used in)</b>			
<b>Operations</b>			
Earnings (loss) for the year	\$ (6,555,997)	\$ 1,785,651	\$ (9,781,322)
Items not involving cash:			
Amortization	7,437	3,899	60,161
Unrealized foreign exchange loss (gain)	2,304,382	(3,040,301)	2,304,382
Stock-based compensation <i>(notes 8(c) and 12)</i>	568,767	1,174,882	2,886,095
Unrealized loss on marketable securities held for trading <i>(note 4)</i>	105,735	-	105,735
Mineral properties written off <i>(note 5)</i>	1,586,694	-	4,991,556
Future income tax recovery	-	-	(622,179)
Change in non-cash working capital:			
Accounts receivable and prepaid expenses	(220,067)	(33,354)	(227,413)
Accounts payable and accrued liabilities	37,527	42,245	624,273
	<b>(2,165,522)</b>	<b>(66,978)</b>	<b>341,288</b>
<b>Investing</b>			
Mineral properties <i>(note 5)</i>	(15,978,702)	(11,093,087)	(37,619,181)
Option payments and acquisition costs <i>(note 5)</i>	-	(6,890,949)	(9,006,508)
Property, plant and equipment	(28,498)	(20,695)	(216,506)
Marketable securities	-	8,417,151	-
Cash acquired on reverse takeover <i>(note 1)</i>	-	-	271,547
	<b>(16,007,200)</b>	<b>(9,587,580)</b>	<b>(46,570,648)</b>
<b>Financing</b>			
Issuance of common shares and warrants for cash	-	19,095,116	41,072,217
Exercise of warrants <i>(note 8(b))</i>	10,577,730	3,909,130	22,027,516
Exercise of options <i>(note 8(c))</i>	519,166	564,850	1,098,938
Loans	-	-	144,354
	<b>11,096,896</b>	<b>23,569,096</b>	<b>64,343,025</b>
<b>Change in cash and cash equivalents</b>	<b>(7,075,826)</b>	<b>13,914,538</b>	<b>18,113,665</b>
Unrealized foreign exchange (loss) gain	(2,304,382)	3,040,301	(2,304,382)
Cash and cash equivalents, beginning of year	25,189,491	8,234,652	-
<b>Cash and cash equivalents, end of year</b>	<b>\$ 15,809,283</b>	<b>\$ 25,189,491</b>	<b>\$ 15,809,283</b>

**Supplementary Cash Flow Information *(note 12)***

See accompanying notes to financial statements

## **ANDINA MINERALS INC.**

(An Exploration Stage Company)

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(in US \$ )*

For the years ended December 31, 2008 and 2007

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#### **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") in a reverse takeover transaction. 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 exploring mineral properties in Chile. To date the Company has not earned any revenue and is considered to be in the exploration stage.

These financial statements have been prepared using Canadian GAAP 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. 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 in challenging economic times to successfully develop economically recoverable reserves and complete the Company's business plan. As a result of these circumstances, there is significant 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. NEW ACCOUNTING POLICIES AND FUTURE ACCOUNTING PRONOUNCEMENTS**

##### **(a) New Accounting Policies**

The Company adopted the following Canadian Institute of Chartered Accountants ("CICA") standards commencing January 1, 2008:

##### **Section 1535 - Capital Disclosures**

This section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Company is required to disclose quantitative and qualitative information about its objectives, policies and processes for managing capital. The Company has included disclosures recommended by the new Handbook section in note 13 to these consolidated financial statements.

##### **Section 3862 - Financial Instruments - Disclosures and Section 3863 – Financial Instruments - Presentation**

These sections require entities to disclose quantitative and qualitative information that enable users to evaluate (i) the significance of financial instruments for the Company's financial performance, and (ii) the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. The Company is required to disclose the measurement bases used, and the criteria used to determine classification of financial instruments. The Company has included disclosures recommended by the new Handbook section in note 14 to these consolidated financial statements.

##### **Section 1400 - General Standards on Financial Statement Presentation**

The Company has adopted CICA Section 1400, "General Standards on Financial Statement Presentation", which was amended to include requirements to assess and disclose a company's ability to continue as a going concern.

## **ANDINA MINERALS INC.**

(An Exploration Stage Company)

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(in US \$ )*

For the years ended December 31, 2008 and 2007

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## **2. NEW ACCOUNTING POLICIES AND RECENT PRONOUNCEMENTS (continued)**

### **(b) Future Accounting Pronouncements**

#### **Section 3064 - Goodwill and Intangible Assets**

This section will replace Section 3062, "Goodwill and Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

#### **Convergence with International Financial Reporting Standards**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010. The Company has begun assessing the adoption of IFRS for 2011, but has not yet determined the impact the transition to IFRS will have on the Company's financial statements.

## **3. 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 properties and property, plant and equipment, 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.

## **ANDINA MINERALS INC.**

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(in US \$ )*

For the years ended December 31, 2008 and 2007

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#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(d) Cash and Cash Equivalents**

Cash and cash equivalents includes bank balances and guaranteed investment certificates issued by major banks which, on acquisition, have an original term to maturity of three months or less.

##### **(e) Marketable Securities**

The Company has classified its investments in equity instruments as held for trading. The criteria for designating items as held for trading include financial assets that were acquired principally with the intention of generating a profit from price fluctuation.

##### **(f) 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.

##### **(g) Property, Plant and Equipment**

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 two years for exploration equipment and four years for office equipment.

##### **(h) 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.

##### **(i) Stock-based Compensation**

The Company has a stock-based compensation plan, which is described in note 8(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. Forfeitures of stock options are recognized as incurred.

##### **(j) 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.

## ANDINA MINERALS INC.

(An Exploration Stage Company)

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in US \$)

For the years ended December 31, 2008 and 2007

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (k) Financial Instruments

The Company has designated its cash and cash equivalents and marketable securities as held for trading, which are recorded at their fair value with any change in fair value included in the statement of operations. Accounts receivable are classified as loans and receivables and recorded at amortized cost. Accounts payable and accrued liabilities and advances for exploration work are classified as other financial liabilities and recorded at amortized cost. The carrying amount of accounts receivable, accounts payable and accrued liabilities represents their fair value due to their short-term nature.

##### (l) 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.

#### 4. MARKETABLE SECURITIES

	December 31, 2008		December 31, 2007	
	Fair Value	Cost	Fair Value	Cost
Marketable securities - held for trading (note 5)	\$ 150,859	\$ 256,594	\$ -	\$ -

#### 5. MINERAL PROPERTIES

All of the Company's mineral properties, except the Quitovac property, are located in Chile.

During 2007, the Company made the last two option payments on the Volcan property by paying \$5,000,000 in cash and issuing 1,796,396 common shares, valued at \$5,500,000, to the landowners. The number of common shares issued was calculated in accordance with the terms of the Volcan property agreement and was based on an average closing price for the Company's common shares over the prior thirty trading days (note 8(a)). As a result, the Company owns a 100% interest in the Volcan property subject to the royalty payments listed in note 6.

During 2008, the Company acquired water rights for the Volcan property by issuing a private Chilean company 6,700,000 common shares valued at \$26,582,786 (note 8(a)).

During 2007, the Company exercised its right of first refusal to repurchase various contractual rights owned by the former landowner on the Encrucijada and Pampa Buenos Aires ("PBA") properties by making a payment of \$714,909 to the landowner.

During 2008, the Company entered into an agreement with Hochschild Mining plc, ("Hochschild") whereby Hochschild can earn up to a 60% interest in the Encrucijada property. Hochschild paid the Company \$500,000 upon signing and can earn a 51% interest in the Encrucijada property by spending \$3,000,000 on exploration over the following 36 months. Hochschild is committed to spending \$800,000 on exploration within the first 12 months of the agreement and, in order to attain their 51% interest, is required to spend a further \$1,000,000 prior to the second anniversary and \$1,200,000 prior to the third anniversary of signing the agreement. Upon completion of the exploration expenditures, the two companies may form a partnership to continue exploring the property with Hochschild owning a 51% interest and the Company having a 49% interest. Hochschild may increase its interest in the partnership to 60% by funding the first \$3,500,000 towards a feasibility study within 36 months of the formation of the partnership. Andina also retains a net smelter return royalty from Hochschild on the Encrucijada property, which varies based on the gold price.

## ANDINA MINERALS INC.

(An Exploration Stage Company)

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in US \$)

For the years ended December 31, 2008 and 2007

#### 5. MINERAL PROPERTIES (continued)

During 2006, the Company signed a letter of intent with Mena Resources Inc. ("Mena") whereby Mena could acquire a 50% interest in the concessions forming the PBA property. Subsequent to entering into the letter of intent, Mena was acquired by Rusoro Mining Ltd. ("Rusoro") and during 2007, the Company and Rusoro signed an agreement under which Rusoro could earn a 50% interest in the concessions forming the PBA property by completing exploration expenditures of \$250,000 on the PBA property and issuing Rusoro common shares to the Company. During 2008, Rusoro assigned its rights under this agreement to Iron Creek Capital Corp. ("Iron Creek"). In July 2008, the Company agreed to amend the terms of the agreement to recognize that Iron Creek had spent the required \$250,000 on exploration expenditures on the PBA property and called for a reimbursement of \$197,835 in cash for the Company's previous purchase of the various contractual rights owned by the former landowner, and the issuance of 525,000 Iron Creek common shares to the Company. At the time of receipt, the 525,000 shares of Iron Creek had a fair market value of \$256,594 and are recognized in marketable securities.

During 2008, all costs associated with the Anocarire, Valeriano and Quitovac properties were written off as the Company determined not to proceed with further exploration on these mineral properties. The Anocarire and Valeriano properties' option agreements were terminated as a result.

Property	Balance December 31, 2007	Option payments and acquisition costs	Property payments received	Exploration costs	Costs written off	Balance December 31, 2008
Anocarire	\$ 944,792	\$ -	\$ -	\$ 96,385	\$ (1,041,177)	\$ -
Encrucijada	1,091,604	-	(500,000)	151,644	-	743,248
PBA	1,163,355	-	(454,429)	728,952	-	1,437,878
Valeriano	202,530	-	-	181,574	(384,104)	-
Volcan	33,522,701	26,582,786	-	14,129,217	-	74,234,704
	36,924,982	26,582,786	(954,429)	15,287,772	(1,425,281)	76,415,830
Quitovac	95,000	-	-	66,413	(161,413)	-
	\$ 37,019,982	\$ 26,582,786	\$ (954,429)	\$ 15,354,185	\$ (1,586,694)	\$ 76,415,830

Property	Balance December 31, 2006	Option payments and acquisition costs	Property payments received	Exploration costs	Costs written off	Balance December 31, 2007
Anocarire	\$ 639,791	\$ 288,474	\$ -	\$ 16,527	\$ -	\$ 944,792
Encrucijada	372,086	511,669	-	207,849	-	1,091,604
PBA	265,481	835,874	-	62,000	-	1,163,355
Valeriano	-	177,466	-	25,064	-	202,530
Volcan	10,247,241	10,577,466	-	12,697,994	-	33,522,701
	11,524,599	12,390,949	-	13,009,434	-	36,924,982
Quitovac	95,000	-	-	-	-	95,000
	\$ 11,619,599	\$ 12,390,949	\$ -	\$ 13,009,434	\$ -	\$ 37,019,982

**ANDINA MINERALS INC.**

(An Exploration Stage Company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***(in US \$ )*

For the years ended December 31, 2008 and 2007

**5. MINERAL PROPERTIES (continued)**

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

**Deferred Exploration Costs For The Year Ended December 31, 2008**

Property	Exploration			Value		Field Costs	Other	Total
	Drilling	staff	Trenching	added	tax			
Anocarire	\$ -	\$ 6,696	\$ 20,203	\$ 480	\$ -	\$ 3,943	\$ 65,063	\$ 96,385
Encrucijada	-	-	-	12,402	7,208	529	131,505	151,644
PBA	344,887	56,077	-	-	98,195	39,155	190,638	728,952
Valeriano	-	-	-	-	-	-	181,574	181,574
Volcan	5,050,718	2,629,980	750,988	1,643,216	572,063	1,485,225	1,997,027	14,129,217
	\$ 5,395,605	\$ 2,692,753	\$ 771,191	\$ 1,656,098	\$ 677,466	\$ 1,528,852	\$ 2,565,807	\$ 15,287,772

**Deferred Exploration Costs For The Year Ended December 31, 2007**

Property	Exploration			Value		Field Costs	Other	Total
	Drilling	staff	Trenching	added	tax			
Anocarire	\$ -	\$ 3,215	\$ -	\$ 67	\$ -	\$ 92	\$ 13,153	\$ 16,527
Encrucijada	-	12,858	26,330	11,885	81,131	17,836	57,809	207,849
PBA	-	64	-	-	-	110	61,826	62,000
Valeriano	-	-	-	124	-	724	24,216	25,064
Volcan	4,783,995	2,314,883	1,010,383	1,634,239	678,507	1,159,047	1,116,940	12,697,994
	\$ 4,783,995	\$ 2,331,020	\$ 1,036,713	\$ 1,646,315	\$ 759,638	\$ 1,177,809	\$ 1,273,944	\$ 13,009,434

**6. MINERAL PROPERTY COMMITMENTS**

With respect to the Volcan property, 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 mined 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. None of the Company's other properties have any payments or royalties payable on them.

None of the Company's properties have exploration expenditure commitments.

**7. PROPERTY, PLANT AND EQUIPMENT**

	December 31, 2008		
	Cost	Accumulated Amortization	Net
Exploration equipment	\$ 143,856	\$ 143,856	\$ -
Office equipment	33,829	16,757	17,072
	\$ 177,685	\$ 160,613	\$ 17,072

**ANDINA MINERALS INC.**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***(in US \$)*

For the years ended December 31, 2008 and 2007

**7. PROPERTY, PLANT AND EQUIPMENT (continued)**

	December 31, 2007		
	Cost	Accumulated Amortization	Net
Exploration equipment	\$ 133,953	\$ 77,814	\$ 56,139
Exploration vehicles	36,223	35,397	826
Office equipment	14,407	9,320	5,087
	<b>\$ 184,583</b>	<b>\$ 122,531</b>	<b>\$ 62,052</b>

**8. SHARE CAPITAL****(a) Common Shares****Authorized Capital** - Unlimited common shares and unlimited preferred shares, issuable in series.**Issued**

	Number of shares	Capital stock
Balance - December 31, 2006	52,527,511	\$ 28,179,252
Private placement	8,000,000	16,196,117
Issue costs	-	(1,490,365)
Issued for Volcan property ( <i>note 5</i> )	1,796,396	5,500,000
Exercise of 2006 broker warrants	5,880	10,963
Exercise of 2006 warrants	1,833,500	3,196,673
Exercise of 2007 broker warrants	57,600	297,853
Exercise of 2007 warrants	267,500	1,347,333
Shares issued on exercise of stock options	640,500	794,901
Balance - December 31, 2007	65,128,887	54,032,727
Issued for water rights ( <i>note 5</i> )	6,700,000	26,582,786
Exercise of 2006 broker warrants	815,520	1,492,356
Exercise of 2006 warrants	6,313,700	11,161,152
Exercise of 2007 warrants	83,800	414,434
Shares issued on exercise of stock options	335,000	796,031
<b>Balance - December 31, 2008</b>	<b>79,376,907</b>	<b>\$ 94,479,486</b>

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 (\$15,333,681). Each unit consists of one common share and one-half of a common 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 warrants to purchase up to 960,000 units.

Each of the 8,000,000 whole warrants entitled 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 were exercisable at a price of CDN\$1.10 per unit until April 11, 2008. Each unit consisted of one common share and one-half of a common share purchase warrant. All of the 2006 broker warrants and 2006 warrants were exercised.

## ANDINA MINERALS INC.

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#### 8. SHARE CAPITAL (continued)

##### (a) Common Shares (continued)

On January 17, 2007, 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\$24,000,000 (\$20,470,829). This private placement financing closed on February 9, 2007. Each unit consisted of one common share and one-half of one common share purchase warrant. The underwriters received a total cash commission equal to 6.0% of the gross proceeds of the offering and broker warrants to purchase up to 240,000 units. The net proceeds of the financing of \$18,587,257 were allocated \$14,705,752 as to the common shares and \$3,881,505 as to the warrants.

Each of the 4,000,000 whole warrants entitles the holder to purchase one additional common share at a price of CDN\$4.00 until August 9, 2009. Each of the 240,000 broker warrants are exercisable at a price of CDN\$3.00 per unit until August 9, 2009. Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of CDN\$4.00 until August 9, 2009.

During 2007, the Company made the last two option payments on the Volcan property by paying \$5,000,000 in cash and issuing 1,796,396 common shares, valued at \$5,500,000, to the landowners. The number of common shares issued was calculated in accordance with the terms of the Volcan property agreement and was based on an average closing price for the Company's common shares over the prior thirty trading days (note 5). As a result, the Company owns a 100% interest in the Volcan property subject to the royalty payments listed in note 6.

During 2008, the Company acquired water rights for the Volcan property by issuing a private Chilean company 6,700,000 common shares valued at \$26,582,786 (note 5).

As at December 31, 2008, 182,400 of the 2007 broker warrants and 3,768,700 of the 2007 warrants (including the 2007 warrants issuable on the exercise of the 2007 broker warrants) remain outstanding.

##### (b) Warrants

	Number of warrants	Number of broker warrants	Warrants
Balance - December 31, 2006	7,736,500	821,400	\$ 2,973,561
Exercise of 2006 broker warrants	2,940	(5,880)	(4,376)
Exercise of 2006 warrants	(1,833,500)	-	(559,710)
Warrants issued in connection with 2007 brokered private placement	4,000,000	-	4,274,712
Issue costs	-	-	(393,207)
2007 broker warrants	-	240,000	507,859
Exercise of 2007 broker warrants	28,800	(57,600)	(121,886)
Exercise of 2007 warrants	(267,500)	-	(257,720)
Balance - December 31, 2007	9,667,240	997,920	6,419,233
Exercise of 2006 broker warrants	407,760	(815,520)	(606,884)
Exercise of 2006 warrants	(6,313,700)	-	(1,802,592)
Exercise of 2007 warrants	(83,800)	-	(80,736)
<b>Balance - December 31, 2008</b>	<b>3,677,500</b>	<b>182,400</b>	<b>\$ 3,929,021</b>

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**8. SHARE CAPITAL (continued)****(b) Warrants (continued)**

During 2007 the following warrants were issued and valued using the Black-Scholes option pricing model parameters listed below (in each case with no dividends):

Issue date	Number of warrants	Exercise price (CDN\$)	Black-Scholes Option Pricing Parameters		
			Risk-free interest rate	Expected life	Volatility factor
January 17, 2007					
Warrants	4,000,000	\$4.00	4.07%	2.6	98%
Broker warrants	240,000	\$3.00	4.07%	2.6	98%

**(c) Contributed Surplus and Stock Options****Contributed Surplus**

Balance - December 31, 2006	\$ 1,216,219
Stock-based compensation ( <i>note 12</i> )	1,592,471
Exercise of stock options	(230,051)
Balance - December 31, 2007	2,578,639
Stock-based compensation ( <i>note 12</i> )	1,028,336
Exercise of stock options	(276,865)
<b>Balance - December 31, 2008</b>	<b>\$ 3,330,110</b>

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.

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**8. SHARE CAPITAL (continued)****(c) Contributed Surplus and Stock Options (continued)****Stock Options**

	Number of options	Weighted average exercise price (CDN\$)
Balance - December 31, 2006	4,047,000	\$ 1.10
Granted	1,215,000	3.36
Exercised	(640,500)	0.93
Expired or forfeited	(77,500)	3.49
Balance - December 31, 2007	4,544,000	1.69
Granted	1,572,500	1.63
Exercised	(335,000)	1.55
Expired or forfeited	(231,500)	2.70
<b>Balance - December 31, 2008</b>	<b>5,550,000</b>	<b>\$ 1.64</b>

The unamortized stock option expense related to the grant of the options listed above at December 31, 2008 was \$382,338 (2007 - \$966,799).

During 2008 and 2007 the following stock options were issued and valued using the Black-Scholes option pricing model parameters listed below (in each case with no dividends):

Issued in 2008	Number of options	Exercise price (CDN\$)	Grant date stock price (CDN\$)	Black-Scholes Option Pricing Parameters		
				Risk-free interest rate	Expected life (years)	Volatility factor
February 29, 2008	75,000	\$4.30	\$4.30	2.83%	2.5	75%
October 8, 2008	1,497,500	\$1.50	\$1.10	2.93%	2.5	72%
	1,572,500	\$1.63				

Issued in 2007	Number of options	Exercise price (CDN\$)	Grant date stock price (CDN\$)	Black-Scholes Option Pricing Parameters		
				Risk-free interest rate	Expected life (years)	Volatility factor
January 16, 2007	230,000	\$3.00	\$2.85	4.07%	2.5	97%
May 9, 2007	760,000	\$3.25	\$3.25	4.19%	2.5	92%
September 4, 2007	50,000	\$2.65	\$2.64	4.35%	2.5	87%
November 29, 2007	175,000	\$4.60	\$4.60	3.70%	2.5	83%
	1,215,000	\$3.37				

The weighted average grant date fair value in 2008 was CDN\$0.48 (2007 - CDN\$1.83).

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#### 8. SHARE CAPITAL (continued)

##### (c) Contributed Surplus and Stock Options (continued)

A summary of the Company's stock options at December 31, 2007 is presented below:

Issue Date	Options Outstanding	Options Exercisable	Exercise Price (CDN\$)	Expiry Date
January 6, 2005	1,025,000	1,025,000	\$0.70	January 6, 2010
April 21, 2005	54,000	54,000	\$0.74	April 21, 2010
August 24, 2005	100,000	100,000	\$0.70	August 24, 2010
September 27, 2005	385,000	385,000	\$0.70	September 27, 2010
April 18, 2006	1,381,000	1,381,000	\$1.35	April 18, 2011
January 16, 2007	225,000	225,000	\$3.00	January 16, 2012
May 9, 2007	655,000	655,000	\$3.25	May 9, 2012
November 29, 2007	175,000	131,250	\$4.60	November 29, 2012
February 29, 2008	75,000	37,500	\$4.30	February 28, 2013
October 8, 2008	1,475,000	374,375	\$1.50	October 8, 2013
	5,550,000	4,368,125		

The weighted average exercise price of these options was CDN\$1.64 for options outstanding and CDN\$1.62 for options exercisable. The weighted average remaining contractual life of outstanding options is 2.89 years.

#### 9. INCOME TAXES

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

	2008	2007
Earnings (loss) for the year	\$ (6,555,997)	\$ 1,785,651
Canadian combined federal and provincial income tax rate	33.50 %	36.12 %
Expected income tax expense (recovery) at Canadian statutory rates	\$ (2,196,259)	\$ 644,977
Permanent differences	1,762,862	(725,770)
Increase in valuation allowance	97,097	391,396
Benefit of utilization of tax losses not previously recognized	(419)	(38,039)
Book to tax adjustments and change in substantively enacted future tax rates	98,784	(285,265)
Foreign tax rate variance	237,935	12,701
Provision for income tax	\$ -	\$ -

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#### 9. INCOME TAXES (continued)

The Company's future income tax assets are summarized as follows:

	2008	2007
Exploration and development	\$ 537,773	\$ 397,684
Losses carried forward	2,110,620	1,635,434
Other costs capitalized for account	(173,572)	-
Share issue costs	480,036	835,769
Property, plant and equipment	12,384	1,257
Net future income tax assets	2,967,241	2,870,144
Valuation allowance	(2,967,241)	(2,870,144)
	\$ -	\$ -

At December 31, 2008, the Company had unclaimed share issue costs of \$1,496,000 which do not expire. The Company also has unclaimed non-capital losses that expire as follows:

Year of Expiry	
2009	\$ 101,000
2010	499,000
2014	1,008,000
2015	888,000
2026	944,000
2027	881,000
2028	2,957,000
	\$ 7,278,000

#### 10. 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. During 2008 the Company paid a total of \$264,000 (2007 - \$208,496) to SBX for geological and administrative services. As well, 50% of the \$211,008 2007 property payment on the Anocarire property was 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.

## ANDINA MINERALS INC.

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#### 11. SEGMENTED INFORMATION

The Company has one operating segment, which is the exploration 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, 2008 and 2007, segmented information is presented as follows:

<b>2008</b>	Chile	Mexico	Corporate	Total
Cash and cash equivalents	\$ 364,363	\$ -	\$ 15,444,920	\$ 15,809,283
Other current assets	194,322	-	224,722	419,044
Mineral properties and property, plant and equipment	76,415,830	-	17,072	76,432,902
Total assets	\$ 76,974,515	\$ -	\$ 15,686,714	\$ 92,661,229
Current liabilities	\$ 489,269	\$ -	\$ 214,665	\$ 703,934
Amortization	\$ -	\$ -	\$ (7,437)	\$ (7,437)
Interest income	-	-	519,020	519,020
Foreign exchange	(16,748)	-	(2,783,430)	(2,800,178)
Mineral properties written off	(1,425,281)	(161,413)	-	(1,586,694)
Other expenses	-	-	(2,680,708)	(2,680,708)
Earnings (loss)	\$ (1,442,029)	\$ (161,413)	\$ (4,952,555)	\$ (6,555,997)
Mineral property expenditures, option payments and acquisition costs	\$ 15,912,289	\$ 66,413	\$ -	\$ 15,978,702

<b>2007</b>	Chile	Mexico	Corporate	Total
Cash and cash equivalents	\$ 1,290,950	\$ -	\$ 23,898,541	\$ 25,189,491
Other current assets	8,070	-	40,048	48,118
Mineral properties and property, plant and equipment	36,981,946	95,000	5,088	37,082,034
Total assets	\$ 38,280,966	\$ 95,000	\$ 23,943,677	\$ 62,319,643
Current liabilities	\$ 2,337,232	\$ -	\$ 177,137	\$ 2,514,369
Amortization	\$ -	\$ -	\$ (3,899)	\$ (3,899)
Interest income	-	-	1,102,131	1,102,131
Foreign exchange	(66,426)	-	3,200,855	3,134,429
Other expenses	-	-	(2,447,010)	(2,447,010)
Earnings (loss)	\$ (66,426)	\$ -	\$ 1,852,077	\$ 1,785,651
Mineral property expenditures, option payments and acquisition costs	\$ 17,984,036	\$ -	\$ -	\$ 17,984,036

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#### 12. SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information with respect to the consolidated statements of cash flows is as follows:

	2008	2007
Interest received during the year	\$ 519,020	\$ 1,102,131

Non-cash investing and financing activities include the following:

	2008	2007
Shares issued for water rights (notes 5 and 8(a))	\$ 26,582,786	\$ -
Shares issued for Volcan property (notes 5 and 8(a))	-	5,500,000
Marketable securities acquired as property payment for PBA (notes 4 and 5)	256,594	-
Stock-based compensation included in mineral properties	459,569	417,589
Amortization included in mineral properties	\$ 66,041	\$ 73,232

Cash and cash equivalents consist of the following:

	2008	2007
Cash	\$ 15,809,283	\$ 19,889,491
Cash equivalents	-	5,300,000
	\$ 15,809,283	\$ 25,189,491

#### 13. MANAGEMENT OF CAPITAL RISK

The Company's capital management objective is to maximize investment returns to its shareholders within the context of relevant opportunities and risks associated with the Company's Chilean mineral properties. Achieving this objective requires management to consider the underlying nature of exploration and development activities, availability of capital, the cost of various capital alternatives and other factors.

Establishing and adjusting capital requirements is a continuous management process. Exploration involves a high degree of "discovery" risk and substantial uncertainties about the ultimate ability of the Company to achieve positive cash flow from operations. Consequently, management primarily funds the Company's exploration activities and administrative costs by issuing share capital rather than using other capital sources that require fixed repayments of principal or interest. The Company options certain exploration prospects to third parties as an additional means of funding exploration and to provide the Company with access to a broader number of exploration prospects. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Development activities may begin once a property's mineral reserves are estimated and the Company makes a positive production decision. At this point, management may consider other sources of financing such as senior debt or convertible debentures as a means to reduce equity dilution.

The Company's capital under management includes share capital of \$94,479,486 (2007 - \$54,032,727). Changes in the capital components of shareholders' equity resulted from the issuance of 6,700,000 common shares valued at \$26,582,786 for the acquisition of water rights for the Volcan property (note 5) and from various exercises of share options, brokers warrants and warrants during the year ended December 31, 2008.

There were no changes in the Company's approach to capital management during the year ended December 31, 2008 and the Company is not subject to any externally imposed capital requirements.

## **ANDINA MINERALS INC.**

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **14. MANAGEMENT OF FINANCIAL RISK**

The Company's financial instruments are exposed to financial risks as summarized below:

##### **(a) Credit Risk**

The Company's credit risk is primarily attributable to cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote.

##### **(b) Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company had a cash balance of \$15,809,283 (2007 - \$25,189,491) to settle current liabilities of \$703,934 (2007 - \$2,514,369). All of the Company's financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms.

##### **(c) Market Risk**

###### **(i) Interest Rate Risk**

The Company's cash and cash equivalents primarily include highly liquid bank-issued investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2008. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy for short-term investments. This policy focuses primarily on preservation of capital and liquidity.

###### **(ii) Foreign Currency Risk**

The Company's functional currency is the United States dollar. The Company is affected by currency transaction risk and currency translation risk. Consequently, fluctuations of the United States dollar in relation to other currencies impact the fair value of financial assets and liability and operating results. Financial assets and liabilities subject to currency translation risk primarily include Canadian dollar denominated cash and cash equivalents and accounts payable and accrued liabilities denominated in Chilean pesos.

###### **(iii) Other Price Risk**

The Company has marketable securities which include an investment in a company which is publicly traded on the Toronto Stock Exchange. Marketable securities are classified as held for trading. Fluctuations in the market value of these stocks impact the consolidated statements of operations and comprehensive income (loss).

##### **(d) Sensitivity Analysis**

- (i)** For 2008, management estimates that if interest rates had changed by 1%, assuming all other variables remained constant, the impact to net loss would have been approximately \$205,000.
- (ii)** For 2008, management estimates that if the United States dollar had weakened or strengthened by 10% against the Canadian dollar and Chilean pesos, assuming all other variables remained constant, net loss would have decreased or increased by approximately \$1,188,591.
- (iii)** For 2008, management estimates that if the value of its marketable securities of investments in publicly traded companies had changed 50%, with all other variables held constant, net loss would have decreased or increased by approximately \$75,430.

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**15. SUBSEQUENT EVENT**

Subsequent to year end, 1,980,000 stock options were issued to directors, officers, employees and consultants of the Company. The option exercise prices range from \$1.08 to \$1.80 and expiry dates range from January 5, 2014 to March 27, 2014.