

ANDINA MINERALS INC.

Interim Consolidated Financial Statements
For the Three Months Ended

March 31, 2011

(Unaudited)

TSX-V: ADM

Amended to include an equity reconciliation of Canadian GAAP to International Financial Reporting Standards for the three months ended March 31, 2010



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at March 31, 2011, December 31, 2010 and January 1, 2010
(Unaudited and expressed in US dollars)

	Notes	March 31, 2011	December 31, 2010	January 1, 2010
ASSETS				
Current assets				
Cash		\$ 23,975,212	\$ 28,187,802	\$ 43,893,941
Marketable securities	Note 4	40,783	502,296	149,861
Accounts receivable and prepaid expenses		411,307	241,850	194,376
		24,427,302	28,931,948	44,238,178
Non-current assets				
Value added tax receivable	Note 9	8,778,466	8,156,060	6,257,067
Mineral property acquisition costs	Note 5,6	16,746,427	16,746,427	16,746,427
Project development costs	Note 5	1,634,998	-	-
Property, plant and equipment	Note 7	568,467	601,996	468,452
Water rights	Note 8	26,582,786	26,582,786	26,582,786
		\$ 78,738,446	\$ 81,019,217	\$ 94,292,910
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		\$ 3,864,769	\$ 2,220,136	\$ 3,350,972
Common shares to be issued	Note 5	-	-	1,500,000
		3,864,769	2,220,136	4,850,972
Warrant liabilities	Note 10	2,817,011	5,031,250	7,618,750
		6,681,780	7,251,386	12,469,722
SHAREHOLDERS' EQUITY				
Common shares	11(a)	128,969,314	127,884,951	125,993,509
Broker warrants	11(b)	223,819	223,819	224,144
Contributed surplus	11(c)	8,585,236	8,563,045	7,362,338
Deficit		(65,721,703)	(62,903,984)	(51,756,803)
		72,056,666	73,767,831	81,823,188
		\$ 78,738,446	\$ 81,019,217	\$ 94,292,910

The accompanying notes are an integral part of these interim consolidated financial statements

CONSOLIDATED STATEMENTS OF LOSS

For the three months ended March 31, 2011 and 2010
(Unaudited and expressed in US dollars)

For the three months ended	Notes	March 31, 2011	March 31, 2010
Expenses			
Exploration and evaluation expenditures	Note 13	\$ 4,342,685	\$ 4,381,521
Corporate general and administrative		734,845	576,798
Amortization		48,547	37,591
Stock-based compensation	Note 11(c)	397,191	360,466
		5,523,268	5,356,376
Other Income (expense)			
Foreign exchange gain		456,540	920,897
Interest Income		43,713	22,695
Gain on sale of other mineral properties		-	95,332
Loss on sale of marketable securities		(22,497)	-
Unrealized gain on marketable securities held for trading	Note 4	13,554	17,136
Unrealized gain on warrant liabilities	Note 10	2,214,239	4,168,750
		2,705,549	5,224,810
Loss for the period		\$ (2,817,719)	\$ (131,566)
Loss per share			
Basic and Diluted	Note 12	\$ (0.03)	\$ (0.00)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the three months ended March 31, 2011 and 2010
(Unaudited and expressed in US dollars)

For the three months ended	March 31, 2011	March 31, 2010
Net loss for the period	\$ (2,817,719)	\$ (131,566)
Currency translation differences	-	-
Total comprehensive loss for the period	\$ (2,817,719)	\$ (131,566)

The accompanying notes are an integral part of these interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2011 and 2010
(Unaudited and expressed in US dollars)

For the three months ended	Notes	March 31, 2011	March 31, 2010
Cash generated from (used in)			
Operating activities			
Loss for the period		\$ (2,817,719)	\$ (131,566)
Items not affecting cash:			
Amortization		48,547	37,591
Gain on sale of other mineral properties		-	(95,332)
Loss on sale of marketable securities		22,497	-
Unrealized foreign exchange gain		(290,244)	(899,894)
Unrealized gain from marketable securities held for trading	Note 4	(13,554)	(17,136)
Unrealized gain from warrant liabilities		(2,214,239)	(4,168,750)
Stock-based compensation	Note 11(c)	397,191	360,466
Net change in non-cash working capital items	Note 16(a)	(192,597)	(561,612)
Net cash used in operating activities		(5,060,118)	(5,476,233)
Financing activities			
Exercise of warrants	Note 11(b)	-	650
Exercise of stock options		709,363	-
Net cash generated from financing activities		709,363	650
Investing activities			
Expenditures on Mineral Properties		(1,634,999)	-
Proceeds on sale of other Mineral Properties		-	63,070
Proceeds on sale of marketable securities		452,570	-
Acquisition of property, plant and equipment	Note 7	(15,018)	(61,268)
Net change in non-cash working capital items	Note 16(a)	907,597	(1,168,057)
Net cash used in investing activities		(289,850)	(1,166,255)
Decrease in cash		(4,640,605)	(6,641,838)
Effect of exchange rate changes on cash		428,015	1,173,114
Cash, beginning of period		28,187,802	43,893,941
Cash, end of period		\$ 23,975,212	\$ 38,425,217

The accompanying notes are an integral part of these interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended March 31, 2011 and 2010

(Unaudited and expressed in US dollars)

	Common Shares		Broker warrants	Contributed surplus	Deficit	Shareholders' Equity
	Shares	Amount				
Balance, January 1, 2010	107,475,657	\$ 125,993,509	\$ 224,144	\$ 7,362,338	\$ (51,756,803)	\$ 81,823,188
Exercise of broker warrants <i>(Note 11(b))</i>	450	974	(325)	-	-	649
Stock-based compensation <i>(Note 11(c))</i>	-	-	-	360,466	-	360,466
Net loss	-	-	-	-	(131,566)	(131,566)
Balance, March 31, 2010	107,476,107	125,994,483	223,819	7,722,804	(51,888,369)	82,052,737
Shares issued to Barrick Gold Corporation for land acquisition <i>(Note 5)</i>	1,408,980	1,500,000	-	-	-	1,500,000
Exercise of stock options <i>(Note 11(c))</i>	413,750	390,468	-	(89,062)	-	301,406
Stock-based compensation <i>(Note 11(c))</i>	-	-	-	929,303	-	929,303
Net loss	-	-	-	-	(11,015,615)	(11,015,615)
Balance, December 31, 2010	109,298,837	127,884,951	223,819	8,563,045	(62,903,984)	73,767,831
Exercise of stock options <i>(Note 11(c))</i>	601,000	1,084,363	-	(375,000)	-	709,363
Stock-based compensation <i>(Note 11(c))</i>	-	-	-	397,191	-	397,191
Net loss	-	-	-	-	(2,817,719)	(2,817,719)
Balance, March 31, 2011	109,899,837	\$ 128,969,314	\$ 223,819	\$ 8,585,236	\$ (65,721,703)	\$ 72,056,666

The accompanying notes are an integral part of these interim consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2011 and 2010
(Unaudited and expressed in US dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Andina Minerals Inc. (the "Company") is a Canadian based, international mining company engaged in the acquisition, exploration and development of precious metal properties. The Company was incorporated on January 23, 2001 under the Business Corporations Act (Alberta) as CastleRock Capital Inc. ("Castlerock"). Effective December 31, 2004, Castlerock acquired all the outstanding shares of Andina Minerals Inc. ("Holdings") in a reverse takeover transaction. In conjunction with the acquisition of Holdings, Castlerock changed its name to Andina Minerals Inc. and Holdings changed its name to Andina Holdings Inc. The Company is a publicly listed company and has common shares and share purchase warrants traded on the Toronto Stock Venture Exchange. The address of the Company's head office is 56 Temperance Street, Suite 300, Toronto, Ontario, M5H 3V5.

The Company is engaged in the business of acquiring, exploring and developing gold properties in Chile. To date the Company has not earned any revenue and is considered to be in the exploration stage but has started development planning on its Volcan property in Chile.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from March 31, 2011. 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 the challenges of securing adequate capital for exploration, development and operational risks inherent in the mining industry as well as global economic and gold price volatility. As a result of these risks, there is significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

The Company's continuing ability to be in operation is dependent upon the ability of the Company to obtain the necessary financing to complete the exploration and development and upon future profitable production or proceeds from the disposition of properties. The Company will have to raise additional funds to complete the development phase of its programs and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These are the Company's first interim consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*, and IFRS 1, *First-time Adoption of International Financial Reporting Standards*.

Our IFRS accounting policies are presented in this note below. They have been applied in preparing the interim consolidated financial statements for the period ended March 31, 2011, the comparative information and the opening statement of financial position as at the date of transition.

We applied IFRS1 *First-time Adoption of International Financial Reporting Standards* in preparing these first interim IFRS consolidated financial statements ("consolidated financial statements"). Reconciliations, descriptions and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2011 and 2010
(Unaudited and expressed in US dollars)

explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company are provided in note 19. This note also includes reconciliations of equity and comprehensive loss for comparative periods reported under Canadian generally accepted accounting principles ("GAAP") to those reported for those periods under IFRS.

The accounting policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of May 30, 2011, the date the Board of Directors approved these statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP consolidated financial statements for the year ended December 31, 2010. *Note 19* discloses IFRS adjustments made to these previously published Canadian GAAP consolidated financial statements for the year ended December 31, 2010.

(b) Basis of presentation

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, which are expressed in United States dollars, and are prepared in accordance with IFRS. These consolidated financial statements include the assets, liabilities, revenues and expenses of its wholly-owned subsidiaries: Andina Holdings Inc. and Andina Minerals Chile Ltda. The Company's principal subsidiary, Andina Minerals Chile Ltda is located in Chile.

(d) Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Actual results may differ from those estimates.

Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, the recoverability of accounts receivable and investments, the assumptions used in the accounting for stock-based compensation, valuation of warrants, the recoverability of the carrying value of mineral development expenditures, the recoverability of intangible assets, and the provision for accrued liabilities.

(e) Cash and cash equivalents

Cash represents cash on hand and demand deposits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2011 and 2010
(Unaudited and expressed in US dollars)

(f) Functional and presentation currency

(i) Functional currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of all entities in the group is the United State dollar ("USD").

(ii) Translation of transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the approximate exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in the determination of losses in the current year.

(g) 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.

(h) Income (loss) per share

Basic income (loss) per share is calculated by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period.

Diluted income (loss) per share is calculated by dividing the net income (loss) for the period by the weighted average number of all dilutive securities. The Company's potentially dilutive common shares comprise stock options, warrants and broker warrants. Diluted per share information is calculated using the treasury stock method. The treasury stock method assumes that any proceeds obtained upon the exercise of options, warrants and broker warrants be used to purchase common shares at the average market price during the period.

(i) Plant, property and equipment

Plant, property and equipment are recorded at cost net of accumulated amortization and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Amortization is calculated using the straight-line method based on the estimated future life of each asset.

Major categories of property, plant and equipment are depreciated as follows:

- Office equipment – 4 years
- Camp and core shed equipment – 5 years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2011 and 2010
(Unaudited and expressed in US dollars)

(j) Exploration and evaluation expenditures

Exploration and evaluation costs are expensed in the Consolidated Statement of Income until the completion of a pre-feasibility study and the determination that commercial viability of the project exists. Exploration costs include costs directly related to exploration and evaluation activities. Commercial viability of a project is considered to exist when mineral reserves are defined, the rights of tenure are uncompromised and it is considered probable that ongoing costs will be recouped through successful development and exploitation of the area, or alternatively by the sale of the property.

(k) Mineral properties

The Company capitalizes all property acquisition costs. Subsequent to a pre-feasibility study being completed and the commercial viability of a project being determined, the Company capitalizes all development costs, including project development drilling and engineering costs related to the project until the project is brought into production. Once a project is in production, the capitalized costs will be transferred from development properties to producing properties on the Consolidated Statement of Financial Position and will then be amortized using the unit-of-production method based on proven and probable reserves. This will occur until the property is abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made.

(l) Intangible assets

Intangible assets are initially recognized at cost. Subsequent to initial recognition, they are recognized at cost less any accumulated impairment losses. Reviews for impairment are conducted when changes in events indicate impairment may exist. The carrying values of intangible assets are tested for recoverability if any indication of impairment exists and, if impaired, are written down to the net recoverable amount. The Company's intangible assets relate solely to water rights located in the Maricunga acquired in 2008, which have an indefinite life.

(m) Accounts payables and accrued liabilities

Accounts payables and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(n) Share capital

Common shares are classified as equity. Costs directly attributable to the issue of shares or options are shown in equity as a reduction, net of tax, from proceeds.

(o) Share based payments

The Company has a stock option plan and thereby, operates an equity settled share based compensation plan for remuneration of its employees, directors, officers and consultants.

The fair value of options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options are granted. The fair value of awards is adjusted by the estimated number of options that are expected to vest as a result of non-market conditions, and is expensed over the vesting period using an accelerated method of amortization. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest based on non-market vesting conditions. It

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2011 and 2010
(Unaudited and expressed in US dollars)

recognizes the impact of the revision to original estimates, if any, in the Consolidated Statement of Loss, with a corresponding adjustment to contributed surplus.

Stock-based compensation relating to stock options is recognized over the vesting period.

(p) Impairment

The carrying amount of the Company's non-current assets (which include property, plant and equipment, mineral properties and intangible assets) is reviewed for impairment whenever indicators of impairment exist. If an indication exists, the net recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its net recoverable amount. Impairment losses are recognized in the Consolidated Statements of Income.

The recoverable amount of an asset is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, estimated future pre-tax cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units, or "CGU"). For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment no longer exists and there has been a change in the estimates used to determine the recoverable amount. Such a reversal is limited to an amount no higher than the carrying amount that would have been determined had no impairment loss been recognized in previous periods.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

(q) Segment reporting

The Company has one operating segment being the acquisition, exploration and development of mineral properties in Chile. The Company's head office is located in Toronto, Canada.

(r) Income and mining taxes

Income taxes are calculated using the asset and liability method of tax accounting. Under this method of tax accounting, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates in effect when the temporary differences are likely to reverse. The effect on deferred income tax assets and liabilities resulting from a change in enacted tax rates is included in income in the year in which the change is enacted or substantively enacted. Deferred income tax assets, if recorded, will recognize tax benefits only to the extent that, based on available evidence, it is probable they will be realized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2011 and 2010
(Unaudited and expressed in US dollars)

(s) Financial Instruments

The Company records all financial instruments as held-for-trading, held-to-maturity, loans and receivables, or available-for-sale investments. The classification depends on the purpose for which the assets were acquired. Management determines the classification of financial assets and liabilities at initial recognition.

i) Held-for-trading

A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short-term. Although the Company does not acquire derivatives, if it were to, the derivatives would be categorized as held-for-trading.

Held-for-trading financial assets are comprised of marketable securities.

ii) Held-to-maturity ("HTM")

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. They are classified as current or non-current assets based on their maturity date, and are carried at amortized cost less any impairment.

Loans and receivables are comprised of accounts receivable and value added tax ("VAT") receivable.

iv) Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other category. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the balance sheet date. The Company does not have any assets classified as available-for-sale investments.

v) Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial liabilities are comprised of accounts payables and accrued liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2011 and 2010
(Unaudited and expressed in US dollars)

vi) Warrant liabilities

Outstanding warrants are classified as financial liabilities on the Consolidated Statement of Financial Position, as the strike price of warrants is denominated in Canadian Dollars while the Company's functional currency is the US Dollars. 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 option pricing model, with management's assumptions. At each subsequent reporting date, warrants are re-valued to fair value being the price quoted on public markets, and any change in fair value is recognized in profit or loss for the period. Warrants are re-classified to share capital when they are exercised.

3. ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

IFRS 9 Financial Instruments: Classification and Measurement - IFRS 9, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013 and does not consider the effect of the changes will have a significant impact.

A number of other new standards and issued amendments to standards and interpretations are not yet effective for the year ending December 31, 2011, and have not been applied when preparing these interim consolidated financial statements. Management does not currently expect that the implementation of these new standards and amendments will have a significant effect on the interim consolidated financial statements of the Company.

4. MARKETABLE SECURITIES

	March 31, 2011		December 31, 2010	
	Fair value	Cost	Fair value	Cost
Copper Ridge Explorations Inc. (Note 5)	\$ 40,783	\$ 32,262	\$ 502,296	\$ 288,856

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2011 and 2010
(Unaudited and expressed in US dollars)

5. MINERAL PROPERTIES

All of the Company's mineral properties are located in Chile.

On January 13, 2010, the Company completed a pre-existing agreement with Copper Ridge Explorations Inc. ("Copper Ridge") to sell its interest in the Quitovac property in Sonora, Mexico. Terms of the agreement were CDN\$65,000 cash (\$63,070) and 95,000 common shares of Copper Ridge (*note 4*), for total consideration of \$95,332. If the Quitovac property is placed into production, Copper Ridge will pay an additional CDN\$500,000 and issue an additional 35,000 common shares.

On May 20, 2009, the Company acquired mineral concessions surrounding its Volcan property in Region III, Chile, from Barrick Gold Corporation ("Barrick") for consideration of \$4,160,400 paid through the issuance of 2,000,000 common shares valued at \$2,660,400, and a second installment of common shares worth \$1,500,000 payable one year from closing, determined using the weighted average trading price of Andina common shares in the 20 trading days leading up to and ending on the trading day immediately prior to the one-year anniversary from closing, and a net smelter return royalty of 1.5% on any metals produced from the property should they be developed. During 2010, the Company paid the second installment for the concession acquisition by issuing to Barrick 1,408,980 common shares worth \$1,500,000.

In February 2011, the Company filed on SEDAR, a Canadian National Instrument 43-101 compliant Technical Report, dated January 31, 2011, for the Dorado Sector deposits of the Volcan Gold Project. Upon the completion of a pre-feasibility study and the determination that the Volcan project is commercially viable, in February 2011, the Company started to capitalize Volcan direct development costs.

Capitalized costs on the Chilean mineral properties as of March 31, 2011 and December 31, 2010 are as follows:

Property Acquisition Costs:

	Amount
Opening net book amount - January 1, 2010	
Volcan	15,993,088
Encrucijada	291,781
Pampa Buenos Aires	461,558
Opening net book amount - January 1, 2010	16,746,427
Addition	-
Balance as at December 31, 2010 and March 31, 2011	\$ 16,746,427

Project Development Costs:

	Amount
Opening net book amount - January 1, 2010 and December 31, 2010	\$ -
Addition:	
Project development drilling	1,416,723
Project engineering	218,275
Balance as at March 31, 2011	\$ 1,634,998

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6. MINERAL PROPERTY COMMITMENTS

For the Dorado deposits of the Volcan property, there is no payment or royalty payable on the first 2 million ounces of gold produced from the property. A payment of \$5 per ounce is due on any ounces of gold produced 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. A net smelter return royalty of 1.5% is payable on any metals produced from the mineral concessions acquired from Barrick Gold Corporation should they be developed (*note 5*). None of the Company's other properties have any payments or royalties payable on them.

7. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Camp and Core Shed	Total
Cost:			
Balance as at January 1, 2010	\$ 157,577	\$ 496,015	\$ 653,592
Additions	93,446	213,503	306,949
Disposals	(7,746)	-	(7,746)
Balance as at December 31, 2010	243,277	709,518	952,795
Additions	-	15,018	15,018
Disposals	-	-	-
Balance as at March 31, 2011	\$ 243,277	\$ 724,536	\$ 967,813
Accumulated Amortization:			
Balance as at January 1, 2010	\$ 50,451	\$ 134,690	\$ 185,141
Depreciation expense for the year	49,117	116,542	165,659
Balance as at December 31, 2010	99,568	251,232	350,800
Depreciation expense for the period	12,664	35,883	48,547
Balance as at March 31, 2011	\$ 112,232	\$ 287,115	\$ 399,347
Net book value:			
As at January 1, 2010	107,126	361,325	468,452
As at December 31, 2010	143,709	458,286	601,995
Balance as at March 31, 2011	131,045	437,422	568,467

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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8. INTANGIBLE ASSETS

	March 31, 2011	December 31, 2010
Water rights	\$ 26,582,786	\$ 26,582,786

During 2008, the Company acquired 340 litres per second of water rights, having a sustainable draw rate of 247 litres per second in two wells located approximately 21 kilometres from the Dorado deposits and approximately 10 kilometres east of the northern corner of the Volcan concessions. The water rights were acquired by issuing to a private Chilean company 6,700,000 common shares valued at \$26,582,786.

9. VALUE-ADDED-TAX ("VAT") RECEIVABLE

Non-current VAT receivable arises from the government of Chile and is in respect of the Company's exploration and development activities. The actual timing of receipt is uncertain as VAT is typically refundable only upon commercial operations; therefore, VAT receivable has been classified as a non-current asset.

	Amount
Balance - January 1, 2010	\$ 6,257,067
Additions	1,342,546
Effect of change in foreign exchange	556,447
Balance - December 31, 2010	\$ 8,156,060
Addition	754,043
Effect of change in foreign exchange	(131,637)
Balance - March 31, 2011	\$ 8,778,466

10. WARRANT

During 2009, the following warrants were issued and valued using the Black-Scholes option pricing model with the parameters listed below:

Issue date	Number of warrants	Exercise price (CDN\$)	Black-Scholes Option Pricing Parameters			
			Dividend Yield	Risk free interest rate	Expected life (years)	Volatility factor
December 2, 2009	14,375,000	\$ 2.25	-	1.31%	2.5	79%

Outstanding warrants are classified as financial liabilities on the Consolidated Statement of Financial Position, as the strike price of warrants is denominated in Canadian Dollars while the Company's functional currency is the US Dollars. The Company accounts for warrants using the fair value method. Under this method, the value of

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warrants is measured at fair value at the grant date using the Black-Scholes option pricing model, with management's assumptions. At each subsequent reporting date, warrants are re-valued to fair value being the price quoted on public markets, and any change in fair value is recognized in profit or loss for the period. Warrants are re-classified to share capital when they are exercised.

As of March 31, 2011, 14,375,000 warrants remain outstanding, and the closing price on the TSX Venture Exchange was \$0.20 per warrant.

11. SHARE CAPITAL

(a) Common Shares

Authorized share capital consists of an unlimited number of voting common shares without par value and unlimited preferred shares, issuable in series.

	Number of common	Capital Stock
Balance - January 1, 2010	107,475,657	\$ 125,993,509
Exercise of broker warrants	450	974
Exercise of stock options	413,750	390,468
Shares issued to Barrick Gold Corporation for land acquisition (<i>note 5</i>)	1,408,980	1,500,000
Balance - December 31, 2010	109,298,837	\$ 127,884,951
Exercise of stock options	601,000	1,084,363
Balance - March 31, 2011	109,899,837	\$ 128,969,314

(b) Broker Warrants

	Number of broker warrants	Broker warrants
Balance - January 1, 2010	310,500	\$ 224,144
Exercise	(450)	(325)
Balance - December 31, 2010 and March 31, 2011	310,050	\$ 223,819

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During 2009, the following broker warrants were issued and valued using the Black-Scholes option pricing model with the parameters listed below:

Issue date	Number of warrants	Exercise price (CDN\$)	Black-Scholes Option Pricing Parameters			
			Dividend Yield	Risk free interest rate	Expected life (years)	Volatility factor
June 16, 2009	310,500	\$ 1.50	-	1.04%	2.0	84%

(c) Contributed Surplus and Stock Options

Contributed Surplus

	Contributed Surplus
Balance - January 1, 2010	\$ 7,362,338
Stock-based compensation	1,289,769
Exercise of stock options	(89,062)
Balance - December 31, 2010	\$ 8,563,045
Stock-based compensation	397,191
Exercise of stock options	(375,000)
Balance - March 31, 2011	\$ 8,585,236

Stock Options

The Company maintains a Stock Option Plan (the "Plan"), under the Plan, stock options may be granted to the Company's directors, senior officers, employees, consultants and consultant companies. The 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.

As at March 31, 2011, the Company had 8,011,500 stock options outstanding and was authorized to grant an additional 2,978,484 stock options under the Plan. The following is a continuity of stock options for the periods indicated:

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	Number of options	Weighted average exercise price
Balance - January 1, 2010	5,853,125	\$ 1.74
Granted	4,125,000	1.36
Exercised	(413,750)	0.75
Expired	(627,500)	2.77
Forfeited	(313,125)	1.66
Balance - December 31, 2010	8,623,750	\$ 1.53
Exercised	(601,000)	1.35
Forfeited	(11,250)	1.50
Balance - March 31, 2011	8,011,500	\$ 1.55

As at March 31, 2011, the unamortized stock option value was \$783,370 (March 31, 2010 - \$ 533,210).

During the three months ended March 31, 2011, no stock options were granted. During 2010, the following stock options were issued and valued using the Black-Scholes option pricing model with the parameters listed below. Expected volatility is estimated by considering historic average share price volatility.

Granted in 2010	Number of options	Exercise price (CDN\$)	Black-Scholes Option Pricing Parameters				
			Dividend yield	Forfeiture rate	Risk-free interest rate	Expected life (years)	Volatility factor
March 11	1,665,000	\$ 1.20	-	10.49%	1.19%	2.5	80%
June 4	150,000	\$ 1.08	-	10.49%	1.44%	2.5	80%
August 3	15,000	\$ 1.20	-	10.49%	1.55%	2.5	79%
November 1	435,000	\$ 1.40	-	10.49%	1.43%	2.5	79%
December 6	1,860,000	\$ 1.51	-	10.49%	1.70%	2.5	79%
	4,125,000	\$ 1.36	-	10.49%	1.46%	2.5	79%

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A summary of the Company's outstanding stock options at March 31, 2011 is presented below:

Range (CDN\$)	Outstanding			Vested		
	Number of options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average remaining contractual life	Weighted average exercise price
\$0.50 to \$1.39	3,222,750	2.9	\$ 1.18	2,797,750	2.7	\$ 1.18
\$1.40 to \$2.29	4,166,250	3.5	\$ 1.53	2,370,000	2.6	\$ 1.57
\$2.30 to \$3.19	25,000	0.8	\$ 3.00	25,000	0.8	\$ 3.00
\$3.20 to \$4.09	447,500	1.1	\$ 3.25	447,500	1.1	\$ 3.25
\$4.10 to \$5.00	150,000	1.8	\$ 4.45	150,000	1.8	\$ 4.45
	8,011,500	3.1	\$ 1.55	5,790,250	2.5	\$ 1.59

12. INCOME (LOSS) PER SHARE

Income (loss) per share has been calculated using the weighted average number of shares outstanding during the three months ended March 31, 2011 and 2010 as follows:

For the three months ended	March 31, 2011	March 31, 2010
Net income (loss) for the period	\$ (2,817,719)	\$ (131,566)
Basic weighted average number of shares outstanding during the period	109,492,088	107,476,047
Basic net income (loss) per share	\$ (0.03)	\$ (0.00)
Fully diluted weighted average number of shares outstanding during the period	109,492,088	108,570,546
Fully diluted net income (loss) per share	\$ (0.03)	\$ (0.00)

At March 31, 2011, fully diluted weighted average common shares outstanding used in the calculation of fully diluted net loss per share exclude the outstanding stock options, warrants and broker warrants as their exercise would be anti-dilutive in the net loss per share calculation.

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13. EXPLORATION AND EVALUATION EXPENDITURES

A summary of the Company's exploration and evaluation expenditures for the three months ended March 31, 2011 and 2010 is presented below:

For the three months ended	March 31, 2011	March 31, 2010
Exploration drilling	\$ 2,089,295	\$ 895,357
Project development drilling (before completion of pre-feasibility study)	1,582,689	2,359,853
Project engineering (before completion of pre-feasibility study)	89,769	661,876
Joint venture exploration	56,689	-
General and administrative	524,243	464,435
Total	\$ 4,342,685	\$ 4,381,521

14. CAPITAL RISK MANAGEMENT

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.

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, development 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 decision to continue project advancement. At this point, management may consider other sources of financing such as convertible debentures, high yield bonds and traditional project finance debt as a means to reduce equity dilution.

The Company's capital under management at March 31, 2011 includes share capital of \$128,969,314 (December 31, 2010 - \$127,884,951, January 1, 2010 - \$125,993,509).

There were no changes in the Company's approach to capital management during the period ended March 31, 2011 and the Company is not subject to any externally imposed capital requirements.

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15. FINANCIAL RISK MANAGEMENT

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Financial Instruments

At March 31, 2011 and December 31, 2010, the Company's financial instruments consisted of cash, marketable securities, accounts receivable, accounts payable and accrued liabilities. Due to their short term to maturity, the Company estimates that the fair value of these financial instruments approximates the carrying values at March 31, 2011 and December 31, 2010.

The Company does not enter into any derivatives hedging activities.

In accordance with the fair value hierarchy, the Company's measurement of these instruments is as follows:

March 31, 2011	Level 1	Level 2	Level 3	Total
Assets				
Marketable securities	\$ 40,783	\$ -	\$ -	\$ -

December 31, 2010	Level 1	Level 2	Level 3	Total
Assets				
Marketable securities	\$ 502,296	\$ -	\$ -	\$ -

The Company's marketable securities are valued using quoted market prices and therefore, are classified within Level 1.

Management estimates that if the value of its marketable securities in publicly traded companies changed 50%, with all other variables held constant, net loss would have increased or decreased by approximately \$20,000 (2010 - \$100,000).

(b) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations.

The Company's financial assets are composed of cash, marketable securities, accounts receivable and VAT receivable. Credit risk is primarily associated with accounts receivables.

To mitigate exposure to credit risk, the Company's cash has been deposited into reputable financial institutions. Concentration of credit risk exists as a significant proportion is held at one financial institution, being a Schedule A bank in Canada. Management believes the risk of loss to be remote.

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The Company's exposure to credit risk is as follows:

	March 31, 2011	December 31, 2011
Cash	\$ 23,975,212	\$ 28,187,802
Accounts receivable and prepaids	411,307	241,850
VAT receivable	8,778,466	8,156,060
	\$ 33,164,985	\$ 36,585,712

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 14.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

March 31, 2011	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
Trade and other payables	\$3,864,769	\$ -	\$ -	\$ -	\$ -

December 31, 2010	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
Trade and other payables	\$2,220,136	\$ -	\$ -	\$ -	\$ -

Working capital of \$20.6 million at March 31, 2011 (December 31, 2010 - \$26.7 million) is sufficient to support the Company's normal operating requirements through its current reporting period. However, taking into consideration the Company's current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company is reviewing expenditures and financing alternatives to ensure adequate liquidity and flexibility to support its development strategy.

(d) Market risk

(i) Interest rate risk

The Company holds its cash balance in bank accounts that earn variable interest rates. Future cash flows from interest income on cash may 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 the preservation of capital and liquidity. The Company monitors the investments it makes and is satisfied with the credit rating of its banks.

For the three months ended March 31, 2011, management estimates that if interest rates had increased

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or decreased by 1%, assuming all other variables remained constant, the change to net loss would have been approximately \$65,000 (2010 - \$103,000).

(ii) Foreign currency risk

The Company's functional currency is the United States dollar and it is affected by currency transaction risk and currency translation risk. Consequently, fluctuations of the United States dollar in relation to the Chilean Pesos and Canadian dollar will impact the fair value of foreign denominated financial assets and liabilities and operating results. Financial assets and liabilities subject to currency translation risk primarily include Canadian dollar denominated cash balance and accounts payable and accrued liabilities denominated in Chilean pesos. The Company maintains United States dollar bank accounts in Canada and Chile.

For the three months ended March 31, 2011, 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 \$1.7 million (2010 - \$3.1 million).

(iii) Other price risks

The Company has marketable securities which are publicly traded on the Toronto Stock Exchange. Marketable securities are classified as held for trading. Fluctuations in the market value of these securities impact the consolidated statements of operations and comprehensive loss.

For the three-month period ended March 31, 2011, management estimates that if the value of its marketable securities had changed 50%, with all other variables held constant, net loss would have decreased or increased by approximately \$20,000 (2010 - \$100,000).

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16. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the three months ended	March 31, 2011	March 31, 2010
<i>(a) Net change in non-cash working capital items - Operating activities</i>		
Accounts receivable and prepaid expenses	\$ (169,457)	\$ (16,384)
Accounts payable and accrued liabilities	(23,140)	(545,228)
	<u>\$ (192,597)</u>	<u>\$ (561,612)</u>
<i>Net change in non-cash working capital items - Investing activities</i>		
Accounts receivable and prepaid expenses	\$ (760,177)	\$ (629,286)
Accounts payable and accrued liabilities	1,667,774	(538,771)
	<u>\$ 907,597</u>	<u>\$ (1,168,057)</u>
<i>(b) Interest</i>		
Interest received during the period	\$ 43,713	\$ 22,695
<i>(c) Non-cash financing transaction</i>		
Marketable securities acquired as property payment for Quitovac (Note 5)	\$ -	\$ 32,262

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17. SEGMENTED INFORMATION

The Company has one operating segment: the acquisition, exploration and development of precious metal projects in Chile. The Company has a head office located in Toronto, Canada.

The following table summarizes the total assets and liabilities by geographic segment as at March 31, 2011 and December 31, 2010:

As at March 31, 2011	Chile	Corporate	Total
Cash and cash equivalents	\$ 179,178	\$ 23,796,034	\$ 23,975,212
Other current assets	324,109	127,981	452,090
Mineral properties, intangible assets and property, plant and equipment	45,326,561	206,117	45,532,678
VAT receivable	8,778,466	-	8,778,466
Total assets	\$ 54,608,314	\$ 24,130,132	\$ 78,738,446
Liabilities	\$ 3,539,988	\$ 3,141,792	\$ 6,681,780

As at December 31, 2010	Chile	Corporate	Total
Cash and cash equivalents	\$ 174,912	\$ 28,012,890	\$ 28,187,802
Other current assets	121,630	622,516	744,146
Mineral properties, intangible assets and property, plant and equipment	43,850,425	80,784	43,931,209
VAT receivable	8,156,060	-	8,156,060
Total assets	\$ 52,303,027	\$ 28,716,190	\$ 81,019,217
Liabilities	\$ 1,872,214	\$ 5,379,172	\$ 7,251,386

The following table summarizes the net loss (income) by geographic segment for the three months ended March 31, 2011 and 2010:

For the three months ended March 31, 2011	Chile	Corporate	Total
Amortization	\$ 41,148	\$ 7,399	\$ 48,547
Foreign exchange loss (gain)	85,835	(542,375)	(456,540)
Exploration and evaluation expenditures	4,275,501	67,184	4,342,685
Other expenses (income)	-	(1,116,973)	(1,116,973)
Loss (income)	\$ 4,402,484	\$ (1,584,765)	\$ 2,817,719

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For the three months ended March 31, 2010	Chile	Corporate	Total
Amortization	\$ 30,574	\$ 7,017	\$ 37,591
Foreign exchange loss (gain)	193,444	(1,114,341)	(920,897)
Exploration and evaluation expenditures	4,278,970	102,551	4,381,521
Other expenses (income)	-	(3,366,649)	(3,366,649)
Loss (income)	\$ 4,502,988	\$ (4,371,422)	\$ 131,566

18. KEY MANAGEMENT REMUNERATION

The Company's related parties as defined by IAS 24, *Related Party Disclosures*, include the Company's subsidiaries and its key management. Key management includes directors (executive and non-executive), the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), and the Vice President of Project Development.

The remuneration of the key management of the Company, as defined above, during the three months ended March 31, 2011 and 2010 was as follows:

For the three months ended	March 31, 2011	March 31, 2010
Salaries and director fees	\$ 257,577	\$ 243,203
Share based compensation*	-	763,200
Total	\$ 257,577	\$ 1,006,403

* The share based compensation is based on the fair value of the stock options granted during the three months ended March 31, 2011 and 2010.

19. FIRST-TIME ADOPTION OF IFRS

These are the Company's first interim consolidated financial statements prepared in accordance with IFRS.

IFRS accounting policies are presented in Note 2 and have been applied in preparing the interim consolidated financial statements for the three months ended March 31, 2011, the comparative information for the three months ended March 31, 2010, the financial statements for the year ended December 31, 2010 and the preparation of an opening IFRS balance sheet on the Transition Date, January 1, 2010.

In preparing its opening IFRS balance sheet, comparative information for the three months ended March 31, 2010 and financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from the previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

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Guidance for the first time adoption of IFRS is set out in IFRS 1, which provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company has elected to apply the following IFRS 1 optional exemptions:

Exemption	Application of exemption
Business combinations	The Company has applied the business combinations exemption. It has not restated business combinations that took place prior to January 1, 2010, the transition date.
Share-based payment transactions	The Company has elected to apply the share-based payment exemption. It applied IFRS 2 from January 1, 2010 to those options that were issued after November 7, 2002 but that had not vested by January 1, 2010.

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19. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP consolidated statement of financial position as at January 1, 2010 has been reconciled to IFRS as follows:

	Ref.	Balance under Canadian GAAP	IFRS Adjustments	Balance under IFRS
ASSETS				
Current assets				
Cash		\$ 43,893,941	-	\$ 43,893,941
Marketable securities		149,861	-	149,861
Accounts receivable and prepaid expenses		194,376	-	194,376
		44,238,178	-	44,238,178
Non-current assets				
Value added tax receivable	<i>c</i>	-	6,257,067	6,257,067
Mineral properties	<i>a,b,c,d</i>	66,260,282	(49,513,855)	16,746,427
Property, plant and equipment	<i>b</i>	70,785	397,667	468,452
Intangible assets		26,582,786	-	26,582,786
		\$ 137,152,031	\$ (42,859,121)	\$ 94,292,910
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		\$ 3,350,972	\$ -	\$ 3,350,972
Common shares to be issued		1,500,000	-	1,500,000
		4,850,972	-	4,850,972
Warrant liabilities	<i>e</i>	-	7,618,750	7,618,750
		4,850,972	7,618,750	12,469,722
SHAREHOLDERS' EQUITY				
Common shares	<i>e</i>	128,687,650	(2,694,141)	125,993,509
Warrants	<i>e</i>	7,920,578	(7,696,434)	224,144
Contributed surplus	<i>d</i>	7,200,718	161,620	7,362,338
Deficit	<i>a,b,d,e</i>	(11,507,887)	(40,248,916)	(51,756,803)
		132,301,059	(50,477,871)	81,823,188
		\$ 137,152,031	\$ (42,859,121)	\$ 94,292,910

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19. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP consolidated statement of financial position as at March 31, 2010 has been reconciled to IFRS as follows:

	Ref.	Balance under Canadian GAAP	IFRS Adjustments	Balance under IFRS
ASSETS				
Current assets				
Cash		\$ 38,425,217	-	\$ 38,425,217
Marketable securities		199,259	-	199,259
Accounts receivable and prepaid expenses		210,760	-	210,760
		38,835,236	-	38,835,236
Non-current assets				
Value added tax receivable	<i>c</i>	-	6,708,021	6,708,021
Mineral properties	<i>a,b,c,d</i>	71,406,893	(54,660,466)	16,746,427
Property, plant and equipment	<i>b</i>	56,022	428,361	484,383
Intangible assets		26,582,786	-	26,582,786
		\$ 136,880,937	\$ (47,524,084)	\$ 89,356,853
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		\$ 2,354,111	\$ -	\$ 2,354,111
Common shares to be issued		1,500,000	-	1,500,000
		3,854,111	-	3,854,111
Warrant liabilities	<i>e</i>	-	3,450,000	3,450,000
		3,854,111	3,450,000	7,304,111
SHAREHOLDERS' EQUITY				
Common shares	<i>e</i>	128,688,626	(2,694,141)	125,994,485
Warrants	<i>e</i>	7,920,253	(7,696,434)	223,819
Contributed surplus	<i>d</i>	7,635,922	86,884	7,722,806
Deficit	<i>a,b,d,e</i>	(11,217,975)	(40,670,393)	(51,888,368)
		133,026,826	(50,974,084)	82,052,742
		\$ 136,880,937	\$ (47,524,084)	\$ 89,356,853

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19. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP consolidated statement of financial position as at December 31, 2010 has been reconciled to IFRS as follows:

	Ref.	Balance under Canadian GAAP	IFRS Adjustments	Balance under IFRS
ASSETS				
Current assets				
Cash		\$ 28,187,802	\$ -	\$ 28,187,802
Marketable securities		502,296	-	502,296
Accounts receivable and prepaid expenses		241,850	-	241,850
		28,931,948	-	28,931,948
Non-current assets				
Value added tax receivable	<i>c</i>	-	8,156,060	8,156,060
Mineral properties	<i>a,b,c,d</i>	80,486,100	(63,739,673)	16,746,427
Property, plant and equipment	<i>b</i>	80,784	521,212	601,996
Intangible assets		26,582,786	-	26,582,786
		\$ 136,081,618	\$ (55,062,401)	\$ 81,019,217
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		\$ 2,220,136	\$ -	\$ 2,220,136
Common shares to be issued		-	-	-
		2,220,136	-	2,220,136
Warrant liabilities	<i>e</i>	-	5,031,250	5,031,250
		2,220,136	5,031,250	7,251,386
SHAREHOLDERS' EQUITY				
Common shares	<i>e</i>	130,579,092	(2,694,141)	127,884,951
Warrants	<i>e</i>	7,920,253	(7,696,434)	223,819
Contributed surplus	<i>d</i>	8,522,716	40,329	8,563,045
Deficit	<i>a,b,d,e</i>	(13,160,579)	(49,743,405)	(62,903,984)
		133,861,482	(60,093,651)	73,767,831
		\$ 136,081,618	\$ (55,062,401)	\$ 81,019,217

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19. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP consolidated statement of income (loss) and comprehensive income (loss) for the three months ended March 31, 2010 has been reconciled to IFRS as follows:

	Ref.	Balance under Canadian GAAP	IFRS Adjustments	Balance under IFRS
Expenses				
Exploration and evaluation expenditures	<i>a</i>	\$ -	\$ 4,381,521	\$ 4,381,521
Corporate general and administrative		576,798	-	576,798
Amortization	<i>b</i>	7,017	30,574	37,591
Stock-based compensation	<i>d</i>	345,614	14,852	360,466
		929,429	4,426,947	5,356,376
Other Income (expense)				
Foreign exchange gain		1,084,178	(163,281)	920,897
Interest Income		22,695	-	22,695
Gain on sale of other mineral properties		95,332	-	95,332
Loss on sale of marketable securities		-	-	-
Unrealized gain on marketable securities held for trading		17,136	-	17,136
Unrealized gain on warrant liabilities	<i>e</i>	-	4,168,750	4,168,750
		1,219,341	4,005,470	5,224,810
Income (loss) and comprehensive income (loss) for the period		\$ 289,912	\$ (421,477)	\$ (131,565)
Income (loss) per share				
Basic and Diluted		\$ -	\$ -	\$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2011 and 2010
(Unaudited and expressed in US dollars)

19. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP consolidated statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Ref.	Balance under Canadian GAAP	IFRS Adjustments	Balance under IFRS
Expenses				
Exploration and evaluation expenditures	<i>a</i>	\$ -	\$ 12,485,850	\$ 12,485,850
Corporate general and administration		2,397,026	-	2,397,026
Amortization	<i>b</i>	29,214	136,446	165,660
Stock-based compensation	<i>d</i>	1,152,419	137,547	1,289,966
		3,578,659	12,759,843	16,338,502
Other Income (expense)				
Foreign exchange gain		1,384,024	677,853	2,061,877
Interest Income		126,438	-	126,438
Gain on sale of other mineral properties		95,332	-	95,332
Loss on sale of marketable securities		-	-	-
Unrealized gain on marketable securities held for trading		320,173	-	320,173
Unrealized gain on warrant liabilities	<i>e</i>	-	2,587,500	2,587,500
		1,925,967	3,265,353	5,191,320
Income (loss) and comprehensive income (loss) for the period		\$ (1,652,692)	\$ (9,494,490)	\$ (11,147,182)
Income (loss) per share				
Basic and Diluted		\$ (0.02)		\$ (0.10)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2011 and 2010
(Unaudited and expressed in US dollars)

19. FIRST-TIME ADOPTION OF IFRS (continued)

Other Comprehensive Income

There were no IFRS conversion adjustments affecting other comprehensive income.

Cash Flow Statement

Although there were no IFRS conversion adjustments affecting net cash, some items were added or re-classified in the cash flow statement for presentation purposes. Key items added or re-classified include:

- Exploration and evaluation costs previously capitalized in mineral properties are reflected in operating income/loss in the IFRS adjusted cash flow statement.
- Unrealized gain/loss on warrant liabilities resulted from change in fair value of outstanding warrants is reflected in operating income/loss and added back as a non-cash item in the IFRS adjusted cash flow statement.
- Movement in VAT receivable previously capitalized in mineral properties is reflected in change in non-cash working capital (investing activities) in the IFRS adjusted cash flow statement.

References to the IFRS conversion adjustments

(a) Expensing Exploration and Evaluation Costs

Under Canadian GAAP, the Company's policy for exploration and evaluation expenditures was to capitalize the expenditures that have the potential of being economically recoverable.

Upon transition to IFRS, the Company has adopted the IASB framework for exploration and evaluation costs. As a result, the Company has derecognized and expensed exploration and evaluation expenditures previously capitalized in Mineral Properties. This is a change in accounting policy which has been applied retroactively. In management's view, expensing exploration and evaluation costs provides shareholders with better information to evaluate Andina's financial position and results of operations. The exploration and evaluation costs of \$42.9 million previously capitalized in Mineral Properties as at December 31, 2009 have been charged to Deficit on the transition date January 1, 2010. Property acquisition costs of \$16.7 million remains capitalized as Mineral Properties.

Exploration and evaluation costs are now expensed as exploration costs in the Consolidated Statement of Income up until the completion of a pre-feasibility study and the determination of commercial viability of the project. Subsequent to a pre-feasibility study being completed and the commercial viability of a project being determined, the Company capitalizes all development costs relating to specific properties to Mineral Properties.

(b) Re-classification of Property Plant and Equipment

Under Canadian GAAP, the Company had classified property, plant and equipment owned by the Company's Chilean subsidiary in Mineral Properties. Under IFRS, all property, plant and equipment has been re-classified to Property, Plant and Equipment. Upon transition to IFRS, \$0.5 million net tangible assets have been re-classified to Property, Plant and Equipment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2011 and 2010

(Unaudited and expressed in US dollars)

(c) VAT Receivable

Under Canadian GAAP, the Company had classified VAT incurred by the Company's Chilean subsidiary in Mineral Properties. Under IFRS, the VAT receivable has been re-classified to long-term receivable. Upon transition to IFRS, VAT receivable of \$6.1 million was re-classified to long-term receivable.

(d) Stock Based Compensation

Under Canadian GAAP, the fair value of stock-based awards with graded vesting was amortized on a straight-line basis over the vesting period and any forfeiture of awards was recognized as occurred.

Under IFRS, the Company changed the amortization method for the fair value of stock options under graded vesting from the straight-line method to the accelerated method. Also, under IFRS, the Company is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to estimated forfeitures, if any, is recognized in the income statement, with a corresponding adjustment to equity. A combined financial impact of \$0.2 million in additional costs was charged to opening Deficit on the transition date, January 1, 2010.

(e) Warrants

Under Canadian GAAP, warrants issued by the Company in the December 2009 private placement were recognized as equity. The fair value of these warrants was determined at the time of grant using the relative fair value method and the warrants had been carried at cost on the Company's statement of financial position.

Upon adoption of IFRS, the Company re-classified warrants, in the amount of \$7.7 million, from equity to financial liabilities as the strike price of the warrants is denominated in Canadian Dollars while the Company's functional currency is the US dollar. Additionally, the Company adjusted the initial fair value recognized at the time of issuance to the fair value determined by using the Black-Scholes model. The difference of \$2.7 million in fair value was re-allocated between common shares and warrant liabilities on the transition date. After initial recognition, IFRS requires warrants be re-valued at their fair value at each reporting date with any change in value recognized in profit or loss for the period. This resulted in a charge of \$2.8 million to opening Deficit representing the change in the fair value of warrant outstanding from date of issuance to IFRS transition date.