

ANDINA MINERALS INC.

Interim Consolidated Financial Statements
For the Three and Nine Months Ended
September 30, 2011
(Unaudited)

TSX-V: ADM



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2011 and December 31, 2010
(Unaudited and expressed in US dollars)

	Notes	September 30, 2011	December 31, 2010
ASSETS			
Current assets			
Cash		\$ 13,718,040	\$ 28,187,802
Marketable securities	Note 4	22,220	502,296
Accounts receivable and prepaid expenses		129,656	241,850
		13,869,916	28,931,948
Non-current assets			
Value added tax receivable	Note 9	8,981,565	8,156,060
Mineral property acquisition costs	Note 5,6	16,746,427	16,746,427
Project development costs	Note 5	4,818,678	-
Property, plant and equipment	Note 7	489,049	601,996
Water rights	Note 8	26,582,786	26,582,786
		\$ 71,488,421	\$ 81,019,217
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,415,483	\$ 2,220,137
Warrant liabilities	Note 10	1,371,375	5,031,250
		2,786,858	7,251,387
SHAREHOLDERS' EQUITY			
Common shares	Note 11(a)	130,072,387	127,884,951
Broker warrants	Note 11(b)	-	223,819
Contributed surplus	Note 11(c)	8,955,992	8,563,045
Deficit		(70,326,816)	(62,903,985)
		68,701,563	73,767,830
		\$ 71,488,421	\$ 81,019,217

Nature of operations and going concern basis of accounting (Note 1)

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

CONSOLIDATED STATEMENTS OF LOSS

For the three and nine months ended September 30, 2011 and 2010
(Unaudited and expressed in US dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2011	2010	2011	2010
Expenses					
Exploration and evaluation expenditures	Note 13	\$ 701,267	\$ 2,236,427	\$ 7,015,531	\$ 9,035,420
Corporate general and administrative		674,755	419,404	2,125,884	1,645,511
Amortization		49,032	42,719	146,554	120,655
Stock-based compensation	Note 11(c)	193,828	131,578	911,380	761,090
		1,618,882	2,830,128	10,199,349	11,562,676
Other Income (expense)					
Foreign exchange gain (loss)		(1,621,100)	1,919,852	(979,031)	1,329,553
Interest Income		35,252	37,683	123,180	81,372
Gain on sale of other mineral properties		-	-	-	95,332
Loss on sale of marketable securities		-	-	(22,497)	-
Unrealized gain (loss) on marketable securities held for trading	Note 4	(14,845)	169,783	(5,009)	167,927
Unrealized gain (loss) on warrant liabilities	Note 10	(30,015)	(1,150,000)	3,659,875	3,018,750
		(1,630,708)	977,318	2,776,518	4,692,934
Loss for the period		\$ (3,249,590)	\$ (1,852,810)	\$ (7,422,831)	\$ (6,869,742)
Loss per share					
Basic and Diluted	Note 12	\$ (0.03)	\$ (0.02)	\$ (0.07)	\$ (0.06)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the three and nine months ended September 30, 2011 and 2010
(Unaudited and expressed in US dollars)

		Three months ended September 30,		Nine months ended September 30,	
		2011	2010	2011	2010
Net loss for the period		\$ (3,249,590)	\$ (1,852,810)	\$ (7,422,831)	\$ (6,869,742)
Currency translation differences		-	-	-	-
Total comprehensive loss for the period		\$ (3,249,590)	\$ (1,852,810)	\$ (7,422,831)	\$ (6,869,742)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2011 and 2010
(Unaudited and expressed in US dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2011	2010	2011	2010
Cash generated from (used in)					
Operating activities					
Loss for the period		\$ (3,249,590)	\$ (1,852,810)	\$ (7,422,831)	\$ (6,869,742)
Items not affecting cash:					
Amortization		49,032	42,719	146,554	120,655
Gain on sale of other mineral properties		-	-	-	(95,332)
Loss on sale of marketable securities		-	-	22,497	-
Unrealized foreign exchange loss (gain)		1,919,346	(1,525,218)	1,458,697	(745,435)
Unrealized loss (gain) from marketable securities held for trading	Note 4	14,845	(169,783)	5,009	(167,927)
Unrealized gain from warrant liabilities		30,015	1,150,000	(3,659,875)	(3,018,750)
Stock-based compensation	Note 11(c)	193,828	131,578	911,380	761,090
Net change in non-cash working capital items	Note 15(a)	192,770	77,603	226,949	(249,224)
Net cash used in operating activities		(849,754)	(2,145,911)	(8,311,620)	(10,264,664)
Financing activities					
Exercise of warrants	Note 11(b)	-	-	-	649
Exercise of stock options		104,447	170,848	1,445,184	266,125
Net cash generated from financing activities		104,447	170,848	1,445,184	266,774
Investing activities					
Expenditures on Mineral Properties		(1,572,471)	-	(4,818,678)	-
Proceeds on sale of other Mineral Properties		-	-	-	63,070
Proceeds on sale of marketable securities	Note 4	-	-	452,570	-
Acquisition of property, plant and equipment	Note 7	(13,830)	(22,100)	(33,607)	(213,565)
Net change in non-cash working capital items	Note 15(a)	(1,055,937)	(297,133)	(2,624,528)	(2,657,987)
Net cash used in investing activities		(2,642,238)	(319,233)	(7,024,243)	(2,808,482)
Decrease in cash		(3,387,545)	(2,294,296)	(13,890,679)	(12,806,372)
Effect of exchange rate changes on cash		(1,098,002)	633,393	(579,083)	327,446
Cash, beginning of period		18,203,587	33,075,918	28,187,802	43,893,941
Cash, end of period		\$13,718,040	\$31,415,015	\$13,718,040	\$31,415,015

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended September 30, 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
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>	384,000	337,054	-	(70,929)	-	266,125
Stock-based compensation <i>(Note 11(c))</i>	-	-	-	761,090	-	761,090
Net loss	-	-	-	-	(6,869,742)	(6,869,742)
Balance - September 30, 2010	109,269,087	127,831,537	223,819	8,052,499	(58,626,545)	77,481,310
Exercise of stock options <i>(Note 11(c))</i>	29,750	53,414	-	(18,134)	-	35,280
Stock-based compensation <i>(Note 11(c))</i>	-	-	-	528,680	-	528,680
Net loss	-	-	-	-	(4,277,440)	(4,277,440)
Balance - December 31, 2010	109,298,837	127,884,951	223,819	8,563,045	(62,903,985)	73,767,830
Exercise of stock options <i>(Note 11(c))</i>	1,222,250	2,187,436	-	(742,252)	-	1,445,184
Stock-based compensation <i>(Note 11(c))</i>	-	-	-	911,380	-	911,380
Expiry of broker warrants <i>(Note 11(b))</i>	-	-	(223,819)	223,819	-	-
Net loss	-	-	-	-	(7,422,831)	(7,422,831)
Balance - September 30, 2011	110,521,087	\$ 130,072,387	\$ -	\$ 8,955,992	\$ (70,326,816)	\$ 68,701,563

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 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 September 30, 2011. The Company being in the exploration stage 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. BASIS OF PREPARATION AND ADOPTION OF IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
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reporting on this basis in its 2011 interim consolidated financial statements. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with 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*. The accounting policies followed in these interim financial statements are the same as those applied in the Company’s interim financial statements for the period ended March 31, 2011 and June 30, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 18 discloses the impact of the transition to IFRS on the Company’s reported equity as at September 30, 2010 and comprehensive income for the three and nine months ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ending December 31, 2011, as issued and outstanding as of November 11, 2011, the date the Board of Directors approved the 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 transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company’s Canadian GAAP audited annual financial statements for the year ended December 31, 2010, and the Company’s interim financial statements for the quarter ended March 31, 2011 and June 30, 2011 prepared in accordance with IFRS applicable to interim financial statements.

3. ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Management anticipates that the following standards 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:

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.

IFRS 10, “Consolidation” (“IFRS 10”) - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, “Consolidation—Special Purpose Entities” and parts of IAS 27, “Consolidated and Separate Financial Statements” (“IAS 27”).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
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IFRS 11, "Joint Arrangements" ("IFRS 11") - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas, for a joint operation, the venturer will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities—Non-monetary Contributions by Venturers".

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12") - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, equity accounted investments, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13, "Fair Value Measurement" ("IFRS 13") - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

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

	September 30, 2011		December 31, 2010	
	Fair value	Cost	Fair value	Cost
Iron Creek Capital Corp.	\$ -	\$ -	\$ 475,052	\$ 256,594
Redtail Metals Corp. (Note 5)	22,220	32,262	27,244	32,262
Total	\$ 22,220	\$ 32,262	\$ 502,296	\$ 288,856

In January 2010, the Company received 95,000 common shares of Copper Ridge Explorations Inc. ("Copper Ridge") valued at \$32,262 as part of the consideration from selling the Quitovac property in Sonora, Mexico (Note 5). In May 2011, Copper Ridge changed its name to Redtail Metals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
(Unaudited and expressed in US dollars)

In January 2011, the Company sold 525,000 common shares of Iron Creek Capital Corp. ("Iron Creek") at CDN\$0.86 per share for gross proceeds of CDN\$451,500.

The marketable securities are classified as held for trading and are valued using quoted market prices at the end of each reporting period.

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. 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. In May 2011, Copper Ridge changed its name to Redtail Metals Corp.

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 the Company's 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 in February 2011, the Company started to capitalize Volcan direct development costs.

Capitalized costs on the Chilean mineral properties as of September 30, 2011 and December 31, 2010 are as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
(Unaudited and expressed in US dollars)

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 September 30, 2011	\$ 16,746,427

Project Development Costs:

	Amount
Opening net book amount - January 1, 2010 and December 31, 2010	\$ -
Addition:	
Project development drilling	2,545,673
Project engineering	2,273,005
Balance as at September 30, 2011	\$ 4,818,678

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
(Unaudited and expressed in US dollars)

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	-	33,607	33,607
Disposals	-	-	-
Balance as at September 30, 2011	\$ 243,277	\$ 743,125	\$ 986,402
Accumulated Amortization:			
Balance as at January 1, 2010	50,451	134,690	185,141
Depreciation expense for the year	49,117	116,541	165,658
Balance as at December 31, 2010	99,568	251,231	350,799
Depreciation expense for the period	37,821	108,733	146,554
Balance as at September 30, 2011	\$ 137,389	\$ 359,964	\$ 497,353
Net book value:			
As at January 1, 2010	107,126	361,325	468,451
As at December 31, 2010	143,709	458,287	601,996
Balance as at September 30, 2011	\$ 105,888	\$ 383,161	\$ 489,049

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
(Unaudited and expressed in US dollars)

8. INTANGIBLE ASSETS

	September 30, 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	1,728,904
Effect of change in foreign exchange	(903,399)
Balance - September 30, 2011	\$ 8,981,565

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited and expressed in US dollars)

10. WARRANT LIABILITIES

In December 2009, the Company issued 14,375,000 warrants in connection with a brokered private placement which closed on December 2, 2009. Each whole warrant entitles the holder to purchase one common share of the Company at a price of CDN\$2.25 until June 2, 2012. The warrants were 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 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 September 30, 2011, 14,375,000 warrants remain outstanding, and the closing price on the TSX Venture Exchange was CDN\$0.10 per warrant (December 31, 2010 – CDN\$0.35).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
(Unaudited and expressed in US dollars)

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 shares	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 (note 5)	1,408,980	1,500,000
Balance - December 31, 2010	109,298,837	\$ 127,884,951
Exercise of stock options	1,222,250	2,187,436
Balance - September 30, 2011	110,521,087	\$ 130,072,387

(b) Broker Warrants

In connection with the brokered private placement in June 2009, the Company issued 310,500 broker warrants to the underwriters which entitled the holder to purchase one common share of the Company at a price of CDN\$1.50 until June 16, 2011. The warrants were 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%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The following table reflects the continuity of broker warrants for the nine months ended September 30, 2011 and the year ended December 31, 2010:

	Number of broker warrants	Broker warrants
Balance - January 1, 2010	310,500	\$ 224,144
Exercise of broker warrants	(450)	(325)
Balance - December 31, 2010	310,050	\$ 223,819
Expiry of broker warrants	(310,050)	(223,819)
Balance - September 30, 2011	-	\$ -

(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	911,380
Exercise of stock options	(742,252)
Expiry of broker warrants	223,819
Balance - September 30, 2011	\$ 8,955,992

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.

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As at September 30, 2011, the Company had 6,679,000 stock options outstanding and was authorized to grant an additional 4,373,109 stock options under the Plan. The following is a continuity of stock options for the periods indicated:

	Number of options	Weighted average exercise price (CDN\$)
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
Granted	80,000	1.46
Exercised	(1,222,250)	1.33
Expired	(775,250)	1.61
Forfeited	(27,250)	1.45
Balance - September 30, 2011	6,679,000	\$ 1.56

As at September 30, 2011, the unamortized stock option value was \$293,985 (September 30, 2010 - \$193,096).

During the nine months ended September 30, 2011 and the year ended December 31, 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 2011	Number of options	Exercise price (CDN\$)	Black-Scholes Option Pricing Parameters				
			Dividend yield	Forfeiture rate	Risk-free interest rate	Expected life (years)	Volatility factor
April 21	80,000	\$ 1.46	-	10.49%	1.72%	2.5	73%
	80,000	\$ 1.46	-	10.49%	1.72%	2.5	73%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited and expressed in US dollars)

Granted in 2010	Number of options	Exercise price (CDN\$)	Dividend yield	Forfeiture rate	Black-Scholes Option Pricing Parameters		
					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%

A summary of the Company's outstanding stock options at September 30, 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	2,526,250	3.0	\$ 1.15	2,485,000	3.0	\$ 1.15
\$1.40 to \$2.29	3,530,250	3.5	\$ 1.51	2,198,750	3.1	\$ 1.52
\$2.30 to \$3.19	25,000	0.3	\$ 3.00	25,000	0.3	\$ 3.00
\$3.20 to \$4.09	447,500	0.6	\$ 3.25	447,500	0.6	\$ 3.25
\$4.10 to \$5.00	150,000	1.3	\$ 4.45	150,000	1.3	\$ 4.45
	6,679,000	3.1	\$ 1.56	5,306,250	2.8	\$ 1.58

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
(Unaudited and expressed in US dollars)

12. LOSS PER SHARE

Loss per share has been calculated using the weighted average number of shares outstanding during the three and nine months ended September 30, 2011 and 2010 as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Net loss for the period	\$ (3,249,590)	\$ (1,852,810)	\$ (7,422,831)	\$ (6,869,742)
Basic weighted average number of shares outstanding during the period	110,500,163	109,125,880	110,120,883	108,253,657
Basic and fully diluted net loss per share	\$ (0.03)	\$ (0.02)	\$ (0.07)	\$ (0.06)

At September 30, 2011 and 2010, 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.

13. EXPLORATION AND EVALUATION EXPENDITURES

A summary of the Company's exploration and evaluation expenditures for the three and nine months ended September 30, 2011 and 2010 is presented below:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Exploration drilling and support costs	\$ 363,794	\$ 186,241	\$4,136,446	\$1,967,223
Project development drilling and support costs (before completion of pre-feasibility study)	-	529,965	1,582,689	3,751,535
Project engineering (before completion of pre-feasibility study)	-	989,086	89,769	2,139,667
Joint venture exploration	106,919	-	163,608	-
General and administrative	230,554	531,135	1,043,019	1,176,995
Total	\$ 701,267	\$2,236,427	\$7,015,531	\$9,035,420

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
(Unaudited and expressed in US dollars)

14. FINANCIAL INSTRUMENTS

At September 30, 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 September 30, 2011 and December 31, 2010 other than the marketable securities which have been adjusted to fair value.

The Company does not enter into any derivative hedging activities.

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

September 30, 2011	Level 1	Level 2	Level 3	Total
Assets				
Marketable securities	\$ 22,220	\$ -	\$ -	\$ 22,220

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
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15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
<i>(a) Net change in non-cash working capital items - Operating</i>				
Accounts receivable and prepaid expenses	\$ 884	\$ 681	\$ 112,194	\$ 82,294
Accounts payable and accrued liabilities	191,886	76,922	114,755	(331,518)
	192,770	77,603	226,949	(249,224)
<i>Net change in non-cash working capital items - Investing</i>				
Accounts receivable, prepaid expenses and VAT receivable	(133,498)	(118,246)	(1,705,118)	(1,011,930)
Accounts payable and accrued liabilities	(922,439)	(178,887)	(919,410)	(1,646,057)
	(1,055,937)	(297,133)	(2,624,528)	(2,657,987)
<i>(b) Interest</i>				
Interest received during the period	35,252	37,683	123,180	81,372
<i>(c) Non-cash financing transaction</i>				
Marketable securities acquired as property payment for Quitovac (Note 5)	\$ -	\$ -	\$ -	\$ 32,262

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited and expressed in US dollars)

16. SEGMENTED INFORMATION

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

The following table summarizes the total assets and liabilities by geographic segment as at September 30, 2011 and December 31, 2010:

As at September 30, 2011	Chile	Corporate	Total
Cash and cash equivalents	\$ 188,575	\$ 13,529,465	\$ 13,718,040
Other current assets	44,904	106,972	151,876
Mineral properties, intangible assets and property, plant and equipment	47,496,234	1,140,706	48,636,940
VAT receivable	8,981,565	-	8,981,565
Total assets	\$ 56,711,278	\$ 14,777,143	\$ 71,488,421
Liabilities	\$ 952,804	\$ 1,834,053	\$ 2,786,857

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	\$ 5,379,173	\$ 7,251,387

The following table summarizes the net loss (income) by geographic segment for the three and nine months ended September 30, 2011 and 2010:

For the three months ended September 30, 2011	Chile	Corporate	Total
Amortization	\$ 41,633	\$ 7,399	\$ 49,032
Foreign exchange gain	816,277	804,823	1,621,100
Exploration and evaluation expenditures	701,267	-	701,267
Other expenses	-	878,191	878,191
Loss	\$ 1,559,177	\$ 1,690,413	\$ 3,249,590

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010

(Unaudited and expressed in US dollars)

For the nine months ended September 30, 2011	Chile	Corporate	Total
Amortization	\$ 124,357	\$ 22,197	\$ 146,554
Foreign exchange loss (gain)	899,632	79,399	979,031
Exploration and evaluation expenditures	6,948,347	67,184	7,015,531
Other income	-	(718,285)	(718,285)
Loss (income)	\$ 7,972,336	\$ (549,505)	\$ 7,422,831

For the three months ended September 30, 2010	Chile	Corporate	Total
Amortization	\$ 35,320	\$ 7,399	\$ 42,719
Foreign exchange gain	(901,857)	(1,017,995)	(1,919,852)
Exploration and evaluation expenditures	1,800,106	436,321	2,236,427
Other expenses	-	1,493,516	1,493,516
Loss	\$ 933,569	\$ 919,241	\$ 1,852,810

For the nine months ended September 30, 2010	Chile	Corporate	Total
Amortization	\$ 98,840	\$ 21,815	\$ 120,655
Foreign exchange gain	(431,630)	(897,923)	(1,329,553)
Exploration and evaluation expenditures	8,247,099	788,321	9,035,420
Other income	-	(956,780)	(956,780)
Loss (income)	\$ 7,914,309	\$ (1,044,567)	\$ 6,869,742

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
(Unaudited and expressed in US dollars)

17. 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 key management as defined above, during the three and nine months ended September 30, 2011 and 2010 was as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
	(CDN\$)	(CDN\$)	(CDN\$)	(CDN\$)
Salaries and director fees	\$ 350,342	\$ 239,953	\$ 872,526	\$ 727,108
Share based compensation*	-	-	-	763,200
Total	\$ 350,342	\$ 239,953	\$ 872,526	\$ 1,490,308

* The share based compensation is based on the fair value of the stock options granted during the three and nine months ended September 30, 2011 and 2010.

18. FIRST-TIME ADOPTION OF IFRS

The Company has adopted IFRS on January 1, 2011.

IFRS accounting policies are presented in the Company's interim financial statements for the period ended March 31, 2011. These policies have been applied in preparing the interim consolidated financial statements for the three and nine months ended September 30, 2011, the comparative information for the three and nine months ended September 30, 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 and nine months ended September 30, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
(Unaudited and expressed in US dollars)

18. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP consolidated statement of financial position as at September 30, 2010 has been reconciled to IFRS as follows:

	Ref.	Balance under Canadian GAAP	IFRS Adjustments	Balance under IFRS
ASSETS				
Current assets				
Cash		\$ 31,415,015	-	\$ 31,415,015
Marketable securities		350,050	-	350,050
Accounts receivable and prepaid expenses		112,082	-	112,082
		31,877,147	-	31,877,147
Non-current assets				
Value added tax receivable	<i>c</i>	-	7,686,982	7,686,982
Mineral properties	<i>a,b,c,d</i>	76,613,045	(59,866,618)	16,746,427
Property, plant and equipment	<i>b</i>	88,183	465,433	553,616
Intangible assets		26,582,786	-	26,582,786
		\$ 135,161,161	\$ (51,714,203)	\$ 83,446,958
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		\$ 1,365,648	\$ -	\$ 1,365,648
Common shares to be issued		-	-	-
		1,365,648	-	1,365,648
Warrant liabilities	<i>e</i>	-	4,600,000	4,600,000
		1,365,648	4,600,000	5,965,648
SHAREHOLDERS' EQUITY				
Common shares	<i>e</i>	130,525,680	(2,694,143)	127,831,537
Warrants	<i>e</i>	7,920,253	(7,696,434)	223,819
Contributed surplus	<i>d</i>	8,007,750	44,749	8,052,499
Deficit	<i>a,b,d,e</i>	(12,658,170)	(45,968,375)	(58,626,545)
		133,795,513	(56,314,203)	77,481,310
		\$ 135,161,161	\$ (51,714,203)	\$ 83,446,958

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
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18. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP consolidated statement of income (loss) and comprehensive income (loss) for the three months ended September 30, 2010 has been reconciled to IFRS as follows:

	Ref.	Canadian GAAP	IFRS Adjustments	Balance under IFRS
Expenses				
Exploration and evaluation expenditures	<i>a</i>	\$ -	\$ 2,236,427	\$ 2,236,427
Corporate general and administrative		419,404	-	419,404
Amortization	<i>b</i>	7,399	35,320	42,719
Stock-based compensation	<i>d</i>	121,663	9,915	131,578
		548,466	2,281,662	2,830,128
Other Income (expense)				
Foreign exchange gain		1,017,995	901,857	1,919,852
Interest Income		37,683	-	37,683
Gain on sale of other mineral properties		-	-	-
Loss on sale of marketable securities		-	-	-
Unrealized gain on marketable securities held for trading		169,783	-	169,783
Unrealized gain on warrant liabilities	<i>e</i>	-	(1,150,000)	(1,150,000)
		1,225,461	(248,143)	977,318
Income (loss) and comprehensive income (loss) for the period		\$ 676,995	\$ (2,529,805)	\$ (1,852,810)
Income (loss) per share				
Basic and Diluted		\$ 0.01	\$ (0.02)	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
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18. FIRST-TIME ADOPTION OF IFRS (continued)

The Canadian GAAP consolidated statement of income (loss) and comprehensive income (loss) for the nine months ended September 30, 2010 has been reconciled to IFRS as follows:

	Ref.	Canadian GAAP	IFRS Adjustments	Balance under IFRS
Expenses				
Exploration and evaluation expenditures	<i>a</i>	\$ -	\$ 9,035,420	\$ 9,035,420
Corporate general and administrative		1,645,511	-	1,645,511
Amortization	<i>b</i>	21,815	98,840	120,655
Stock-based compensation	<i>d</i>	725,511	35,579	761,090
		2,392,837	9,169,839	11,562,676
Other Income (expense)				
Foreign exchange gain		897,923	431,630	1,329,553
Interest Income		81,372	-	81,372
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		167,927	-	167,927
Unrealized gain on warrant liabilities	<i>e</i>	-	3,018,750	3,018,750
		1,242,554	3,450,380	4,692,934
Loss and comprehensive loss for the period		\$ (1,150,283)	\$ (5,719,459)	\$ (6,869,742)
Loss per share				
Basic and Diluted		\$ (0.01)	\$ (0.06)	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2011 and 2010
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18. 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 Loss 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(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.

(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 forfeitures 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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19. SUBSEQUENT EVENTS

After having reached agreement on pricing and terms on October 21, 2011, on November 3, 2011, the Company completed a non-brokered private placement totaling 18,750,000 Units priced at CAD\$0.80 per Unit for gross proceeds of CAD\$15 million. Each Unit consisted of one common share and one-half purchase warrant. Each full warrant is exchangeable into one common share of the Company at a price of CAD\$1.00 per share for a period of one year from closing. No finder's fee was payable in respect of this private placement.