
ANDINA MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED
December 31, 2010 and 2009

(Expressed in US Dollars Except as Otherwise Indicated)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Andina Minerals Inc. were prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in notes 2 and 3 to the consolidated financial statements.

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

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

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

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

(Signed) "*George M. Bee*"

President and Chief Executive Officer

(Signed) "*Derrick Weyrauch*"

Chief Financial Officer

March 10, 2011

March 10, 2011

Independent Auditor's Report

To the Shareholders of Andina Minerals Inc.

We have audited the accompanying consolidated financial statements of Andina Minerals Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations and comprehensive loss, deficit and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Shareholders of
Andina Minerals Inc.
March 10, 2011

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Andina Minerals Inc. as at December 31, 2010 and 2009 and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Andina Minerals Inc. is in the exploration stage and is subject to risks and challenges similar to companies in a comparable stage of development. The Company's financing efforts to date are not sufficient in and of themselves to enable the Company to fully fund all aspects of its operations and commitments. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

As at December 31,
(Expressed in US dollars)

As at	2010	2009
ASSETS		
Current Assets		
Cash	\$ 28,187,802	\$ 43,893,941
Marketable securities (note 4)	502,296	149,861
Accounts receivable and prepaid expenses	241,850	194,376
	28,931,948	44,238,178
Mineral Properties (notes 5 and 6)	80,486,100	66,260,282
Property, Plant and Equipment (note 7)	80,784	70,785
Intangible Assets (note 8)	26,582,786	26,582,786
	\$ 136,081,618	\$ 137,152,031
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,220,136	\$ 3,350,969
Common shares to be issued (note 5)	-	1,500,000
	2,220,136	4,850,969
SHAREHOLDERS' EQUITY		
Share Capital (note 9(a))	130,579,092	128,687,651
Warrants (note 9(b))	7,920,253	7,920,578
Contributed Surplus (note 9(c))	8,522,716	7,200,720
Deficit	(13,160,579)	(11,507,887)
	133,861,482	132,301,062
	\$ 136,081,618	\$ 137,152,031

Going Concern (note 1)

On behalf of the Board:

Signed "T.Sean Harvey"

T.Sean Harvey
Director

Signed "R.Gregory Laing"

R.Gregory Laing
Director

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

CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

For the years ended December 31,
(Expressed in US dollars)

	2010	2009
Expenses		
Salaries, benefits and director fees	\$ 1,104,118	\$ 1,718,830
General and administrative	368,697	337,554
Travel	315,298	294,599
Regulatory and shareholder information	271,369	209,728
Legal and audit	152,258	193,273
Consulting fees	185,286	300,558
Amortization	29,214	10,636
Stock-based compensation (notes 9(c))	1,152,419	737,862
	3,578,659	3,803,040
Other income (expense)		
Foreign exchange gain	1,384,024	1,382,763
Interest income	126,438	46,422
Gain on sale of other mineral properties	95,332	-
Unrealized gain (loss) on marketable securities held for trading (note 4)	320,173	(998)
	1,925,967	1,428,187
Loss before income taxes	(1,652,692)	(2,374,853)
Future income tax recovery	-	648,288
Net loss and comprehensive loss for the period	\$ (1,652,692)	\$ (1,726,565)
Deficit, beginning of period	(11,507,887)	(9,781,322)
Deficit, end of period	\$ (13,160,579)	\$ (11,507,887)
Net loss per share (note 11):		
Basic and fully diluted	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding	108,513,202	88,032,386

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,
(Expressed in US dollars)

	2010	2009
Cash flow provided by (used in) operating activities		
Loss for the period	\$ (1,652,692)	\$ (1,726,565)
Items not involving cash:		
Amortization	29,214	10,636
Gain on sale of other mineral properties	(95,332)	-
Unrealized gain on foreign exchange	(847,805)	(988,121)
Unrealized loss (gain) on marketable securities held for trading (note 4)	(320,173)	998
Stock-based compensation (notes 9(c) and 14)	1,152,419	737,862
Future income tax recovery	-	(648,288)
Change in non-cash working capital:		
Accounts receivable and prepaid expenses	(43,469)	(2,888)
Accounts payable and accrued liabilities	(401,564)	493,203
	(2,179,402)	(2,123,163)
Cash flow provided by (used in) investing activities		
Mineral properties (note 5)	(13,966,982)	(11,999,009)
Proceeds on sale of other mineral properties	63,070	-
Property, plant and equipment	(46,959)	(64,349)
Change in non-cash working capital:		
Accounts receivable and prepaid expenses	(4,005)	76,697
Accounts payable and accrued liabilities	(721,522)	2,153,833
	(14,676,398)	(9,832,828)
Cash flow provided by (used in) financing activities		
Issuance of common shares and warrants, net of costs	-	38,064,088
Exercise of warrants (note 9(b))	650	-
Exercise of stock options	301,206	988,440
	301,856	39,052,528
Increase (decrease) in cash	(16,553,944)	27,096,537
Unrealized foreign exchange gain on cash	847,805	988,121
Cash - beginning of period	43,893,941	15,809,283
Cash - end of period	\$ 28,187,802	\$ 43,893,941

Supplementary Cash Flow Information (note 14)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009

(Expressed in US dollars, unless otherwise stated)

1. NATURE OF OPERATIONS AND GOING CONCERN BASIS OF ACCOUNTING

Andina Minerals Inc. (the "Company") was incorporated on January 23, 2001 under the Business Corporations Act (Alberta) as CastleRock Capital Inc. ("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 engaged in the business of acquiring, exploring and developing gold properties, with interests in Chile. To date the Company has not earned any revenue and is considered to be in the exploration stage and has started development planning on its Volcan property in Chile.

These financial statements have been prepared using Canadian general accepted accounting principles ("Canadian GAAP") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from December 31, 2010. The Company is however 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 and development, operational risks inherent in the mining industry, global economic and gold price volatility. As a result of these circumstances, 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 recoverability of the amounts shown for mineral properties is dependent upon the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production or proceeds from the disposition of properties. The Company will need 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 Canadian GAAP. The 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.

Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions, in particular in respect of mineral properties, property, plant and equipment, amortization, warrants, stock-based compensation, and accrued liabilities and contingencies that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009

(Expressed in US dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Translation of Foreign Currencies

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

Cash

Cash represents cash on hand and demand deposits.

Mineral Properties

The Company considers its exploration costs to have the characteristics of property, plant and equipment. As such, the Company defers all exploration costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties until those properties are brought into production, at which time, they will be amortized on a unit-of-production basis based on proven and probable reserves or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made. The Company reviews the carrying values of its mineral properties on a regular basis by reference to project economics including the timing of the exploration and development work and the work programs and exploration results experienced by the Company and others. When an assessment is made that the carrying value of a property will not be recovered, then the carrying amount is written down to its fair value. An impairment loss charged to operations is measured as the amount by which the carrying value exceeds its fair value.

Property, Plant and Equipment

Office equipment is recorded at cost net of accumulated amortization. Amortization is recorded using a straight-line method based on the estimated future lives of the assets of two years for exploration equipment and four years for office equipment.

Intangible Assets

Intangible assets are initially recognized at cost. Subsequent to initial recognition, they are measured at cost less any accumulated impairment losses. Reviews for impairment are conducted when events indicate that an 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 their estimated fair value. The Company's intangible assets relate to water rights acquired in 2008 and they have an indefinite life.

Warrants

The Company accounts for warrants using the fair value method. Under this method, the value of warrants is measured at fair value at the grant date using the Black-Scholes option pricing model, using the management assumptions disclosed in note 9(b), and recorded as share capital when the warrants are exercised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009
(Expressed in US dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-based Compensation

The Company accounts for stock options and warrants at fair value pursuant to CICA Handbook section 3870, which established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. Compensation expense for options granted to directors, officers, employees and consultants are determined based on estimated fair values of the options at the time of grant using the Black-Scholes option pricing model using the management assumptions disclosed in note 9(c). The fair value is recorded as an expense over the vesting period of the respective options, or capitalized to mineral properties for grants to individuals working directly on mineral properties, with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. Forfeitures of stock options are recognized as incurred.

Income Taxes

Income taxes are calculated using the asset and liability method of tax accounting. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities. Future income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities resulting from a change in enacted tax rates is included in income in the year in which the change is enacted or substantively enacted. Future income tax assets will recognize tax benefits only to the extent that, based on available evidence, it is more likely than not they will be realized.

Financial Instruments

All financial instruments have been classified into one of the following categories: held for trading, held to maturity, loans and receivables, available for sale financial assets and other financial liabilities. The Company has designated its marketable securities as held for trading, which are measured at their fair value with all gains and losses included in the net income (loss) for the period in which they arise. Accounts receivable are classified as loans and receivables and recorded at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities and advances for exploration work are classified as other financial liabilities and recorded at amortized cost using the effective interest rate method. The carrying amount of accounts receivable, accounts payable and accrued liabilities represents their fair value due to their short-term nature.

Per Share Information

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

3. NEW ACCOUNTING POLICIES AND FUTURE ACCOUNTING PRONOUNCEMENTS

a) New Accounting Policies

The Company has not adopted any new accounting standards during the current year.

b) Future Accounting Pronouncements

Sections 1582 - Business Combinations, 1601 - Consolidated Financial Statements, and 1602 - Non-Controlling Interest

In January 2009, the CICA issued Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests. These sections replace the former Section 1581, Business Combinations, and Section 1600, Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009
(Expressed in US dollars, unless otherwise stated)

3. NEW ACCOUNTING POLICIES AND FUTURE ACCOUNTING PRONOUNCEMENTS (continued)

b) Future Accounting Pronouncements (continued)

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

4. MARKETABLE SECURITIES

	December 31, 2010		December 31, 2009	
	Fair value	Cost	Fair value	Cost
Marketable securities - held for trading (note 5)	\$ 502,296	\$ 288,856	\$ 149,861	\$ 256,594

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 the year, the Company paid the second installment for the concession acquisition by issuing to Barrick 1,408,980 common shares worth \$1,500,000.

Property	Balance December 31, 2009	Exploration costs	Development planning costs	Balance December 31, 2010
Encrucijada	\$ 772,322	\$ -	\$ -	\$ 772,322
Pampa Buenos Aires ("PBA")	1,484,532	82,142	-	\$ 1,566,674
Volcan	64,003,428	11,456,091	2,687,585	\$ 78,147,104
	\$ 66,260,282	\$ 11,538,233	\$ 2,687,585	\$ 80,486,100

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009

(Expressed in US dollars, unless otherwise stated)

5. MINERAL PROPERTIES (continued)

Property	Balance December 31, 2008	Option payments and acquisition costs	Exploration costs	Development planning costs	Balance December 31, 2009
Encrucijada	\$ 743,248	\$ -	\$ 29,074	\$ -	\$ 772,322
Pampa Buenos Aires ("PBA")	1,437,878	-	46,654	-	\$ 1,484,532
Volcan	47,651,918	4,160,400	10,268,875	1,922,235	\$ 64,003,428
	\$ 49,833,044	\$ 4,160,400	\$ 10,344,603	\$ 1,922,235	\$ 66,260,282

Exploration costs on the Chilean minerals properties are comprised as follows:

Exploration Costs For The Year Ended December 31, 2010								
Property	Drilling	Exploration staff	Trenching	Value added tax	Assaying	Field costs	Other	Total
Encrucijada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PBA	-	15,000	-	-	-	23,614	43,528	82,142
Volcan	2,032,425	2,825,877	926,446	1,221,140	478,669	2,754,563	1,216,971	11,456,091
	\$ 2,032,425	\$ 2,840,877	\$ 926,446	\$ 1,221,140	\$ 478,669	\$ 2,778,177	\$ 1,260,499	\$ 11,538,233

Exploration Costs For The Year Ended December 31, 2009								
Property	Drilling	Exploration staff	Trenching	Value added tax	Assaying	Field costs	Other	Total
Encrucijada	\$ -	\$ -	\$ -	\$ 34	\$ -	\$ 183	\$ 28,857	\$ 29,074
PBA	-	-	-	4	-	291	46,359	46,654
Volcan	2,150,614	2,419,426	712,426	981,226	190,677	1,157,467	2,657,039	10,268,875
	\$ 2,150,614	\$ 2,419,426	\$ 712,426	\$ 981,264	\$ 190,677	\$ 1,157,941	\$ 2,732,255	\$ 10,344,603

6. MINERAL PROPERTY COMMITMENTS

With respect to the Volcan property, there is no payment or royalty payable on the first 2 million ounces of gold produced from the property. A payment of \$5 per ounce is due on any produced ounces of gold between 2 million and 4 million ounces. A net smelter return royalty of 1.0% is payable on production exceeding 4 million ounces of gold. A net smelter return royalty of 1.5% is also 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009
(Expressed in US dollars, unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2010			December 31, 2009		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Office equipment	\$ 136,485	\$ 55,701	\$ 80,784	\$ 97,272	\$ 26,487	\$ 70,785

8. INTANGIBLE ASSETS

	December 31, 2010 Cost and Net	December 31, 2009 Cost and Net
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 a private Chilean company 6,700,000 common shares valued at \$26,582,786.

9. SHARE CAPITAL

(a) Common Shares

Authorized Capital - Unlimited common shares and unlimited preferred shares, issuable in series.

Issued

	Number of shares	Capital Stock
Balance - December 31, 2008	79,376,907	\$ 94,479,486
Shares issued to Barrick Gold Corporation for land acquisition (note 5)	2,000,000	2,623,701
Private placement issuance	24,725,000	38,100,787
Issuance of broker warrants	-	(224,144)
Issuance of warrants	-	(7,696,434)
Exercise of stock options	1,373,750	1,404,255
Balance - December 31, 2009	107,475,657	\$ 128,687,651
Exercise of broker warrants	450	975
Exercise of stock options	413,750	390,466
Shares issued to Barrick Gold Corporation for land acquisition (note 5)	1,408,980	1,500,000
Balance - December 31, 2010	109,298,837	\$ 130,579,092

On June 16, 2009, the Company completed an agreement with a syndicate of underwriters under which the underwriters bought on a private placement, bought deal basis, 10,350,000 common shares at a price of CDN\$1.50 per common share for gross proceeds of CDN\$15,525,000 (\$13,683,735). The underwriters received a total cash commission equal to 6.0% of the gross proceeds of the offering and broker warrants to purchase up to 310,500 common shares at a price of CDN\$1.50, exercisable until June 16, 2011. The Company also incurred \$203,431 of other cash share issuance costs in relation to the transaction.

As at December 31, 2010, 310,050 of the June 16, 2009 broker warrants remain outstanding.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009

(Expressed in US dollars, unless otherwise stated)

9. SHARE CAPITAL (continued)

On December 2, 2009, the Company completed an agreement with a syndicate of underwriters under which the underwriters bought on a private placement, bought deal basis, 12,500,000 units at a price of CDN\$2.00 for gross proceeds of CDN\$25,000,000 (\$23,805,000). Each unit consisted of one common share and one common share purchase warrant. The offering allowed the underwriters to acquire up to an additional 15% or 1,875,000 units at a price of CDN\$2.00 per unit for 30 days after the close of the private placement. On December 10, 2009, the underwriters purchased 1,875,000 units under the over-allotment option for gross proceeds of CDN\$3,750,000 (\$3,570,000). The underwriters received total cash commission equal to 6.0% of the gross proceeds of the offering. The Company also incurred \$290,993 of other cash share issuance costs in relation to the transaction. The net proceeds of the financing of \$25,441,507 were allocated \$17,745,072 as to the common shares and \$7,696,434 as to the warrants.

Each of the 14,375,000 whole warrants issued in connection with the brokered private placement which closed on December 2, 2009 (including those issued in connection with the over-allotment option) entitles the holder to purchase one additional common share at a price of CDN\$2.25 until June 2, 2012.

As of December 31, 2010, 14,375,000 of the December 2, 2009 warrants remain outstanding.

(b) Warrants

	Number of warrants	Number of broker warrants	Warrants
Balance - December 31, 2008	3,677,500	182,400	\$ 3,929,021
Issuance of broker warrants	-	310,500	224,144
Issuance of warrants	14,375,000	-	7,696,434
Expiry of warrants	(3,677,500)	-	(3,543,049)
Expiry of broker warrants	-	(182,400)	(385,972)
Balance - December 31, 2009	14,375,000	310,500	\$ 7,920,578
Exercise of broker warrants	-	(450)	(325)
Balance - December 31, 2010	14,375,000	310,050	\$ 7,920,253

During 2009, the following warrants were issued and valued using the Black-Scholes option pricing model parameters listed below (in each case with no dividends):

Issue date	Number of warrants	Exercise price (CDN\$)	Black-Scholes Option Pricing Parameters		
			Risk free interest rate	Expected life (years)	Volatility factor
June 16, 2009					
Broker Warrants	310,500	\$ 1.50	1.04%	2.0	84%
December 2, 2009					
Warrants	14,375,000	\$ 2.25	1.31%	2.5	79%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009
(Expressed in US dollars, unless otherwise stated)

9. SHARE CAPITAL (continued)

(c) Contributed Surplus and Stock Options

Contributed Surplus

	Contributed Surplus
Balance - December 31, 2008	\$ 3,330,110
Stock-based compensation	1,005,692
Exercise of stock options	(415,815)
Expiry of warrants	3,543,049
Expiry of broker warrants	385,972
Future tax expense	(648,288)
Balance - December 31, 2009	\$ 7,200,720
Stock-based compensation (note 14)	1,411,257
Exercise of stock options	(89,261)
Balance - December 31, 2010	\$ 8,522,716

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 December 31, 2010, the Company had 8,623,750 stock options outstanding and was authorized to grant an additional 2,306,134 stock options under the Plan. A summary of the stock option activity for the years ended December 31, 2010 and 2009 is as follows:

Stock Options

	Number of options	Weighted average exercise price (CDN\$)
Balance - December 31, 2008	5,550,000	\$ 1.64
Granted	2,060,000	1.38
Exercised	(1,373,750)	0.80
Expired	(7,500)	1.50
Forfeited	(375,625)	1.72
Balance - December 31, 2009	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

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For the years ended December 31, 2010 and 2009

(Expressed in US dollars, unless otherwise stated)

9. SHARE CAPITAL (continued)

(c) Contributed Surplus and Stock Options (continued)

The unamortized stock option expense related to the grant of the options listed above at December 31, 2010 was \$1,436,807.

During 2010 and 2009, the following stock options were issued and valued using the Black-Scholes option pricing model parameters listed below (in each case with no dividends):

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

Black-Scholes Option Pricing Parameters						
Granted in 2009	Number of options	Exercise price (CDN\$)	Stock price on grant date (CDN\$)	Risk-free interest rate	Expected life (years)	Volatility factor
January 5	1,000,000	\$ 1.08	\$ 1.08	1.11%	2.5	78%
February 18	200,000	\$ 1.80	\$ 1.80	1.39%	2.5	78%
February 27	500,000	\$ 1.70	\$ 1.70	1.39%	2.5	78%
March 12	250,000	\$ 1.52	\$ 1.52	1.27%	2.5	78%
March 27	30,000	\$ 1.75	\$ 1.75	1.27%	2.5	78%
August 12	80,000	\$ 1.50	\$ 1.45	1.33%	2.5	78%
	2,060,000					

A summary of the Company's outstanding stock options at December 31, 2010 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	3,823,750	2.7	\$ 1.21	3,052,500	2.3	\$ 1.21
\$1.40 to \$2.29	4,177,500	4.0	\$ 1.53	2,381,250	3.2	\$ 1.57
\$2.30 to \$3.19	25,000	1.0	\$ 3.00	25,000	1.0	\$ 3.00
\$3.20 to \$4.09	447,500	1.4	\$ 3.25	447,500	1.4	\$ 3.25
\$4.10 to \$5.00	150,000	2.0	\$ 4.45	150,000	2.0	\$ 4.45
	8,623,750	3.2	\$ 1.53	6,056,250	2.6	\$ 1.59

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10. INCOME TAXES

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

	2010	2009
Loss before income taxes	\$ (1,652,692)	\$ (2,374,853)
Canadian combined federal and provincial income tax rate	31%	33%
Expected income tax expense (recovery) at Canadian statutory rates	\$ (512,335)	\$ (783,701)
Permanent differences	(57,311)	(802,030)
Increase in valuation allowance	686,071	999,526
Benefit of utilization of tax losses not previously recognized	-	(648,288)
Book to tax adjustments and change in substantively enacted future tax rates	(104,225)	562,606
Foreign tax rate variance	(12,200)	23,599
Income tax provision (recovery)	\$ -	\$ (648,288)

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

	2010	2009
Exploration and development	\$ 537,773	\$ 537,773
Losses carried forward	3,507,750	2,467,000
Losses on investments	(26,680)	13,342
Share issue costs	611,994	933,954
Property, plant and equipment	22,001	14,698
Net future income tax assets	4,652,838	3,966,767
Valuation allowance	(4,652,838)	(3,966,767)
	\$ -	\$ -

At December 31, 2010, the Company had unclaimed share issue costs of \$3,298,136 which do not expire. The Company also has unclaimed non capital losses that expire as follows:

Year of Expiry	
2014	\$ 1,248,000
2015	1,108,000
2026	1,156,000
2027	1,403,000
2028	2,481,000
2029	3,284,000
2030	3,351,000
	\$ 14,031,000

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11. LOSS PER SHARE

Loss per share has been calculated using the weighted average number of shares outstanding during the years ended December 31, 2010 and 2009 as follows:

	December 31, 2010	December 31, 2009
Loss for the period	\$ (1,652,692)	\$ (1,726,565)
Basic and fully diluted weighted average number of shares outstanding during the year	108,513,202	88,032,386
Basic and fully diluted loss per share	(0.02)	(0.02)

Fully diluted weighted average common shares outstanding for the years ended December 31, 2010 and 2009 exclude the outstanding stock options and warrants as they are anti-dilutive to the net loss per share calculation.

12. MANAGEMENT OF CAPITAL RISK

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

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

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

The Company's capital under management at December 31, 2010 includes share capital of \$130,579,092 (December 31, 2009 - \$128,687,651).

There were no changes in the Company's approach to capital management during the year ended December 31, 2010 and the Company is not subject to any externally imposed capital requirements.

13. MANAGEMENT OF FINANCIAL RISK

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

(a) Financial Instruments

At December 31, 2010 and 2009, the Company's financial instruments consisted of cash and cash equivalents, marketable securities, accounts receivable, and accounts payable and accrued liabilities. With respect to all of these financial instruments the Company estimates that the fair value of these financial instruments approximates the carrying values at December 31, 2010 and 2009, due to their short term to maturity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in US dollars, unless otherwise stated)

13. MANAGEMENT OF FINANCIAL RISK (continued)

(a) Financial Instruments (continued)

The Company's measurement of fair value of financial instruments at December 31, 2010 in accordance with the fair value hierarchy is as follows:

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

The Company's marketable securities are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

(b) Credit Risk

The Company's credit risk is primarily attributable to its cash balance. This risk is minimized as the cash balance has been placed with a reputable financial institution. Concentration of credit risk exists as a significant amount is held at one financial institution; however management believes the risk of loss to be remote.

(c) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had a cash balance of \$28,187,802 (December 31, 2009 - \$43,893,941) to settle current liabilities of \$2,220,137 (December 31, 2009 - \$3,350,969). All of the Company's financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms.

(d) Market Risk

(i) Interest Rate Risk

The Company holds its cash balance in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2010. 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 preservation of capital and liquidity. The Company monitors the investments it makes and is satisfied with the credit rating of its banks.

(ii) Foreign Currency Risk

The Company's functional currency is the United States dollar. The Company is affected by currency transaction risk and currency translation risk. Consequently, fluctuations of the United States dollar in relation to other currencies impact the fair value of 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.

(iii) Other Price Risk

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

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For the years ended December 31, 2010 and 2009

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13. MANAGEMENT OF FINANCIAL RISK (continued)

(e) Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonable over a twelve month period:

(i) For the year ended December 31, 2010, management estimates that if interest rates had increased by 1%, assuming all other variables remained constant, the decrease to net loss would have been approximately \$360,000 (2009 - \$123,000). If interest rates had decreased by 1%, assuming all other variables remained constant, the increase to net loss would have been approximately \$126,000 (2009 - \$46,000).

(ii) For the year ended December 31, 2010, 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 \$1,581,416 (2009 - \$3,258,000).

(iii) For the year ended December 31, 2010, management estimates that if the value of its marketable securities of investments in publicly traded companies had changed 50%, with all other variables held constant, net loss would have decreased or increased by approximately \$249,792 (2009 - \$75,000).

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

	December 31, 2010	December 31, 2009
Interest received during the year	\$ 126,438	\$ 46,422

Non-cash investing and financing activities include the following:

	December 31, 2010	December 31, 2009
Marketable securities acquired as property payment for Quitovac (notes 4 and 5)	\$ 32,262	\$ -
Shares issued for mineral concessions (note 5)	\$ -	\$ 4,160,400
Stock-based compensation included in mineral properties	\$ 258,838	\$ 267,830

15. SEGMENTED INFORMATION

The Company has one operating segment: the acquisition, exploration and development of precious metal projects in Chile.

Geographic segmentation of capital assets and mineral properties is as follows:

As at December 31	2010	2009
Chile	103,538,294	\$ 90,578,149
Canada	3,611,376	2,335,704
Total	\$ 107,149,670	\$ 92,913,853

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16. COMPARATIVE FIGURES

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