

**ANDEAN AMERICAN MINING CORP.**

**CONSOLIDATED BALANCE SHEETS**

As at March 31

|   | <b>2008</b>       | 2007<br>Restated Note 17 |
|---|-------------------|--------------------------|
|   | \$                | \$                       |
| <b>ASSETS</b>   |                   |                          |
| <b>Current</b>  |                   |                          |
| Cash and cash equivalents                                   | 5,973,166         | 174,484                  |
| Accounts receivable (Note 3)                                | 843,756           | 714,350                  |
| Prepaid expenses  | 239,732           | 207,053                  |
| Mineral on pads and inventories (Note 4)                    | 752,228           | 2,546,590                |
|   | 7,808,882         | 3,642,477                |
| <b>Mineral on pads</b> (Note 4)                             | -                 | 3,454,861                |
| <b>Mineral properties and deferred costs</b> (Note 5)       | 33,799,108        | 30,453,207               |
| <b>Property, plant and equipment</b> (Note 6)               | 1,648,965         | 1,188,152                |
|   | <b>43,256,955</b> | <b>38,738,697</b>        |
| <b>LIABILITIES</b>  |                   |                          |
| <b>Current</b>  |                   |                          |
| Bank indebtedness   | 92,048            | 218,715                  |
| Accounts payable and accrued liabilities                    | 4,982,436         | 3,440,276                |
| Deferred income   | -                 | 303,054                  |
| Loans payable (Note 7)                                      | 39,574            | 44,387                   |
| Current portion of long term debt (Note 8)                  | 381,300           | 543,615                  |
|   | 5,495,358         | 4,550,047                |
| <b>Long term debt</b> (Note 8)                              | -                 | 101,217                  |
| <b>Future income tax liabilities</b> (Note 13)              | 6,080,372         | 5,723,679                |
| <b>Provision for reclamation and closure costs</b> (Note 9) | 127,085           | 130,159                  |
|   | 6,207,457         | 5,955,055                |
| <b>Minority interest</b>                                    | 9,752,047         | 4,437,698                |
|   | <b>21,454,862</b> | <b>14,942,800</b>        |
| <b>SHAREHOLDERS' EQUITY</b>                                 |                   |                          |
| <b>Share capital</b> (Note 10)                              | 69,653,248        | 59,127,821               |
| <b>Contributed surplus</b> (Note 11)                        | 9,182,035         | 2,458,879                |
| <b>Deficit</b>  | (57,033,190)      | (37,790,803)             |
|   | <b>21,802,093</b> | <b>23,795,897</b>        |
|   | <b>43,256,955</b> | <b>38,738,697</b>        |
| <b>Going concern</b> (Note 1)                               |                   |                          |
| <b>Contingency</b> (Note 16)                                |                   |                          |
| <b>Subsequent Events</b> (Note 18)                          |                   |                          |

APPROVED BY THE DIRECTORS

“JOHN HUGUET”

DIRECTOR

“BRYAN MORRIS”

DIRECTOR

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

**ANDEAN AMERICAN MINING CORP.**  
**CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT**  
**FOR THE YEARS ENDED MARCH 31**

|   | <b>2008</b>         | <b>2007</b>                   |
|---|---------------------|-------------------------------|
|   | <u>\$</u>           | <u>Restated Note 17</u><br>\$ |
| <b>REVENUE</b>  |                     |                               |
| Sales of metals   | <u>5,829,730</u>    | <u>5,901,665</u>              |
| <b>OPERATING EXPENSES</b>                                       | -                   |                               |
| Direct operating costs  | 6,981,507           | 6,215,261                     |
| Royalty expense   | 99,194              | 104,644                       |
| Amortization and depletion                                      | 860,175             | 864,670                       |
| Selling expenses  | 205,868             | 159,252                       |
| Stock based compensation  | 1,785,307           | 615,767                       |
| Provision for reclamation                                       | <u>3,495</u>        | <u>22,486</u>                 |
|   | <u>9,935,546</u>    | <u>7,982,080</u>              |
| <b>OPERATING LOSS</b>   | <b>(4,105,816)</b>  | <b>(2,080,415)</b>            |
| <b>OTHER (INCOME) EXPENSE</b>                                   |                     |                               |
| General and administrative expenses                             | 2,466,739           | 1,679,082                     |
| Interest expense  | (62,481)            | 107,103                       |
| Other (income) expense  | (307,411)           | (74,054)                      |
| Foreign exchange (gain) loss                                    | (7,489)             | 440,519                       |
| Dilution (gain) loss on sale of shares by subsidiary            | 3,490,008           | 1,886,296                     |
| Loss on sale of mineral property                                | -                   | 6,086,167                     |
| Write-down of mineral on leach pads                             | 3,859,867           | -                             |
| Write-down of mineral properties (Note 5)                       | 5,132,844           | 7,715,233                     |
| Write-down of property, plant and equipment (Note 6)            | 589,888             | 1,286,674                     |
| Write-off of exploration properties (Note 5)                    | -                   | 592,299                       |
| Current income tax provision (Note 16)                          | 754,951             | -                             |
| Minority interest   | <u>(780,345)</u>    | <u>(366,156)</u>              |
|   | <u>15,136,571</u>   | <u>19,353,163</u>             |
| <b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>             | <b>(19,242,387)</b> | <b>(21,433,578)</b>           |
| <b>DEFICIT, BEGINNING OF YEAR</b>                               | <b>(37,790,803)</b> | <b>(16,357,225)</b>           |
| <b>DEFICIT, END OF YEAR</b>                                     | <b>(57,033,190)</b> | <b>(37,790,803)</b>           |
| <b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES<br/>OUTSTANDING</b> |                     |                               |
| <b>BASIC AND DILUTED</b>  | <b>64,695,729</b>   | <b>51,832,039</b>             |
| <b>NET LOSS PER COMMON SHARE</b>                                |                     |                               |
| <b>BASIC AND DILUTED</b>  | <b>(0.30)</b>       | <b>(0.41)</b>                 |

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

**ANDEAN AMERICAN MINING CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31**

|  | <b>2008</b>         | <b>2007</b>                   |
|--|---------------------|-------------------------------|
|  | <u>\$</u>           | <u>Restated Note 17</u><br>\$ |
| <b>CASH PROVIDED FROM (USED FOR):</b>  |                     |                               |
| <b>OPERATING ACTIVITIES</b>  |                     |                               |
| Net income (loss) for the period   | (19,242,387)        | (21,433,578)                  |
| Adjustments for items not affecting cash:  |                     | -                             |
| Amortization and depletion   | 1,425,694           | 878,890                       |
| Stock based compensation   | 1,785,307           | 615,767                       |
| Minority interest  | (780,345)           | -                             |
| Provision for reclamation  | 3,495               | 22,486                        |
| Unrealized foreign exchange gain on long-term<br>monetary assets and liabilities | (15,261)            | 249,896                       |
| Write-down of mineral properties   | 5,132,844           | 8,307,532                     |
| Write-down of mineral on leach pads  | 3,859,867           | -                             |
| Write-down of property plant and equipment                                       | 589,888             | 1,286,674                     |
| Loss on sale of mineral property   | -                   | 6,086,167                     |
| Dilution loss on sale of shares by subsidiary                                    | 3,490,008           | 1,886,296                     |
|  | <u>(3,750,890)</u>  | <u>(2,099,870)</u>            |
| Net changes in non-cash working capital items:                                   |                     |                               |
| Accounts receivable  | (129,406)           | 106,073                       |
| Mineral on pads and inventories  | 1,389,356           | 979,172                       |
| Prepaid expenses   | (32,679)            | (137,352)                     |
| Accounts payable and accrued liabilities   | 1,542,160           | (245,540)                     |
| Deferred income  | (303,054)           | 116,639                       |
|  | <u>(1,284,513)</u>  | <u>(1,280,878)</u>            |
| <b>INVESTING ACTIVITIES</b>  |                     |                               |
| Mineral properties and deferred costs  | (8,537,752)         | (2,966,625)                   |
| Shares of subsidiary acquired by private placement                               | (2,000,000)         | -                             |
| Property, plant and equipment  | (1,616,219)         | (134,198)                     |
|  | <u>(12,153,971)</u> | <u>(3,100,823)</u>            |
| <b>FINANCING ACTIVITIES</b>  |                     |                               |
| Private placement of units, net of issue costs                                   | 12,709,393          | 835,155                       |
| Shares issued by subsidiary to minority interest,<br>net of issue costs          | 6,922,785           | 3,006,862                     |
| Payment of long term debt  | (263,532)           | (314,492)                     |
| Payment of loans payable   | (4,813)             | (555)                         |
|  | <u>19,363,833</u>   | <u>3,526,970</u>              |
| <b>INCREASE (DECREASE) IN CASH AND CASH<br/>EQUIVALENTS DURING THE YEAR</b>      | <b>5,925,349</b>    | <b>(854,731)</b>              |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                              | <b>(44,231)</b>     | <b>810,500</b>                |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                                    | <b>5,881,118</b>    | <b>(44,231)</b>               |
| <b>CASH AND CASH EQUIVALENTS IS COMPRISED OF:</b>                                |                     |                               |
| Cash   | 5,973,166           | 174,484                       |
| Bank indebtedness  | (92,048)            | (218,715)                     |
|  | <u>5,881,118</u>    | <u>(44,231)</u>               |

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