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**ANDEAN AMERICAN MINING CORP.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007**

*(Unaudited)*

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## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**ANDEAN AMERICAN MINING CORP.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
*(Expressed in Canadian Dollars, except where noted)*

|   | <b>Sept 30</b>      | <b>Mar 31</b>       |
|---|---------------------|---------------------|
|   | <b>2007</b>         | <b>2007</b>         |
|   | <b>(unaudited)</b>  | <b>(audited)</b>    |
|   | <b>\$</b>           | <b>\$</b>           |
| <b>ASSETS</b>   |                     |                     |
| <b>Current</b>  |                     |                     |
| Cash and cash equivalents                                   | 2,951,346           | 174,484             |
| Accounts receivable (Note 3)                                | 826,024             | 714,350             |
| Prepaid expenses  | 296,842             | 207,053             |
| Mineral on pads and inventories (Note 4)                    | <u>2,671,840</u>    | <u>2,546,590</u>    |
|   | <b>6,746,052</b>    | 3,642,477           |
| <b>Mineral on pads</b> (Note 4)                             | <b>2,959,888</b>    | 3,454,861           |
| <b>Mineral properties and deferred costs</b> (Note 5)       | <b>32,679,846</b>   | 30,453,207          |
| <b>Property, plant and equipment</b> (Note 6)               | <u>977,420</u>      | <u>1,188,152</u>    |
|   | <b>43,363,206</b>   | <b>38,738,697</b>   |
| <b>LIABILITIES</b>  |                     |                     |
| <b>Current</b>  |                     |                     |
| Bank indebtedness   | 115,933             | 218,715             |
| Accounts payable and accrued liabilities                    | 3,045,539           | 3,440,277           |
| Deferred income   | 88,640              | 303,054             |
| Loans payable (Note 7)                                      | 38,358              | 44,387              |
| Current portion of long term debt (Note 8)                  | <u>374,069</u>      | <u>543,615</u>      |
|   | <b>3,662,539</b>    | 4,550,048           |
| <b>Long term debt</b> (Note 8)                              | <b>101,217</b>      | 101,217             |
| <b>Future income tax liabilities</b>                        | <b>4,970,205</b>    | 5,723,679           |
| <b>Provision for reclamation and closure costs</b> (Note 9) | <u>112,479</u>      | <u>130,159</u>      |
|   | <b>8,846,440</b>    | 10,505,103          |
| <b>Minority interest</b>                                    | <u>3,402,787</u>    | <u>2,642,331</u>    |
|   | <b>12,249,227</b>   | <b>13,147,434</b>   |
| <b>SHAREHOLDERS' EQUITY</b>                                 |                     |                     |
| <b>Share capital</b> (Note 10)                              | <b>64,664,595</b>   | 59,127,821          |
| <b>Contributed surplus</b> (Note 11)                        | <b>4,297,844</b>    | 2,367,949           |
| <b>Deficit</b>  | <u>(37,848,460)</u> | <u>(35,904,507)</u> |
|   | <b>31,113,979</b>   | 25,591,263          |
|   | <b>43,363,206</b>   | <b>38,738,697</b>   |
| <b>Going concern</b> (Note 1)                               |                     |                     |
| <b>Contingency</b> (Note 15)                                |                     |                     |
| APPROVED BY THE DIRECTORS                                   |                     |                     |

“JOHN HUGUET”  
DIRECTOR

“BRYAN MORRIS”  
DIRECTOR

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

**ANDEAN AMERICAN MINING CORP.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS,**  
**COMPREHENSIVE INCOME (LOSS) AND DEFICIT**  
*(unaudited)*  
*(Expressed in Canadian Dollars, except where noted)*

|   | Three months<br>Ended<br>Sept 30 |                     | Six months<br>Ended<br>Sept 30 |                     |
|---|----------------------------------|---------------------|--------------------------------|---------------------|
|   | 2007                             | 2006                | 2007                           | 2006                |
|   | \$                               | \$                  | \$                             | \$                  |
| <b>REVENUE</b>  |                                  |                     |                                |                     |
| Sales of metals   | <u>1,509,389</u>                 | 1,468,902           | <u>2,637,941</u>               | <u>2,702,522</u>    |
| <b>OPERATING EXPENSES</b>   |                                  |                     |                                |                     |
| Direct operating costs  | 1,642,335                        | 1,807,787           | 2,822,773                      | 2,712,675           |
| Royalty expense   | 24,748                           | 26,296              | 45,217                         | 47,234              |
| Amortization and depletion  | 339,237                          | 287,968             | 773,140                        | 430,368             |
| Selling expenses  | 41,837                           | 40,911              | 83,723                         | 71,857              |
| Stock based compensation  | 421,733                          | -                   | 814,047                        | -                   |
| Provision for reclamation   | 16                               | 2,384               | 3,440                          | 7,132               |
|   | <u>2,469,906</u>                 | <u>2,165,346</u>    | <u>4,542,340</u>               | <u>3,269,266</u>    |
| <b>GROSS PROFIT (LOSS)</b>  | <b>(960,517)</b>                 | (696,444)           | <b>(1,904,399)</b>             | (566,744)           |
| <b>OTHER (INCOME) EXPENSE</b>   |                                  |                     |                                |                     |
| General and administrative expenses   | 607,696                          | 622,810             | 1,010,622                      | 707,378             |
| Interest expense  | 7,803                            | 22,665              | 22,645                         | 48,513              |
| Other (income) expense  | (149,586)                        | (137,738)           | (137,329)                      | (137,738)           |
| Foreign exchange (gain) loss  | 109,269                          | 253,597             | (804,219)                      | 156,990             |
| Loss on sale of shares  | -                                | 6,086,167           | -                              | 6,086,167           |
| Minority interest   | (88,791)                         | (48,145)            | (52,165)                       | (48,145)            |
|   | <u>486,391</u>                   | <u>6,799,356</u>    | <u>39,554</u>                  | <u>6,813,165</u>    |
| <b>NET INCOME (LOSS) AND<br/>COMPREHENSIVE INCOME (LOSS)<br/>FOR THE PERIOD</b> | <b>(1,446,908)</b>               | (7,495,800)         | <b>(1,943,953)</b>             | (7,379,909)         |
| <b>DEFICIT, BEGINNING OF PERIOD</b>   | <u>(36,401,552)</u>              | <u>(16,241,334)</u> | <u>(35,904,507)</u>            | <u>(16,357,225)</u> |
| <b>DEFICIT, END OF PERIOD</b>   | <u>(37,848,460)</u>              | <u>(23,737,134)</u> | <u>(37,848,460)</u>            | <u>(23,737,134)</u> |
| <b>WEIGHTED AVERAGE NUMBER OF<br/>COMMON SHARES OUTSTANDING</b>                 |                                  |                     |                                |                     |
| <b>BASIC</b>  | 63,780,157                       | 51,535,686          | 60,054,129                     | 51,523,970          |
| <b>DILUTED</b>  | 63,780,157                       | 52,022,087          | 60,054,129                     | 52,112,153          |
| <b>NET INCOME (LOSS) PER<br/>COMMON SHARE</b>                                   |                                  |                     |                                |                     |
| <b>BASIC</b>  | (0.023)                          | (0.145)             | (0.032)                        | (0.143)             |
| <b>DILUTED</b>  | (0.023)                          | (0.144)             | (0.032)                        | (0.142)             |

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

**ANDEAN AMERICAN MINING CORP.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW**  
*(unaudited)*  
*(Expressed in Canadian Dollars, except where noted)*

|  | Three months<br>Ended<br>Sept 30 |                  | Six months<br>Ended<br>Sept 30 |                    |
|--|----------------------------------|------------------|--------------------------------|--------------------|
|  | 2007                             | 2006             | 2007                           | 2006               |
|  | \$                               | \$               | \$                             | \$                 |
| <b>CASH PROVIDED FROM (USED FOR):</b>  |                                  |                  |                                |                    |
| <b>OPERATING ACTIVITIES</b>  |                                  |                  |                                |                    |
| Net income (loss) for the period   | (1,446,908)                      | (7,495,800)      | (1,943,953)                    | (7,379,909)        |
| Adjustments for items not affecting cash:  |                                  |                  |                                |                    |
| Amortization and depletion   | 339,237                          | 277,466          | 773,140                        | 419,866            |
| Stock based compensation   | 421,733                          | –                | 814,047                        | –                  |
| Minority interest  | (88,791)                         | –                | (52,165)                       | –                  |
| Provision for reclamation  | 16                               | 2,384            | 3,440                          | 7,132              |
| Unrealized foreign exchange gain on long-term<br>monetary assets and liabilities | (218,979)                        | 48,937           | (862,042)                      | (47,670)           |
| Loss on sales of shares  | –                                | 6,265,217        | –                              | 6,265,217          |
|  | <u>(993,692)</u>                 | <u>(901,796)</u> | <u>(1,267,533)</u>             | <u>(735,364)</u>   |
| Net changes in non-cash working capital items:                                   |                                  |                  |                                |                    |
| Accounts receivable  | (22,861)                         | 111,106          | (111,674)                      | 250,219            |
| Mineral on pads and inventories  | 498,989                          | (13,064)         | 369,723                        | 259,329            |
| Prepaid expenses   | (27,911)                         | (77,772)         | (89,789)                       | (118,798)          |
| Accounts payable and accrued liabilities   | 349,813                          | (46,162)         | (394,738)                      | (433,601)          |
| Deferred income  | (137,184)                        | (15,585)         | (214,414)                      | 64,361             |
|  | <u>(332,846)</u>                 | <u>(943,273)</u> | <u>(1,708,425)</u>             | <u>(713,854)</u>   |
| <b>INVESTING ACTIVITIES</b>  |                                  |                  |                                |                    |
| Mineral properties and deferred costs  | (1,981,943)                      | 108,534          | (2,584,868)                    | (1,332,325)        |
| Property, plant and equipment  | (51,307)                         | (69,960)         | (146,306)                      | (69,960)           |
|  | <u>(2,033,250)</u>               | <u>38,574</u>    | <u>(2,731,174)</u>             | <u>(1,402,285)</u> |
| <b>FINANCING ACTIVITIES</b>  |                                  |                  |                                |                    |
| Sale of Sinchao (CMS)  | –                                | 144,926          | –                              | 2,644,926          |
| Change in restricted cash  | –                                | 72,142           | –                              | 205,634            |
| Private placement of units, net of issue costs                                   | 8,500                            | –                | 6,694,870                      | 17,500             |
| Shares issued by subsidiary to minority interest, net<br>issue cost              | 7,500                            | –                | 712,500                        | –                  |
| Payment of long term debt  | (60,395)                         | (67,623)         | (88,127)                       | (145,724)          |
| Payment of loans payable   | –                                | (26,758)         | –                              | (54,144)           |
|  | <u>(44,395)</u>                  | <u>122,687</u>   | <u>7,319,243</u>               | <u>2,668,192</u>   |
| <b>INCREASE (DECREASE) IN CASH AND CASH<br/>EQUIVALENTS DURING THE PERIOD</b>    | <b>(2,410,491)</b>               | <b>(782,012)</b> | <b>2,879,644</b>               | <b>552,053</b>     |
| <b>OF PERIOD</b>   | <b>5,245,904</b>                 | <b>2,144,565</b> | <b>(44,231)</b>                | <b>810,500</b>     |
| <b>CASH AND CASH EQUIVALENTS, END OF<br/>PERIOD</b>                              | <b>2,835,413</b>                 | <b>1,362,553</b> | <b>2,835,413</b>               | <b>1,362,553</b>   |
| <b>CASH AND CASH EQUIVALENTS IS COMPRISED<br/>OF:</b>                            |                                  |                  |                                |                    |
| Cash   | 2,951,346                        | 1,470,933        | 2,951,346                      | 1,470,933          |
| Bank indebtedness  | (115,933)                        | (108,380)        | (115,933)                      | (108,380)          |
|  | <u>2,835,413</u>                 | <u>1,362,553</u> | <u>2,835,413</u>               | <u>1,362,553</u>   |

**ANDEAN AMERICAN MINING CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
*(unaudited)*  
*(Expressed in Canadian Dollars, except where noted)*

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Andean American Mining Corp. (the "Company") operates the Santa Rosa Mine, a heap leach facility to extract gold. Commercial production at the Santa Rosa Mine heap leach facility commenced in March 2002. The Company maintains an ownership interest in various other mineral properties in Peru, including the Sinchao properties, the Invicta properties, the Mamara properties and those properties adjacent to the Santa Rosa mine.

The amounts shown as mineral properties and deferred costs represent net costs to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The recoverability of these amounts and any additional amounts required to place these properties into commercial production are dependent upon certain factors. These factors include the existence of ore deposits sufficient for commercial production and the Company's ability to obtain the required additional financing necessary to develop its mineral properties.

As at September 30, 2007, the Company has an accumulated deficit of \$37,848,460. The Company is continuing in its efforts to generate sufficient cash from its operations or raise funds to meet its ongoing liabilities as they fall due. There can be no assurance that the Company will be successful in its efforts, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheet. The consolidated financial statements do not give effect to any adjustments that might be necessary if the Company were unable to meet its obligations or continue operations.

**2. BASIS OF PRESENTATION**

These consolidated financial statements include the accounts of the Company and all its subsidiaries. The significant subsidiaries are: Sinchao Metals Corp, a British Columbia company (67% owned); El Misti Gold S.A.C. ("El Misti Peru"), a Peruvian company (100% owned); Andean Explorations S.A.C. ("Andex"), a Peruvian Company (100% owned). All significant inter-company balances and transactions have been eliminated.

These interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These interim consolidated financial statements do not include all of the disclosure required by Canadian generally accepted accounting principles ("Canadian GAAP") for annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2007. They have been prepared using the same accounting policies and methods as those used in the annual consolidated financial statements for the year ended March 31, 2007.

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

**ANDEAN AMERICAN MINING CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
*(unaudited)*  
*(Expressed in Canadian Dollars, except where noted)*

**3. ACCOUNTS RECEIVABLE**

|                | <b>Sept 30<br/>2007</b> | <b>Mar 31<br/>2007</b> |
|----------------|-------------------------|------------------------|
|                | <u>\$</u>               | <u>\$</u>              |
| Trade accounts | 7,022                   | 200,620                |
| Employees      | 0                       | 3,683                  |
| Tax refundable | 819,002                 | 403,788                |
| Others         | 0                       | 106,259                |

**4. MINERAL ON PADS AND INVENTORIES**

|                           | <b>Sept 30<br/>2007</b> | <b>Mar 31<br/>2007</b> |
|---------------------------|-------------------------|------------------------|
|                           | <u>\$</u>               | <u>\$</u>              |
| Mineral on leach pads     | 4,933,145               | 5,527,778              |
| Less: non-current portion | <u>(2,959,888)</u>      | <u>(3,454,861)</u>     |
|                           | 1,973,257               | 2,072,917              |
| Finished products         | 507,193                 | 201,129                |
| Supplies                  | 191,390                 | 272,544                |

**5. MINERAL PROPERTIES AND DEFERRED COSTS**

|  | <b>Sept 30<br/>2007</b> | <b>Mar 31<br/>2007</b> |
|--|-------------------------|------------------------|
|  | <u>\$</u>               | <u>\$</u>              |
| <b>Producing mineral property</b>                  |                         |                        |
| <b>Santa Rosa Mine</b>                             |                         |                        |
| Properties in operation                            | 4,950,529               | 12,665,762             |
| Properties in preparation                          | 4,410,899               | 4,410,449              |
| Revenue prior to commercial production             | <u>(788,490)</u>        | <u>(788,490)</u>       |
|  | 8,572,938               | 16,287,721             |
| Accumulated amortization and depletion             | <u>(3,060,984)</u>      | <u>(2,644,882)</u>     |
| Write-down to fair value                           | <u>-</u>                | <u>(7,715,233)</u>     |
| <b>Total producing mineral property</b>            | <u>5,511,954</u>        | <u>5,927,606</u>       |
| <b>Non-producing mineral properties</b>            |                         |                        |
| <b>Sinchao Property</b>                            |                         |                        |
| Acquisition and deferred exploration costs         | 23,161,682              | 22,202,906             |
| <b>Invicta and other properties</b>                | 4,006,210               | 2,914,994              |
| Write-off of certain other properties              | <u>-</u>                | <u>(592,299)</u>       |
| <b>Total non-producing mineral properties</b>      | <u>27,167,892</u>       | <u>24,525,601</u>      |
| <b>Total mineral properties and deferred costs</b> | <u>32,679,846</u>       | <u>30,453,207</u>      |

**ANDEAN AMERICAN MINING CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
*(unaudited)*  
*(Expressed in Canadian Dollars, except where noted)*

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**5. MINERAL PROPERTIES AND DEFERRED COSTS (CONTINUED)**

The Company has acquired mineral claims in Peru through option agreements and direct staking. As at September 30, 2007, the Company's property portfolio comprises approximately 30,600 hectares. The Santa Rosa property consists of 9,000 hectares, the Mamara property consists of 3,400 hectares and the Sinchao property consists of 1,300 hectares. The Invicta property comprises 16,900 hectares, of which 3,700 hectares were acquired under an option agreement from a subsidiary of Barrick Gold Corporation, Minera ABX Exploraciones S.A.

**(a) Santa Rosa Mine**

Accumulated costs included in the Santa Rosa mine costs are acquisition, exploration and development costs all of which are amortized or depleted using the units-of-production method.

**(b) Sinchao Property**

The viability of the Sinchao property has not yet been determined and the costs associated with the project are not being amortized.

**(c) Invicta Property**

The acquisition agreement with Minera ABX (Barrick) dated October 17, 2005 required the issuance of 500,000 shares to Barrick and payment of US\$315,000 in cash upon exercise of the option. The Company issued the 500,000 shares in October 2005 and paid US\$115,000 in November 2005 and the remaining US\$200,000 in April 2006.

The Company will also pay a 1% NSR, capped at US\$1 million, and a production payment of US\$50,000 per quarter capped at US\$800,000.

In order to maintain / earn its interest in its current portfolio of mineral properties, the Company must:

- Pursuant to the original Santa Rosa property purchase agreement, make the final option payments of \$734,226 during the year ended March 31, 2008.
- Pay a net smelter royalty ("NSR") of 0.8213% to the Production Debenture holders from the time of commercial production from the Santa Rosa Mine. In addition, for gold produced in excess of 175,000 ounces from the Santa Rosa Mine, the Company has agreed to pay a floating NSR of between US\$6.00 to US\$10.00 per ounce of gold produced, if the price of gold is higher than US\$320 per ounce, to the original claims holders from the Minera Paraccay acquisition within the Santa Rosa Property. It is expected that the floating NSR will not be payable before fiscal 2009.
- Pay annual fees of US\$3 per hectare to governmental authorities. The calendar 2007 holding costs are estimated to be approximately US\$60,000.

Certain of the mineral properties, if taken to production, are subject to various royalties as a percentage of either net profits from production or of net smelter returns.

**ANDEAN AMERICAN MINING CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
*(unaudited)*  
*(Expressed in Canadian Dollars, except where noted)*

**6. PROPERTY, PLANT AND EQUIPMENT**

|                                | <b>Sept 30</b>   |                             |                   | Mar 31            |
|--------------------------------|------------------|-----------------------------|-------------------|-------------------|
|                                | <b>2007</b>      |                             |                   | <b>2007</b>       |
|                                | Cost             | Accumulated<br>Amortization | Net<br>Book Value | Net<br>Book Value |
|                                | \$               | \$                          | \$                | \$                |
| Production plant and equipment | 4,130,701        | (3,410,917)                 | 719,784           | 967,418           |
| Vehicles                       | 229,768          | (163,845)                   | 65,923            | 81,614            |
| Office furniture and equipment | 391,192          | (221,854)                   | 169,338           | 121,462           |
| Construction in progress       | 22,375           | -                           | 22,375            | 17,658            |
|                                | <u>4,774,036</u> | <u>(3,796,616)</u>          | <u>977,420</u>    | <u>1,188,152</u>  |

**7. LOANS PAYABLE**

The Company has entered into a number of joint venture funding agreements, as follows:

|   | <b>Sept 30</b>       | <b>Mar 31</b> |
|---|----------------------|---------------|
|   | <b>2007</b>          | <b>2007</b>   |
|   | \$                   | \$            |
| Loan payable US\$34,000 (March 2007 – US\$34,000) | <b>33,874</b>        | 39,199        |
| Loan payable US\$4,500 (March 2007– US\$4,500)    | <b>4,483</b>         | 5,188         |
|   | <u><b>38,358</b></u> | <u>44,387</u> |

The loans payable are each non-interest bearing and have no fixed terms of repayment.

**8. LONG TERM DEBT**

|                       | <b>Sept 30</b>       | <b>Mar 31</b> |
|-----------------------|----------------------|---------------|
|                       | <b>2007</b>          | <b>2007</b>   |
|                       | \$                   | \$            |
| Long term debt        | <b>475286</b>        | 644832        |
| Less: Current portion | <b>(374069)</b>      | (543615)      |
|                       | <u><b>101217</b></u> | <u>101217</u> |

**9. PROVISION FOR RECLAMATION AND CLOSURE COSTS**

All of the Company's operations are subject to reclamation and closure requirements. Although the ultimate amount of site restoration costs is uncertain, on a regular basis the Company monitors these costs and together with third party engineers prepares internal estimates to evaluate their bonding requirements. The estimates prepared by management are then reconciled with the requirements of the Peruvian mining regulations.

At September 30, 2007, the accrued site closure liability amounted to \$112,479 (March 2007 - \$130,159). This was calculated using the fair market value of \$199,052, discounted at 10%.

In view of the uncertainties concerning future removal and site restoration costs, as well as the applicable laws and regulations, the ultimate costs to the Company could differ materially from the amounts estimated by management.

Future changes, if any, due to their nature and unpredictability, could have a material impact and would be reflected prospectively as a change in accounting estimate.

**ANDEAN AMERICAN MINING CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
*(unaudited)*  
*(Expressed in Canadian Dollars, except where noted)*

**10. SHARE CAPITAL**

**(a) Authorized**

The Company has authorized an unlimited number of common shares, with no par value.

**(b) Issued and Outstanding**

|   | <b>Number of<br/>Shares</b> | <b>Amount</b>     |
|---|-----------------------------|-------------------|
| Balance, March 31, 2007   | 52,408,489                  | 59,127,821        |
| Allocation of private placement proceeds to common shares   | 11,332,538                  | 6,297,936         |
| Share issue costs paid in cash  | -                           | (713,280)         |
| Fair value of broker warrants issued pursuant to private placement  | -                           | (106,821)         |
| Stock options exercised   | 45,000                      | 42,000            |
| Reallocation of grant date fair value on exercise of stock options and warrants of Andean American Mining Corp. | -                           | 16,939            |
| <b>Balance, September 30, 2007</b>  | <b>63,786,027</b>           | <b>64,664,595</b> |

On May 30, 2007 the Company announced the completion of a private placement of 11,332,528 Units at a price of \$0.65 per unit consisting of one common share of the Company and one half of one common share purchase warrant. Each whole warrant is exercisable at \$0.85 and expires on May 29, 2009.

Total gross proceeds from the private placement of \$7,366,150 has been allocated \$6,297,936 to common shares and \$1,068,214 to contributed surplus based on the fair value of the warrants. The fair value of the warrants has been estimated using the Black-Scholes option-pricing model. The assumptions used in the Black-Scholes option pricing model were: dividend yield: 0%; expected volatility 67%; a risk-free interest rate of 4.58% and an expected life of 2 years. The Company paid finder's fees in cash of \$589,292 and incurred additional cash issuance costs of \$123,988. The Company also issued 566,627 broker warrants under the same terms as the private placement with a fair value of \$106,821.

**(c) Warrants**

A summary of share warrants activity for the six months ended September 30, 2007 is as follows:

|   | <b>Number of<br/>Warrants</b> | <b>Exercise price<br/>\$</b> |
|---|-------------------------------|------------------------------|
| Balance, March 31, 2007   | 405,000                       | 1.00                         |
| Issued pursuant to private placement (note 10(b))                 | 5,666,269                     | 0.85                         |
| Broker warrants issued pursuant to private placement (note 10(b)) | 566,627                       | 0.85                         |
| <b>Balance, September 30, 2007</b>                                | <b>6,637,896</b>              | <b>0.86</b>                  |

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**10. SHARE CAPITAL (CONTINUED)**

**(c) Warrants (continued)**

As at September 30, 2007, issued and outstanding warrants to purchase common shares of the Company is as follows:

| <b>Expiry Date</b> | <b>Number of Warrants</b> | <b>Exercise price \$</b> |
|--------------------|---------------------------|--------------------------|
| November 27, 2007  | 405,000                   | 1.00                     |
| May 29, 2009       | 5,666,269                 | 0.85                     |
| May 29, 2009       | 566,627                   | 0.85                     |
|                    | <b>6,637,896</b>          | <b>0.86</b>              |

**(d) Stock options**

The Company grants share options in accordance with the policies of the TSX Venture Exchange. Under the general guidelines of the TSX Venture Exchange, the Company may reserve up to 10% of its issued and outstanding shares for issue to its employees, directors or consultants.

During the six months ended September 30, 2007, the Company granted 575,000 stock options to its employees and independent consultants with exercise prices ranging from \$0.65 to \$1.00 per share. All of the options vest over 24 months. For the six months ended September 30, 2007, Andean American Mining Corp. recorded \$177,004 (2006 - \$0) for stock based compensation expense, of which \$7,903 (2006 - \$nil) was capitalized to resources properties and Sinchao Metals Corp. recorded \$694,916 (2006 - \$nil) for stock based compensation expense, of which \$49,970 (2006 - \$nil) was capitalized to resource properties. The fair value of each stock option granted has been estimated as of the date of the grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 4.16% to 4.30%, dividend yield 0%, volatility of 67% to 70.92% and an expected life of 1 to 2 years.

A summary of stock option activity at September 30, 2007 and the changes for the period then ended is as follows:

|   | <b>Number of Options</b> | <b>Weighted Average Exercise Price \$</b> |
|---|--------------------------|---|
| Options outstanding at March 31, 2007     | 3,522,065                | 0.86                                      |
| Granted                                   | 575,000                  | 0.79                                      |
| Exercised                                 | (45,000)                 | 0.94                                      |
| Expired                                   | (505,000)                | 0.80                                      |
| Options outstanding at September 30, 2007 | <b>3,547,065</b>         | <b>0.86</b>                               |

**ANDEAN AMERICAN MINING CORP.**  
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**10. SHARE CAPITAL (CONTINUED)**

A summary of stock options outstanding and exercisable as at September 30, 2007 is as follows:

| Range of<br>Exercise Prices<br>\$ | Number<br>Outstanding | Weighted Average<br>Remaining<br>Contractual Life | Weighted Average<br>Exercise Price |
|-----------------------------------|-----------------------|---|------------------------------------|
| 0.65 - 1.00                       | 3,181,065             | 1.37  | 0.82                               |
| 1.01 - 1.25                       | 366,000               | 1.28  | 1.18                               |
|                                   | 3,547,065             | 1.36  | 0.86                               |

**11. CONTRIBUTED SURPLUS**

A continuity of contributed surplus for the six months ended September 30, 2007 is as follows:

|   |                  |
|---|------------------|
| Balance, March 31, 2007   | 2,367,949        |
| Non-cash stock-based compensation of Andean American Mining Corp.               | 177,004          |
| Non-cash stock-based compensation of Sinchao Metals Corp.                       | 694,916          |
| Fair value of warrants issued pursuant to private placement                     | 1,068,214        |
| Fair value of broker warrants issued pursuant to private placement              | 106,821          |
| Reallocation of grant date fair value on exercise of stock options and warrants | (117,060)        |
| <b>Balance, September 30, 2007</b>  | <b>4,297,844</b> |

**12. RELATED PARTY TRANSACTIONS**

During the six months ended September 30, 2007, the Company was charged \$70,200 (2006 - \$120,000) for management, professional and consulting services provided by three directors of the Company. In addition, the Company was charged \$1,763 (2006 - \$6,778) for administrative and professional services by a company controlled by a director of the Company. Other related party transactions are disclosed elsewhere in these consolidated financial statements.

As at September 30, 2007, \$28,303 (2006 - \$49,786) was due to a director of the Company on account of past services and advances made.

**13. SEGMENTED INFORMATION**

The Company's only activities are the exploration and development of mineral properties and the operation of the Santa Rosa mine facility, all of which are in Peru. The principal assets in Canada consist of cash, accounts receivable and head office capital assets.

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**14. FINANCIAL INSTRUMENTS**

**(a) Fair Value of Short Term Financial Instruments**

The fair value of cash, amounts receivable, prepaid expenses, accounts payable, accrued liabilities, accrued interest payable, and loans payable is equivalent to the carrying amount given the short maturity period.

**(b) Interest Rate Risk**

The Company has no floating rate interest bearing securities outstanding at September 30, 2007.

**15. CONTINGENCY**

A previous participant in the Invicta (previously Victoria) Project has advised the Company that they retain a minority interest in the project. No legal claim has been initiated and the Company disputes that this previous participant holds any interest in the project. There are no legal rights for this participant in government registries in Peru. This participant failed to register its interests in Peru and thus is considered to have abandoned any interest in the Invicta project.