
ANDEAN AMERICAN MINING CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

(Unaudited)

(Expressed in Canadian dollars)

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
See Note 1 – Nature of Operations and Going Concern Uncertainty

	September 30, 2009	September 30, 2008	March 31, 2009
	<u>(Unaudited)</u>	<u>(Restated - Note 4)</u> (Unaudited)	<u>(Audited)</u>
ASSETS			
Current			
Cash and cash equivalents	\$ 390,529	\$ 1,184,070	\$ 28,358
Accounts receivable (Note 5)	392,089	851,920	287,037
Prepaid expenses	99,925	115,063	33,480
Mineral on pads and inventories (Note 6)	-	515,223	181,628
	<u>882,543</u>	<u>2,666,276</u>	<u>530,503</u>
Mineral properties and deferred costs (Note 7)	42,959,230	40,367,021	41,714,764
Property, plant and equipment (Note 8)	1,618,919	1,759,904	1,664,436
	<u>\$ 45,460,692</u>	<u>\$ 44,793,201</u>	<u>\$ 43,909,703</u>
LIABILITIES			
Current			
Bank indebtedness	\$ -	\$ 176,250	\$ 28
Accounts payable and accrued liabilities	5,130,906	4,665,931	5,784,678
Loans payable (Note 9)	1,462,427	350,659	615,903
	<u>6,593,333</u>	<u>5,192,840</u>	<u>6,400,609</u>
Future income tax liabilities	826,229	678,693	787,159
Provision for reclamation and closure costs (Note 10)	132,377	131,573	155,942
	<u>958,606</u>	<u>810,266</u>	<u>943,101</u>
Non-controlling interest	12,270,914	12,478,748	12,300,403
	<u>19,822,853</u>	<u>18,481,854</u>	<u>19,644,113</u>
SHAREHOLDERS' EQUITY			
Share capital (Note 11)	72,655,830	71,507,912	71,507,104
Contributed surplus (Note 12)	11,805,195	10,641,350	11,211,019
Deficit	(58,823,186)	(55,837,915)	(58,452,533)
	<u>25,637,839</u>	<u>26,311,347</u>	<u>24,265,590</u>
	<u>\$ 45,460,692</u>	<u>\$ 44,793,201</u>	<u>\$ 43,909,703</u>
Contingencies (Note 15)			
Mineral Properties (Note 7)			
Share Capital (Note 11)			
Subsequent Events (Note 18)			

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 LOSS, COMPREHENSIVE LOSS AND DEFICIT

FOR THE THREE AND SIX MONTH PERIODS ENDED

(Unaudited)

See Note 1 – Nature of Operations and Going Concern Uncertainty

	Three Months Ended		Six Months Ended	
	September 30		September 30	
	2009	2008	2009	2008
	(Restated - Note 4)		(Restated - Note 4)	
REVENUE				
Sales of metals	\$ 30,210	\$ 1,030,128	\$ 233,328	\$ 2,050,340
OPERATING EXPENSES				
Direct operating costs	(6)	900,514	181,438	2,175,190
Royalty expense	150	9,244	1,843	26,117
Amortization and depletion	8,634	6,990	30,769	13,654
Selling expenses	44	43,433	14,616	81,539
Stock based compensation	74,135	519,302	198,128	1,053,177
Provision for reclamation	-	-	-	-
	82,957	1,479,483	426,794	3,349,677
GROSS PROFIT (LOSS)	(52,747)	(449,355)	(193,466)	(1,299,337)
OTHER (INCOME) EXPENSE				
General and administrative expenses	402,284	563,328	679,414	1,063,258
Interest expense	(3,899)	(396)	1,593	1,493
Other (income) expense	(111,496)	(25,253)	65,544	(49,078)
Foreign exchange loss (gain)	176,336	918,259	(539,875)	1,167,227
Minority interest	(113,663)	(159,099)	(29,489)	(358,046)
	349,562	1,296,839	177,187	1,824,854
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(402,309)	(1,746,194)	(370,653)	(3,124,191)
DEFICIT, BEGINNING OF PERIOD	(58,420,877)	(54,091,721)	(58,452,533)	(52,713,724)
DEFICIT, END OF PERIOD	\$ (58,823,186)	\$ (55,837,915)	\$ (58,823,186)	\$ (55,837,915)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
BASIC AND DILUTED	80,621,518	63,780,157	79,052,833	73,620,017
NET LOSS PER COMMON SHARE				
BASIC AND DILUTED	\$ (0.00)	\$ (0.03)	\$ (0.00)	\$ (0.04)

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

ANDEAN AMERICAN MINING CORP.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX MONTH PERIODS ENDED
(Unaudited)

See Note 1 – Nature of Operations and Going Concern Uncertainty

	Three Months Ended September 30		Six Months Ended September 30	
	2009	2008	2009	2008
CASH PROVIDED FROM (USED FOR):		(Restated - Note 4)		(Restated - Note 4)
OPERATING ACTIVITIES				
Net loss for the period	\$ (402,309)	\$ (1,746,194)	\$ (370,653)	\$ (3,124,191)
Adjustments for items not affecting cash:				
Amortization and depletion	8,634	6,990	30,769	13,654
Stock based compensation	74,135	519,302	198,128	1,053,177
Minority interest	(113,663)	(159,099)	(29,489)	(358,046)
Unrealized foreign exchange (gain) loss	(46,967)	777,757	78,936	841,147
	<u>(480,170)</u>	<u>(601,244)</u>	<u>(92,309)</u>	<u>(1,574,259)</u>
Net changes in non-cash working capital items:				
Accounts receivable	(138,152)	(64,081)	(105,052)	(8,164)
Mineral on pads and inventories	–	400,369	(181,628)	237,005
Prepaid expenses	(40,443)	(28,708)	(66,445)	124,669
Accounts payable and accrued liabilities	(203,049)	(229,037)	(653,774)	(219,489)
	<u>(861,814)</u>	<u>(522,701)</u>	<u>(1,099,208)</u>	<u>(1,440,238)</u>
INVESTING ACTIVITIES				
Mineral properties and deferred costs	(443,303)	(2,631,521)	(935,151)	(5,251,156)
Property, plant and equipment	–	(30,555)	–	(110,939)
	<u>(443,303)</u>	<u>(2,662,076)</u>	<u>(935,151)</u>	<u>(5,362,095)</u>
FINANCING ACTIVITIES				
Private placement of units, net of issue costs	1,246,850	1,999,250	1,246,850	1,999,250
Issue (payment) of loans payable	550,507	(44,463)	1,149,680	(70,215)
	<u>1,797,357</u>	<u>1,954,787</u>	<u>2,396,530</u>	<u>1,929,035</u>
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	492,240	(1,229,990)	362,171	(4,873,298)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	(101,711)	2,237,810	28,358	5,881,118
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 390,529	\$ 1,007,820	\$ 390,529	\$ 1,007,820
CASH AND CASH EQUIVALENTS IS COMPRISED OF:				
Cash	\$ 390,529	\$ 1,184,070	\$ 390,529	\$ 1,184,070
Bank indebtedness	–	(176,250)	–	(176,250)
	<u>\$ 390,529</u>	<u>\$ 1,007,820</u>	<u>\$ 390,529</u>	<u>\$ 1,007,820</u>

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

ANDEAN AMERICAN MINING CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

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 Company is currently in the process of shutting the Santa Rosa Mine down due to its inability to generate fresh mineral resources that are economically viable. The Company is now focused on the exploration and development of the Invicta and Sinchao properties.

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.

The Company has incurred a net loss of \$370,653 for the six months ended September 30, 2009 (September 30, 2008, - \$3,124,191). The Company has a working capital deficiency as at September 30, 2009 of \$5,710,790 (September 30, 2008 - working capital of \$2,526,564).

These consolidated financial statements have been prepared under the assumptions of a going-concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's ability to continue as a going concern is in substantial doubt and is dependent upon obtaining additional financing to meet its obligations, repaying its liabilities through settlement with its creditors and generating sufficient cash to meet its operating expenses in the future.

Failure to arrange adequate financing on acceptable terms and to achieve profitability would have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. Accordingly, these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going-concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the consolidated financial statements.

The current financial equity market conditions, the challenging funding environment and the low price of the Company's common shares mean that the raising of funds by private placements of shares on a large scale would create significant dilution for existing shareholders. However, successful smaller private placements have been used to meet essential funding requirements. The junior resource industry has been severely impacted by the world economic situation, as it is considered to be a high-risk investment.

ANDEAN AMERICAN MINING CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008
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2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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, 2009. 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, 2009.

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.

Recent Canadian Accounting Pronouncements

Goodwill and Intangible Assets

In February 2008, the AcSB issued Handbook Section 3064, Goodwill and Intangible Assets, and amended Section 1000, Financial Statement Concepts, clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized as assets. The standard is effective for fiscal years beginning on or after October 1, 2008 and the Company will adopt this standard on April 1, 2009.

Future Canadian Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Future Canadian Accounting Pronouncements - continued

Business Combinations (Section 1582)

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", which requires that all assets and liabilities of an acquired business be recorded at fair value at acquisition. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the period after the acquisition date. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011.

Consolidations (Section 1601) and Non-Controlling Interest (Section 1602)

In January 2009, the CICA issued Handbook Section 1601, "Consolidations" ("CICA 1601"), and Section 1602, "Non-Controlling Interests" (CICA 1602"). CICA 1601 establishes standards for preparing consolidated financial statements and CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC Abstract 173)

In January 2009, the CICA issued EIC Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC requires the Company to take into account the Company's own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. The abstract applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2010. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

3. REVERSE TAKEOVER OF SINCHAO METALS CORP.

On March 15, 2006, the Company and Sinchao Metals Corp. ("Sinchao") entered into an agreement (the "Share Exchange Agreement"), as amended and restated on June 15, 2006, whereby the Company agreed to sell a 100% ownership interest in its subsidiary Corporacion Minera Sinchao ("Minera Sinchao") through the issuance of 36 million common shares of Sinchao and 3 million transferable share purchase warrants. The Share Exchange Agreement also required Sinchao to reimburse the Company for all costs incurred on the Sinchao mineral properties during the period from January 1, 2006 to the closing date ("Closing") plus 100% mark-up in recognition of Andean's administrative costs incurred relating to the mineral property of \$534,064. These amounts have been expensed.

Since this transaction resulted in the former shareholders of Minera Sinchao acquiring control of Sinchao the acquisition has been treated, for accounting purposes, as a reverse takeover in accordance with EIC-10. As Sinchao does not meet the criteria for an acquired business per EIC-124, the reverse takeover transaction is not considered to be a business combination, but a capital transaction.

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3. REVERSE TAKEOVER OF SINCHAO METALS CORP. - continued

As a result, the transaction is equivalent to the issuance of shares by Minera Sinchao to Sinchao. Per EIC-10, the \$2,267,139 of Sinchao's share capital present on the date of the transaction has been offset against the retained earnings of Minera Sinchao.

Minera Sinchao, is considered the acquiring company and the continuing entity for accounting purposes.

The expenses associated with the reverse takeover are \$179,075 plus the fair value of warrants issued of \$184,079. These costs are reflected in the reverse takeover accounting as a charge to deficit.

In accounting for this transaction:

- (i) Minera Sinchao is deemed to be the purchaser for accounting purposes. Accordingly, its net assets are included in the consolidated balance sheets of Sinchao at their historical book value.
- (ii) Control of the net assets and business of Sinchao was acquired effective June 30, 2006. Minera Sinchao has accounted for the transaction as a purchase of the assets and liabilities of Sinchao. The assets and liabilities of Sinchao have been recorded at their fair values, as follows:

Cost of net assets acquired consists of:

	\$
Share capital	2,267,139
Deficit	(2,690)
Net assets received	2,264,449

4. RESTATEMENT

Management has determined that as at June 30, 2006, Sinchao Metals Corp. a subsidiary of the Company should have accounted for the acquisition of Minera Sinchao as a reverse takeover (Note 3) whereby Sinchao Metals Corp was for accounting purposes being acquired. Previously the transaction was recorded as a purchase acquisition of Minera Sinchao by Sinchao Metals Corp., the difference in accounting treatments has resulted in a restatement of the periods ended September 30, 2007 and 2008. The effect of the restatement on the periods ended September 30, 2007 and 2008 consolidated financial statements for the Company and its subsidiary Sinchao Metals Corp, respectively, are as follows:

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4. RESTATEMENT - continued

(a) Restatement of Andean American Mining Corp.

Details for the period ended September 30, 2007 as follows:

	As previously reported	As restated
	\$	\$
Mineral properties	32,679,846	33,996,603
Future income tax liability	4,970,205	-
Minority interest	5,878,359	5,935,767
Net loss for the period	2,533,229	3,154,045
Deficit	40,324,032	35,891,834
Net loss per share - basic and diluted	(0.04)	(0.06)

Details for the period ended September 30, 2008 as follows:

	reported	As restated
	\$	\$
Mineral properties	39,050,264	40,367,021
Future income tax liability	5,747,512	678,693
Minority interest	9,538,525	12,478,748
Net loss for the period	2,250,078	3,124,191
Deficit	59,283,268	55,837,915
Net loss per share - basic and diluted	(0.03)	(0.04)

(b) Restatement of Sinchao Metals Corp.

Details for the period ended September 30, 2007 as follows:

	As previously reported	As restated
	\$	\$
Mineral properties	23,431,159	24,747,917
Future income tax liabilities	4,970,205	356,693
Share capital	18,130,179	3,267,208
Net loss for the period	(157,318)	(1,164,150)
Retained earnings (Deficit)	(1,525,566)	19,267,675
Net loss per share for the period	(0.00)	(0.02)

ANDEAN AMERICAN MINING CORP.
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4. RESTATEMENT - continued

(b) Restatement of Sinchao Metals Corp. - continued

Details for the period ended September 30, 2008 as follows:

	As previously reported	As restated
	\$	\$
Mineral properties	28,583,418	29,900,176
Future income tax liabilities	5,747,512	356,693
Share capital	21,928,580	7,168,944
Net loss for the period	(529,589)	(862,449)
Retained earnings (Deficit)	(3,777,505)	17,689,708
Net loss per share for the period	(0.01)	(0.01)

5. ACCOUNTS RECEIVABLE

	September 30, 2009	September 30, 2008	March 31, 2009
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade accounts	\$ 10,768	\$ 272,899	\$ 4,916
Refundable sales tax (GST and IGTV)	319,790	503,670	278,536
Others	61,531	75,351	3,585
	\$ 392,089	\$ 851,920	\$ 287,037

6. MINERAL ON PADS AND INVENTORIES

	September 30, 2009	September 30, 2008	March 31, 2009
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Finished products	\$ -	\$ 370,278	\$ 225,038
Supplies	-	144,945	102,818
Write-down	-	-	(146,228)
	\$ -	\$ 515,223	\$ 181,628

In the prior year management had determined that the carrying value of the Santa Rosa mine has been impaired resulting in a write-down of mineral on pads inventory by \$Nil; a write-down of finished products of \$43,410 and a write-down of supplies of \$102,818 (Note 7).

During the six months ended September 30, 2009 a supplier seized the finished goods shipment from the Company for unpaid accounts payable. As a result the finished products and related accounts payable have been reversed.

ANDEAN AMERICAN MINING CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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7. MINERAL PROPERTIES AND DEFERRED COSTS

	September 30, 2009	September 30, 2008 (Restated - Note 4)	March 31, 2009
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Non-producing mineral properties			
Sinchao Property	\$ 30,872,156	29,900,176	\$ 30,464,292
Invicta	12,087,074	10,156,292	11,250,472
Other properties	-	310,553	198,234
Write-off of other properties	-	-	(198,234)
Total non-producing mineral properties	\$ 42,959,230	40,367,021	\$ 41,714,764

The Company has acquired mineral claims in Peru through option agreements and direct staking. As at September 30, 2009, the Company's property portfolio comprises approximately 46,200 hectares. The Sinchao property consists of 1,300 hectares. The Invicta property comprises 41,500 hectares, of which 3,700 hectares were acquired under an option agreement from a subsidiary of Barrick Gold Corporation, Minera ABX Exploraciones S.A.

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

- i) Pursuant to the original Santa Rosa property purchase agreement, made the final option payments of \$734,226 during the year ended March 31, 2008.
- ii) Must pay a net smelter royalty ("NSR") of 0.8213% to the royalty 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. The floating NSR will not be payable before fiscal 2010.
- iii) Must pay annual fees of US\$3 per hectare to governmental authorities. The calendar 2009 holding costs are estimated to be approximately US\$60,000 (2008 - 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.

Santa Rosa Mine

Management determined during fiscal 2008 that the carrying value of the Santa Rosa mine had been impaired. The net present value to be derived from the processing of resources that were currently accessible and from mineral on the pads to be recycled was estimated to be \$nil resulting in a write-down in fiscal 2008 of \$9,582,599. Of this amount \$5,132,844 was allocated to mineral properties and deferred costs, \$589,888 to property, plant and equipment (Note 8) and \$3,859,867 in mineral on leach pads and inventory (Note 6). The total accumulated write-down of the Santa Rosa property was \$12,848,077.

Exploration properties with a carrying value of \$198,234 (2008 - \$592,299) were written off due to poor geological results.

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7. MINERAL PROPERTIES AND DEFERRED COSTS - continued

Sinchao Property

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

In March 2004, the Peruvian land registry granted the Company good title to Valle de Sinchao numbers 1 and 3. The Company now also has the title to Valle de Sinchao numbers 2 and 4. Following receipt of Valle de Sinchao numbers 2 and 4, the Company reinitiated the development of the Sinchao property to allow further resource definition.

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.

8. PROPERTY, PLANT AND EQUIPMENT

Equipment is recorded at cost. Amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

	September 30, 2009			March 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Production plant and equipment	3,934,978	2,536,499	1,398,479	3,934,978	2,528,256	1,406,722
Vehicles	154,970	91,242	63,728	154,970	84,826	70,144
Office furniture and equipment	431,426	274,714	156,712	430,515	242,945	187,570
	4,521,374	2,902,455	1,618,919	4,520,463	2,856,027	1,664,436

ANDEAN AMERICAN MINING CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited)

9. LOANS PAYABLE

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

	September 30, 2009	September 30, 2008	March 31, 2009
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Loan payable (i)	\$ 1,126,350	\$ -	\$ 220,000
Loan payable US\$34,000	36,404	31,395	42,884
Loan payable US\$279,900 (ii)	299,673	319,264	353,019
	\$ 1,462,427	\$ 350,659	\$ 615,903

- i) During the six months ended September 30, 2009 the Company increased the Bridge Loans by an additional \$1,146,400 (March 31, 2009 - \$220,000), (September 2008 - \$Nil) to fund ongoing operating costs. During the current period the Company repaid \$240,000 of the Bridge Loans from the funding received from the private placement. Related parties provided \$130,000 of the funding. The bridge loans are secured by a general security interest in all of the Company's assets and are repayable upon the Company obtaining the next IGV refund or upon completion of an equity financing.

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

- ii) The loan amount of \$325,506 arises from the conversion of an option agreement for the subsurface mining rights on approximately 10,214 hectares of the Santa Rosa properties into an asset purchase agreement. The long-term debt is non-interest bearing and, in accordance with the schedule of payments, the Company was paying US\$27,890 per month until September 30, 2006 and a final payment of US\$37,652 at October 30, 2006. Only in the event of non-payment, a 10% per annum interest rate shall apply.

On August 16, 2006, the repayment terms for a portion of the debt were renegotiated and extended to October 2008. Subsequent to October 2008 the Company renegotiated to begin repaying the balance once the Company has overcome its cash shortfall. As at September 30, 2009 there are no specific repayment terms.

10. 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, 2009, the accrued site closure liability amounted to \$132,377 (September 2008 - \$131,573). This was calculated using the fair market value of \$199,052, discounted at 10% over 10 years. During the period the Company did not recognize any provision for reclamation.

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.

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11. SHARE CAPITAL

(a) Authorized

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

(b) Issued and Outstanding

Details of the issued and outstanding shares activity for the period ended September 30, 2009 is as follows:

	Number of Shares	Amount
Balance, March 31, 2008	73,620,017	\$ 69,653,248
Allocation of private placement proceeds ascribed to common shares	4,545,454	2,000,000
Share issue costs paid in cash	–	(11,558)
Fair value of warrants issued pursuant to private placement	–	(147,584)
Stock options exercised	31,250	10,000
Fair value assigned to stock options exercised	–	2,998
Balance, March 31, 2009	78,196,721	\$ 71,507,104
Allocation of private placement proceeds ascribed to common shares	4,233,836	1,270,151
Share issue costs paid in cash	–	(23,301)
Fair value of warrants issued pursuant to private placement	–	(375,913)
Fair value of broker warrants issued pursuant to private placement	–	(7,991)
Common shares issued relating to Bridge Loan	2,266,731	285,780
Balance, September 30, 2009	84,697,288	\$ 72,655,830

(c) During the six month period ended September 30, 2009, the Company completed the following share capital transactions:

i) On September 16, 2009 the Company announced the completion of a non-brokered private placement of 4,233,836 units at a price of \$0.30 per unit for gross proceeds of \$1,270,151. Each unit consists of one common share and one half transferable share purchase warrant. One whole warrant entitles the holder to purchase an additional common share at \$0.35 until September 16, 2011. A finder's fee of \$16,200 plus 45,000 warrants exercisable at \$0.35 per share was paid.

The fair value of the warrants has been estimated using the Black-Scholes option-pricing model and has been allocated \$894,238 to common shares and \$375,913 to contributed surplus based on the fair value of the warrants. The assumptions used in the Black-Scholes option pricing model were: dividend yield: 0%; expected volatility 129%; a risk-free interest rate of 2.06% and an expected life of 2 years.

ii) During the six month period ended September 30, 2009 the Company issued 2,165,135 common shares as bonus shares relating to the bridge loans and finder's fees of 101,596 common shares. The value of these common shares issued is \$273,280 and the value of the common shares issued as finder's fees is \$12,500.

ANDEAN AMERICAN MINING CORP.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

11. SHARE CAPITAL - continued

(d) During the six month period ended September 30, 2008, the Company completed the following share capital transactions:

ii) On July 3, 2008 the Company announced the completion of a non-brokered private placement of 4,545,454 units at a price of \$0.44 per unit for gross proceeds of \$2,000,000. Each unit consists of one common share and one half non-transferable share purchase warrant. One whole warrant entitles the holder to purchase an additional common share at \$0.55 until July 3, 2010. No finder's fees were paid.

The fair value of the warrants has been estimated using the Black-Scholes option-pricing model and has been allocated \$1,852,416 to common shares and \$147,584 to contributed surplus based on the fair value of the warrants. The assumptions used in the Black-Scholes option pricing model were: dividend yield: 0%; expected volatility 60.99%; a risk-free interest rate of 3.05% and an expected life of 2 years.

(e) Warrants

A summary of share warrants activity for the period ended September 30, 2009 is as follows:

	Number of Warrants	Amount
Balance, March 31, 2008	11,816,451	\$ 2,783,049
Issued pursuant to private placement	2,272,727	147,584
Balance, March 31, 2009	14,089,178	2,930,633
Issued pursuant to private placement	2,116,918	375,913
Agent warrants	45,000	7,991
Expired	(6,232,896)	(1,175,035)
Balance, September 30, 2009	10,018,200	\$ 2,139,502

As at September 30, 2009, the issued and outstanding warrants to purchase common shares of the Company is as follows:

Expiry Date	Exercise price	Number
December 17, 2009	\$0.85	1,538,500
December 21, 2009	\$0.85	3,015,000
December 22, 2009	\$0.90	716,560
December 22, 2009	\$0.85	313,495
July 3, 2010	\$0.55	2,272,727
September 18, 2011	\$0.35	2,116,918
September 18, 2011	\$0.35	45,000
	(i)	10,018,200

(i) Weighted average price of the warrants outstanding is \$0.68

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11. SHARE CAPITAL - continued

(f) 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.

A summary of stock options outstanding and exercisable as at September 30, 2009 is as follows:

Number Outstanding March 31 2009	Issued	Exercised	Forfeited/ Cancelled	Number Outstanding September 30 2009	Exercise Price Per Share	Expiry date
25,000	-	-	-	25,000	\$ 1.00	November 3, 2009
100,000	-	-	-	100,000	\$ 0.75	March 13, 2010
300,000	-	-	-	300,000	\$ 0.76	November 22, 2010
163,000	-	-	-	163,000	\$ 0.73	March 7, 2011
300,000	-	-	-	300,000	\$ 0.74	March 15, 2011
2,370,000	-	-	(20,000)	2,350,000	\$ 0.71	October 29, 2012
1,350,000	-	-	-	1,350,000	\$ 0.30	September 26, 2013
-	100,000	-	-	100,000	\$ 0.25	June 25, 2012
-	200,000	-	-	200,000	\$ 0.25	June 23, 2012
-	100,000	-	-	100,000	\$ 0.25	August 6, 2012
-	400,000	-	-	400,000	\$ 0.25	September 9, 2014
-	1,500,000	-	-	1,500,000	\$ 0.30	September 16, 2014
4,608,000	2,300,000	-	(20,000)	6,888,000	\$0.25 - \$1.00	November 3, 2009 - September 16, 2014

(i) As of September 30, 2009, 4,693,000 options are fully vested

(ii) During the six months ended September 30, 2009 20,000 options were cancelled.

(iii) Subsequent to September 30, 2009, 25,000 options expired and 420,000 options were cancelled.

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11. SHARE CAPITAL - continued

(f) Stock options - continued

A summary of stock options outstanding and exercisable as at September 30, 2008 is as follows:

Number Outstanding March 31 2008	Issued	Exercised	Forfeited/ Cancelled	Number Outstanding September 30 2008	Exercise Price Per Share	Expiry date
300,000	-	-	(300,000)	-	\$ 0.85	August 19, 2008
30,000	-	-	(30,000)	-	\$ 1.00	August 24, 2008
200,000	-	-	-	200,000	\$ 1.25	November 29, 2008
96,000	-	-	-	96,000	\$ 1.10	March 1, 2009
786,700	-	-	(70,000)	716,700	\$ 0.85	September 8, 2009
40,000	-	-	(15,000)	25,000	\$ 1.00	November 3, 2009
30,000	-	-	(30,000)	-	\$ 1.00	January 15, 2010
150,000	-	-	(50,000)	100,000	\$ 0.75	March 13, 2010
200,000	-	-	(200,000)	-	\$ 0.75	April 23, 2010
125,000	-	-	(125,000)	-	\$ 0.75	April 23, 2010
250,000	-	-	(250,000)	-	\$ 0.65	May 25, 2010
300,000	-	-	-	300,000	\$ 0.76	November 22, 2010
250,000	-	-	(250,000)	-	\$ 0.62	January 11, 2011
163,000	-	-	-	163,000	\$ 0.73	March 7, 2011
300,000	-	-	-	300,000	\$ 0.74	March 15, 2011
2,460,000	-	-	(50,000)	2,410,000	\$ 0.71	October 29, 2012
	31,250	(31,250)	-	-	\$ 0.32	August 22, 2009
-	1,350,000	-	-	1,350,000	\$ 0.30	September 26, 2013
5,680,700	1,381,250	(31,250)	(1,370,000)	5,660,700	\$1.00	September 26, 2013

(i) As of September 30, 2008, 4,198,200 options are fully vested

(ii) During the six months ended September 30, 2008, 400,000 options expired and 970,000 options were forfeited

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11. SHARE CAPITAL - continued

(g) Stock Based Compensation

During the six month period ended September 30, 2009, the Company granted 2,300,000 stock options to its employees and independent consultants with an exercise prices of \$0.25 - \$0.30 per share. Of these 2,300,000 options 400,000 vested immediately and 1,900,000 are vested over twelve months. For the six month period ended September 30, 2009, Andean recorded \$210,272 (2008 - \$1,341,729) of stock based compensation on a consolidated basis, of this amount \$198,128 (2008 - \$1,053,177) was for stock based compensation expense and \$12,144 (2008 - \$261,552) was capitalized to resources 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 2.06% to 3.13% (2008 – 2.56% to 4.30%), dividend yield of 0% (2008 - 0%), volatility of 72% to 129% (2008: 63 to 74%) and with an expected life of 1 to 5 years (2008 – 1 to 5 years).

12. CONTRIBUTED SURPLUS

A continuity of contributed surplus for the period ended September 30, 2009 is as follows:

Balance, March 31, 2008	\$ 9,182,035
Non-cash stock-based compensation of Andean American Mining Corp.	969,477
Contributed surplus of Sinchao Metals Corp.	914,921
Fair value of warrants issued pursuant to private placement	147,584
Fair value assigned to stock options exercised	<u>(2,998)</u>
Balance, March 31, 2009	<u>\$ 11,211,019</u>
Non-cash stock-based compensation of Andean American Mining Corp.	143,070
Contributed surplus of Sinchao Metals Corp.	67,202
Fair value of warrants issued pursuant to private placement	375,913
Fair value assigned to agent warrants	<u>7,991</u>
Balance, September 30, 2009	<u>\$ 11,805,195</u>

13. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in these financial statements, related party transactions are recorded at the exchange amount which is the amount of consideration paid or received as agreed by the parties. Related party transactions are as follows:

During the six months ended September 30, 2009, the Company was charged \$111,650 (2008 - \$173,661) for management, professional and geological services provided by three directors of the Company. In addition, the Company was charged \$6,050 (2008 - \$1,153) for administrative and professional services by a company controlled by a director of the Company.

During the six months ended September 30, 2009, the Company received and/or accrued amounts from a related company, Sinchao Metals Corp., and its subsidiaries \$186,800 (2008 - \$209,000) for geological and administrative services including a 100% mark-up in accordance with the Share Exchange Agreement.

ANDEAN AMERICAN MINING CORP.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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14. SEGMENTED INFORMATION

The Company's only activities are the operations of the Canadian head office and the exploration and development of mineral properties and the operation of the Santa Rosa mine facility, all of which are in Peru.

	September 30, 2009		March 31, 2009	
	Canada	Peru	Canada	Peru
	\$	\$	\$	\$
Cash	306,987	83,542	16,652	11,706
Accounts receivable	63,576	328,513	112,854	174,183
Prepays	27,608	72,317	18,758	14,722
Inventory	-	-	-	181,628
Property, plant and equipment	17,185	1,601,734	39,044	1,625,392
Mineral property	-	42,959,230	-	41,714,764
	415,356	45,045,336	187,308	43,722,395

	September 30, 2009		September 30, 2008	
	Canada	Peru	Canada	Peru
	\$	\$	\$	\$
Revenue	-	233,141	-	2,050,340
Operating expenses	370,085	736,123	1,895,168	2,517,767
Net Income (Loss)	2,357,362	(2,728,015)	(4,411,528)	1,287,337

15. CONTINGENCIES

A previous participant in the Invicta (previously Victoria) Project has advised the Company that they retain a minority interest in the project. The Company has been advised of legal application initiated in the Supreme Court of Ontario by the third party claiming an ownership interest in the Invicta Project. 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 the Company thus considers the participant to have abandoned any interest in the Invicta project. Andean purchased a 100% of the mining rights from American Barrick's Peruvian subsidiary

SUNAT, the Peruvian tax authority, has completed its audit of the tax filings of the Company's Peruvian subsidiary for the years 2002 to 2004. SUNAT has challenged the deductibility of certain property write-offs and foreign exchange losses in those filings that may result in additional tax assessments and the imposition of fines and interest amounting in total to approximately US\$5,000,000. The Company's is of the opinion that most of these deductions are legitimate and can be successfully defended in the appeals processes that are available under Peruvian law. These processes may take as long as five years to reach a conclusion. During the prior year the Company has made a provision in its accounts in the amount of \$754,951 (US\$734,460) for potential taxes payable.

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16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring its mineral interest projects in Peru to commercial production.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash, all held with major Canadian financial institutions.

17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities. For cash and cash equivalents, accounts receivables, bank indebtedness, accounts payable and accrued liabilities and loans payable, carrying value is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, foreign exchange, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and commodity price risk.

(a) Currency risk

The Company's property interests in Peru make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign currencies. The Company does not invest in foreign currency contracts to mitigate the risks.

The Company is exposed to foreign currency fluctuations to the extent cash, accounts receivable and accounts payable and accrued liabilities of the Company are not denominated in Canadian dollars. As at September 30, 2009 the Company had \$82,349 of cash denominated in US dollars (March 31, 2009 - \$3,276); and 92,457 in Peruvian Soles (March 31, 2009 - 16,937). As at September 30, 2009, there were \$174,040 of accounts receivable denominated in US dollars (March 31, 2009 - \$124,571); and 78,237 in Peruvian Soles (March 31, 2009 - 75,197). As at September 30, 2009 there were \$2,939,252 of liabilities denominated in US dollars (March 31, 2009 - \$3,546,667); and 3,618,038 in Peruvian Soles (March 31, 2009 - 914,767). These liabilities were included in accounts payable and accrued liabilities.

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17. FINANCIAL INSTRUMENTS – continued

(b) Credit risk

The Company's cash and cash equivalents are held in a Canadian and Peruvian financial institution (Peruvian Soles and US Dollar). The Company does not have any asset-backed commercial paper in its cash and cash equivalents. The Company's amount receivable consists primarily of goods and services tax due from the federal government of Canada and IGV tax due from the Peruvian government.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure (Note 16).

Accounts payable and accrued liabilities are due within the current operating period.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash and cash equivalents is limited because they are generally held to maturity.

(e) Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of gold. The Company has not hedged any of its future gold sales. The Company's input costs are also affected by the price of fuel. The Company closely monitors gold and fuel prices to determine the appropriate course of action to be taken by the Company.

18. SUBSEQUENT EVENTS

- (a) Subsequent to the six months ended September 30, 2009 the Company announced the completion of a non-brokered private placement of 1,600,000 units at a price of \$0.38 per unit for gross proceeds of \$608,000. Each unit consists of one common share of the Company and one half of one transferable share purchase warrant. Each whole warrant is exercisable at \$0.50 and expires on November 25, 2011.
- (b) Subsequent to the six months ended September 30, 2009 the Company granted 450,000 stock options to consultants of the Company at \$0.30 - \$0.44 per share, vesting immediately and exercisable for two years.