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LOS ANDES COPPER LTD.

**CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 and 2008**

AUDITORS' REPORT

To the Shareholders of Los Andes Copper Ltd.

We have audited the consolidated balance sheets of Los Andes Copper Ltd. as at September 30, 2009 and 2008 and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2009 and 2008 and the results of its operations, comprehensive loss and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

De Visser Gray LLP

CHARTERED ACCOUNTANTS
Vancouver, Canada

January 4, 2010

LOS ANDES COPPER LTD.
CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30,

	2009	2008
ASSETS		
Current		
Cash and cash equivalents	\$ 1,642,260	\$ 6,178,461
Receivables	7,362	27,379
Prepaid expenses	11,597	47,392
	<u>1,661,219</u>	<u>6,253,232</u>
VAT tax credits (Note 2)	1,381,605	1,159,755
Mineral properties (Notes 5, 7 and 8)	35,556,832	33,353,722
Equipment (Note 6)	<u>18,081</u>	<u>22,360</u>
	<u>\$ 38,617,737</u>	<u>\$ 40,789,069</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 207,928	\$ 700,823
Outstanding water rights payment (Note 7)	1,153,949	1,103,130
	<u>1,361,877</u>	<u>1,803,953</u>
Outstanding water rights payment (Note 7)	-	1,103,130
Future income tax liability (Note 12)	<u>4,566,328</u>	<u>4,133,870</u>
	<u>5,928,205</u>	<u>7,040,953</u>
Contingencies (Note 15)		
Shareholders' equity		
Capital stock (Note 9)	42,057,780	42,057,780
Value assigned to stock options and agents' warrants (Note 9)	2,266,523	2,266,523
Deficit	(11,590,451)	(10,531,867)
Accumulated other comprehensive loss	<u>(44,320)</u>	<u>(44,320)</u>
	<u>32,689,532</u>	<u>33,748,116</u>
	<u>\$ 38,617,737</u>	<u>\$ 40,789,069</u>

Nature and continuance of operations and going concern (Note 1)
Subsequent events (Note 16)

On behalf of the Board:

"Donald Siemens" Director _____
"Francis O'Kelly" Director

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

LOS ANDES COPPER LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
YEARS ENDED SEPTEMBER 30,

	2009	2008
EXPENSES		
Amortization	\$ 8,104	\$ 7,284
Consulting, salaries and management fees (Note 8)	196,488	331,696
Interest expense	-	1,235
Office and administration	34,634	30,097
Professional fees (Note 8)	157,668	191,423
Shareholder communications	74,002	70,758
Stock-based compensation expense	-	1,105,590
Transfer agent, filing and regulatory fees	17,960	95,917
Travel, promotion and entertainment	8,917	28,436
Loss before other items	(497,773)	(1,862,436)
OTHER ITEMS		
Foreign exchange expense	(212,310)	(159,038)
Interest income	83,957	114,322
Loss before income tax	(626,126)	(1,907,152)
Future income tax expense (Note 12)	(432,458)	(1,952,769)
Loss and comprehensive loss for the year	\$ (1,058,584)	\$ (3,859,921)
Basic and diluted loss per share (Note 2)	\$ (0.01)	\$ (0.05)
Weighted average number of shares outstanding	93,599,266	77,700,359

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

LOS ANDES COPPER LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30,

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year from operations	\$ (1,058,584)	\$ (3,859,921)
Items not affecting cash:		
Amortization	8,104	7,284
Future income tax expense	432,458	1,952,769
Stock-based compensation	-	1,105,590
Unrealized foreign exchange expense	50,819	57,906
Change in non-cash working capital items:		
Receivables	20,017	284,393
Prepaid expenses	35,795	(26,054)
Accounts payable and accrued liabilities	(24,011)	39,657
Net cash used in operating activities	<u>(535,402)</u>	<u>(438,376)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares for cash, net of share issue costs	-	14,713,487
Net cash provided by financing activities	<u>-</u>	<u>14,713,487</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of mineral properties	(1,122,495)	(1,001,037)
Water rights	(1,103,130)	(2,103,667)
Deferred exploration costs	(1,549,499)	(5,324,581)
Purchase of equipment	(3,825)	(29,644)
VAT tax credits	(221,850)	(910,082)
Net cash used in investing activities	<u>(4,000,799)</u>	<u>(9,369,011)</u>
Change in cash for the year	(4,536,201)	4,906,100
Cash and cash equivalents, beginning of year	6,178,461	1,272,361
Cash and cash equivalents, end of year	\$ 1,642,260	\$ 6,178,461

Supplementary cash flow information (Note 13)

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

LOS ANDES COPPER LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	Common shares					
	No. of shares	Amount	Deficit	Value assigned to stock options and agent's warrants	Accumulated Other Comprehensive Income	Shareholders' Equity
		(\$)	(\$)	(\$)	(\$)	(\$)
Balance – September 30, 2007	62,599,266	27,372,188	(6,671,946)	1,133,038	(44,320)	21,788,960
Issuance of shares -						
Private and brokered placements	31,000,000	14,685,592	-	-	-	14,685,592
Agent's warrants	-	-	-	27,895	-	27,895
Options granted	-	-	-	1,105,590	-	1,105,590
Net loss for the year	-	-	(3,859,921)	-	-	(3,859,921)
Balance – September 30, 2008	93,599,266	42,057,780	(10,531,867)	2,266,523	(44,320)	33,748,116
Net loss for the year	-	-	(1,058,584)	-	-	(1,058,584)
Balance – September 30, 2009	93,599,266	42,057,780	(11,590,451)	2,266,523	(44,320)	32,689,532

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

LOS ANDES COPPER LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 and 2008

1. NATURE AND CONTINUANCE OF OPERATIONS

Los Andes Copper Ltd. ("the Company") was incorporated under the laws of British Columbia. Its principal business activities are the identification, acquisition, exploration and development of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The Company's shares trade on the TSX Venture Exchange ("TSX-V").

In the fiscal year ended September 30, 2007, the Company acquired all of the issued and outstanding shares of Vizcachitas Limited. Vizcachitas Limited owns 399 of the 400 issued and outstanding shares in Compañía Minera Vizcachitas Holding ("CMV"). The remaining share in CMV was purchased directly by the Company. CMV owns certain interests which comprise the Vizcachitas Property in Region V, Chile.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assume that the Company will be able to continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has made an assessment of its ability to continue as a going concern and is aware of several material adverse conditions as set out below that cast significant doubt on the validity of this assumption.

The Company is a mineral exploration company with a history of recurring losses and without a source of revenue. At September 30, 2009, the Company had no source of operating cash flow and an accumulated deficit of \$11,590,451 (2008 - \$10,531,867). At September 30, 2009, the Company had working capital of \$299,342 (2008: \$4,449,279). Operations for the years ended September 30, 2009 were funded from cash at hand. In fiscal 2008 and prior years, the Company funded operations from the issuance of share capital.

Given its current stage of operations, the Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. The current equity market conditions, the challenging funding environment and the low price of the Company's common shares make it dilutive and difficult to raise funds by the sale of the Company's shares. The Company and the junior resource industry have been severely impacted by the global financial crisis which began in 2008. If the Company is unable to raise adequate financing to meet its current and contractual obligations, the carrying value of the Company's assets could be subject to material adjustments.

These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities which may be required should the Company be unable to continue as a going concern.

	2009	2008
Net working capital	\$ 299,342	\$ 4,449,279
Cumulative operating deficit	(11,590,451)	(10,531,867)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements include the accounts of the Company and its subsidiaries, Vizcachitas Limited and Compañía Minera Vizcachitas Holding, which were acquired on February 8, 2007 (Note 4). All significant inter-company transactions and balances have been eliminated. In the opinion of management, all of the adjustments necessary to fairly present the consolidated financial statements set forth herein have been made.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid investments with maturities of three months or less when purchased or which are readily convertible into known amounts of cash. Interest earned is recognized immediately in operations.

VAT tax credits

Expenses incurred by the Company in Chile, including deferred exploration expenses, are subject to a Chilean Value Added Tax ("VAT"). The VAT is not refundable to the Company, but can be used in future to offset amounts due to the Chilean Revenue Service by the Company resulting from VAT charged to clients on future sales.

Mineral interests

Following the acquisition of the Vizcachitas Property, the Company follows the method of accounting for its mineral interests whereby all costs related to acquisition, exploration and development are capitalized by project. These costs will be amortized against revenue from future production or written off if the interest is abandoned or sold. On the commencement of commercial production, net costs will be charged to operations by project using the units of production method and based upon estimated recoverable reserves.

The amounts shown for mineral interests represent costs incurred to date and do not necessarily reflect present or future values. Management will review the carrying values of mineral interests on a project by project basis at least annually to determine if they have become impaired. If impairment is determined to exist, the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized for mineral properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Property option agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Because options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

Asset retirement obligations

The Company recognizes a liability for an asset retirement obligation when it is determinable and calculates the liability based upon discounted future payments to be made. A corresponding amount is added to the carrying amount of the related long-lived asset, and this amount is subsequently allocated to expense over its expected life. Adjustments may also be made to asset retirement obligations in subsequent periods due to changes in estimates. As at September 30, 2009, the Company does not have any asset retirement obligations.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded using the following method and annual rate:

Machinery and equipment	20% straight-line
Software	50% straight-line

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Retirement of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant. If the Company determines that the carrying amount of the assets exceeds their estimated undiscounted net cash flow from use or their fair value, the estimated amount of the impairment is charged to earnings.

Stock-based compensation

The Company follows the applicable accounting standard for stock-based compensation under which the fair value method is used for the accounting of stock options granted, and compensation expense is recognized over the options' vesting period for options granted to officers and directors and as services are rendered for options granted to consultants.

Transaction costs

The Company recognizes transaction costs incurred in connection with issuance of capital as share issuance costs which are netted against gross proceeds from related transactions rather than being expensed as incurred. Transaction costs for assets and liabilities classified as held for trading are expensed as incurred.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Foreign currency translation

The Company's functional currency is the Canadian dollar. The Vizcachitas subsidiary operations are regarded as being integrated with the parent company and therefore the temporal method of translation has been applied. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities are translated at the exchange rate in effect at the time of the transaction. Revenues and expenses are also translated at rates in effect at the time of the transaction. Gains and losses on translation are included in the results from operations.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings/loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. In the Company's case, basic and diluted loss per share are the same because the effect of outstanding stock options and warrants is anti-dilutive.

Financial Instruments

The Company classifies its financial instruments as held for trading. Financial assets and liabilities held for trading are measured at fair value with gains and losses recognized in net income.

3. ADOPTION OF NEW ACCOUNTING STANDARDS AND ACCOUNTING PRONOUNCEMENTS

a) Adoption of new standards:

Effective October 1, 2008 the Company adopted the following new accounting standards:

General Standards of Financial Statement Presentation (CICA Section 1400)

In June 2007, the CICA amended Section 1400, "General Standards of Financial Statement Presentation" to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least but not limited to 12 months from the balance sheet date.

Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. These amendments are effective for fiscal years beginning on or after January 1, 2008 and therefore the Company has implemented them as of October 1, 2008.

Section 3064 - Goodwill and intangible assets

CICA Handbook Section 3064 replaced CICA 3062, 3450, EIC 27 and part of AcG11. The portions in the new standard with respect to Goodwill remain unchanged. The provisions relating to the definition and initial recognition of intangible assets are equivalent to those found in International Reporting Financial Standards ("IFRS"). The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at September 30, 2009 and the year then ended.

b) Recent pronouncements:

Business combination, Consolidated Financial Statements and Non-controlling interest

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". Section 1582 replaces existing Section 1581 "Business Combinations", and Sections 1601 and 1602 together replace Section 1600 "Consolidated Financial Statements." The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 "Business Combinations" and International Accounting Standard IAS 27 "Consolidated and Separate Financial Statements" respectively. The impact of adopting these new standards has not yet been assessed and cannot reasonably be estimated at this time.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board will require all public companies to use IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of fiscal year 2012 when the Company will prepare both the current and comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems. 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.

4. VIZCACHITAS LIMITED

On February 8, 2007, the Company acquired from Global Copper Corp. ("Global") all of the issued and outstanding shares of Vizcachitas Limited. Vizcachitas Limited owns 399 of the 400 issued and outstanding shares in Compañía Minera Vizcachitas Holding ("CMV"), a company incorporated under the laws of Chile. The remaining share in CMV is owned by the Company. CMV owns the following interests which comprise the Vizcachitas Property:

1. 51% of the shares of Sociedad Legal Minera San José Uno de Lo Vicuña, El Tártaro y Piguchén de Putaendo ("San José SLM"), a Chilean Sociedad Legal Minera ("SLM"), which is the owner of the San José mining concessions (the "SJ Concessions");
2. 30 mining rights (the "Mining Rights"), of which 27 are existing exploitation mining concessions encircling the SJ Concessions and 3 are exploration mining concessions in process of constitution (exploration claims); and
3. An option agreement to purchase 100% of five additional exploitation mining concessions (the "Additional Concessions" and together with the SJ Concessions and the Mining Rights, the "Property"), also encircling the SJ Concessions.

All of the Property, with the exception of the SJ Concessions, is subject to NSR royalties of 2% on any surface production and 1% on any underground production.

In the case of the SJ Concessions, the Company's portion of NSR royalties is 1.02% on surface mining and 0.51% on underground mining.

The Company owns an indirect 51% majority interest in San José SLM. Chilean legal counsel have advised that an SLM is regulated by the Chilean Mining Code (the "Code"), according to which (i) the administrators of the SLM are appointed in shareholders' meetings and have the power to administer the SLM, including entering into labour contracts, buying materials necessary for the exploration or exploitation of the mine and processing of the mine's products, paying debts and collecting credits of the SLM and selling ore extracted from the SLM's properties; (ii) all other matters not entrusted by the Code to the administrator are decided in shareholders' meetings, which are presided over by the shareholder with the highest number of shares; (iii) in most cases matters are decided by the majority of the shares, including the determination of the amount of contributions for expenses of maintenance and exploration or exploitation of the concessions (the "Expenses"); and (iv) the shareholders are required to contribute to the payment of the Expenses in proportion to the shares they hold in the SLM. The Company understands a single Chilean company ("Minority Shareholder") owns the remaining 49% minority interest in San José SLM.

Consideration for the acquisition of the Vizcachitas Property was comprised of US\$10,400,000 in cash and the issuance to Global of 6,280,000 shares and 3,900,000 share purchase warrants in the capital of the Company. Each warrant entitles the holder to acquire one additional share of the Company to February 7, 2010, at an exercise price of \$1.00 per share. In addition, Global was granted net smelter royalties of 2% on revenues generated from open pit operations and 1% on revenues generated from underground operations on certain of the claims comprising the Vizcachitas Property.

On August 1, 2008, Teck Cominco Limited acquired all the shares of Global and, pursuant to a plan of arrangement, the 6,280,000 shares, 3,900,000 share purchase warrants and the net smelter royalties were transferred to Lumina Copper Corp., a company listed on the TSX-V.

LOS ANDES COPPER LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 and 2008

5. MINERAL PROPERTIES

As at September 30, 2009, all of the Company's mineral properties are located in Region V, Chile.

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to its properties are in good standing.

	Total costs to Sept. 30, 2007	Costs incurred in year ended Sept. 30, 2008	Total costs to Sept. 30, 2008	Costs (impairment) incurred in year ended Sept. 30, 2009	Total costs to Sept. 30, 2009
VIZCACHITAS					
Acquisition costs	\$ 20,893,962	\$ 1,001,037	\$ 21,894,999	\$ 1,122,495	\$ 23,017,494
Water rights	-	4,252,021	4,252,021	-	4,252,021
Deferred exploration					
Automobile and travel	17,022	34,957	51,979	2,379	54,358
Assaying	13,956	121,313	135,269	6,987	142,256
Camp rehabilitation, maintenance & security	94,653	190,619	285,272	83,912	369,184
Core handling & storage	17,596	6,829	24,425	2,672	27,097
Drilling	910,247	2,500,511	3,410,758	175,629	3,586,387
Equipment and equipment rental	119,303	299,321	418,624	9,991	428,615
Exploration administration	61,132	101,554	162,686	97,046	259,732
Food & accommodation	62,748	204,825	267,573	12,162	279,735
Geological consulting	41,913	79,411	121,324	29,638	150,962
Other	37,998	(28,352)	9,646	390	10,036
Property & surface rights, taxes & tenure fees	46,340	80,650	126,990	99,498	226,488
Studies and other consulting	33,458	381,300	414,758	493,581	908,339
Subcontractors	280,263	998,896	1,279,159	30,053	1,309,212
Supplies	150,592	347,647	498,239	36,677	534,916
	1,887,221	5,319,481	7,206,702	1,080,615	8,287,317
	\$ 22,781,183	\$ 10,572,539	\$ 33,353,722	\$ 2,203,110	\$ 35,556,832

As per an agreement dated September 21, 2005 and amended on November 28, 2008, the Company is committed to making the payments outlined below in connection with an option to acquire a 100% interest in the Additional Concessions:

US\$ 400,000	November 30, 2009	(Note 16)
400,000	May 31, 2010	
<u>650,000</u>	November 30, 2010	
US\$ 1,450,000		

6. EQUIPMENT

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	\$ 29,644	\$14,751	\$ 14,893	\$ 29,644	\$7,284	22,360
Software	3,825	637	3,188	-	-	-
	\$ 33,469	\$15,388	\$ 18,081	\$ 29,644	\$7,284	\$ 22,360

7. WATER RIGHTS

During the year ended September 30, 2008 the Company entered into an agreement to purchase a 250 litres per second (lps) water right, which is an entitlement to permanent, continuous, consumptive use of 250 lps of flow from the Aconcagua River located near Vizcachitas. Under the terms of the agreement, the Company agreed to pay the vendor US\$17,000 per lps, for a total purchase price of \$4,252,021 (US\$4,250,000). Payments for the water rights were structured with the vendor as to 50% or US\$2,125,000 payable on closing (paid), 25% or US\$1,062,500 due in January 2009 (paid) and the final 25% or US\$1,062,500 due in January 2010.

8. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2009, the Company paid or accrued \$109,738 in management fees (2008: \$165,113), \$24,750 in directors' fees (2008: \$38,584), \$26,488 in geological consulting fees (2008: \$54,113) and \$27,820 in legal fees (2008: \$42,800) to companies related to directors and officers of the Company.

Included in the accounts payable and accrued liabilities balance at September 30, 2009 is \$6,048 due to officers and directors of the Company (2008: \$14,658).

Amounts due to and from related parties are non-interest bearing, unsecured and have no fixed terms of repayment. These transactions were in the normal course of operations and were measured at fair value as determined by management.

9. CAPITAL STOCK AND VALUE ASSIGNED TO STOCK OPTIONS AND AGENTS' WARRANTS

Authorized – unlimited common shares without par value.

No shares were issued in the year ended September 30, 2009.

During the year ended September 30, 2008, the Company:

- (a) Completed a non-brokered private placement of 15,000,000 units to raise \$7,500,000. Each unit consisted of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.75 until November 24, 2008. In connection with the private placement, the Company paid aggregate finders' fees of \$305,025.
- (b) Completed a non-brokered private placement of 1,000,000 units to raise \$500,000. Each unit consisted of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.75 until January 12, 2009. In connection with the private placement, the Company paid aggregate finders' fees of \$35,000.

LOS ANDES COPPER LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 and 2008

9. CAPITAL STOCK AND VALUE ASSIGNED TO STOCK OPTIONS AND AGENTS' WARRANTS
(cont'd...)

- (c) Completed a brokered and non-brokered private placement of 15,000,000 units to raise \$7,500,000. Each unit consisted of one common share and one non-transferable share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.70 until August 21, 2009. A total of 8,830,000 units were sold pursuant to the brokered portion of the private placement, and 6,170,000 units were sold pursuant to the non-brokered portion of the private placement. In connection with the brokered portion of the private placement, Los Andes paid Agents' commissions totalling \$286,975, a corporate finance fee of \$20,000, and issued a total of 350,000 Agents' warrants. Each of the Agents' warrants entitles the holder to acquire one additional common share of the Company at a price of \$0.55 until August 21, 2009. In connection with a portion of the non-brokered portion of the private placement, Los Andes paid aggregate finder's fees of \$116,325.

Value assigned to stock options

Value assigned to stock options arises from stock-based compensation expense for stock purchase options granted to directors, officers and consultants, in compliance with current accounting standards.

No options were granted in the year ended September 30, 2009.

The following assumptions were used for the Black-Scholes valuation of options granted during the year ended September 30, 2009:

	2009	2008
Risk-free interest rate	-	3.04 – 3.71%
Expected life of options	-	5 years
Annualized volatility	-	96.42 – 99.09%
Dividend rate	-	0.00%

During the year ended September 30, 2008, the Company recorded a stock-based compensation expense of \$1,105,590 offset to Value assigned to stock options, for grants in the aggregate amount of 2,800,000 options to directors, officers and consultants of the Company.

Stock options

Under its stock option plan, the Company is authorized to grant stock options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Generally under the plan, stock options vest on grant and have no more than a five year term. The exercise price of each option is determined by the board of directors, but cannot be less than the closing price of the Company's common shares on the day preceding the day the option is granted, less any discount permitted by the TSX Venture Exchange, and subject to a minimum of \$0.10 per share.

LOS ANDES COPPER LTD.
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9. CAPITAL STOCK AND VALUE ASSIGNED TO STOCK OPTIONS AND AGENTS' WARRANTS
(cont'd...)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, September 30, 2007	2,050,000	\$ 0.60
Granted	<u>2,800,000</u>	0.52
Balance, September 30, 2008 and 2009	<u>4,850,000</u>	0.55
Exercisable, September 30, 2008 and 2009	<u>4,850,000</u>	\$ 0.55

At September 30, 2009, the following stock options were outstanding and exercisable:

Number of Options	Exercise Price	Expiry Date
2,000,000	\$0.60	May 10, 2012
50,000	\$0.40	August 28, 2012
2,550,000	\$0.51	November 30, 2012.
<u>250,000</u>	\$0.62	April 30, 2013
<u>4,850,000</u>		

At September 30, 2009, the weighted average contractual life remaining of the options was 2.96 years and their weighted average exercise price was \$0.55 per share.

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2007	25,282,383	1.00
Issued	23,350,000	0.71
Expired	<u>(21,382,383)</u>	1.00
Balance, September 30, 2008	<u>27,250,000</u>	0.76
Expired	<u>(23,350,000)</u>	0.71
Balance, September 30, 2009	<u>3,900,000</u>	1.00

At September 30, 2009, the following warrants were outstanding:

Number of Shares	Exercise Price	Expiry Date
3,900,000	\$1.00	February 7, 2010

10. ACCOUNTING FOR FINANCIAL INSTRUMENTS

Fair Values

The Company's financial instruments include cash and cash equivalents, receivables, accounts payable, accrued liabilities and amounts due for water rights. The fair value of these financial instruments equals their carrying value, due to the short-term nature of these instruments. Financial instruments are classified as "held for trading" for accounting purposes.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and receivables. Cash and cash equivalent deposits are maintained with a financial institution of reputable credit and are redeemable on demand. Receivables consist of Input Tax Credits owed to the Company by the Government of Canada and interest accrued on cash equivalents. Accordingly, the Company's opinion is that credit risk is minimal.

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's approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity funding, or will engage in negotiations to extend terms with debtors. The Company manages liquidity by continuously monitoring and forecasting cash flows.

Foreign Exchange Risk

The Company faces certain foreign risk as most of its expenses are deferred exploration expenses incurred in Chile and the Chilean peso may appreciate or depreciate against the Canadian dollar, the Company's reporting currency. It also has exposure risk with respect to amounts due for option payments (Note 5) and water rights (Note 7), as these amounts are owed in US dollars. The Company has chosen not to actively manage its foreign exchange risk. Notwithstanding, the Company continuously monitors this exposure to determine if any mitigation strategies may become necessary.

Interest Rate Risk

Included in the results of operations of the Company is interest income on Canadian Dollar holdings. Interest income is not material to the Company. The Company has no outstanding debt subject to interest. Accordingly the Company's opinion is that there currently is no interest rate risk for the Company.

11. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return on investment to shareholders and to the extent possible, maintain a flexible capital structure which optimizes the cost of capital at acceptable risk.

There were no changes to the Company's approach to capital management during the year ended September 30, 2009.

The Company is not subject to externally imposed capital requirements.

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12. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2009	2008
Loss for the year before income taxes	\$ (626,126)	\$ (1,907,152)
Expected income tax recovery	\$ (166,102)	\$ (577,393)
Non-deductible expenses	(91,635)	249,056
Unrecognized benefit of non-capital losses	257,737	328,337
Adjustment of future income tax liability to actual	(\$432,458)	(1,952,769)
Total income tax expense	(\$432,458)	\$ (1,952,769)

The significant components of the Company's future income tax assets are as follows:

	2009	2008
Future income tax assets (liabilities):		
Non-capital loss available for future periods	879,030	760,500
Share issue costs	92,111	143,086
Capital loss available	313,542	313,542
Plant and equipment	(2,366)	(3,800)
Resource properties	(5,848,645)	(5,347,198)
Net future tax liability	(4,566,328)	(4,133,870)

The Company has Canadian and Chilean non-capital losses of approximately \$3,222,000 (2008: \$2,653,000) and \$243,000 (2008: \$416,000) respectively which may be carried forward and applied against taxable income in future years.

The Canadian losses, if not utilized, will expire in the years presented below:

	\$
2009	142,000
2010	160,000
2011	237,000
2012	181,000
2016	278,000
2027	458,000
2028	997,000
2029	769,000
	<u>3,222,000</u>

The Chilean losses can be carried forward indefinitely.

Subject to certain restrictions, the Company also has Canadian mineral property expenditures of approximately \$998,913 (2008: \$998,913) available to reduce taxable income in future years.

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13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2009	2008
Cash received during the year for interest	\$ 83,115	\$ 94,248
Cash paid during the year for interest	\$ -	\$ 1,235

Cash and cash equivalents consist of:

	September 30, 2009	September 30, 2008
Cash	\$ 142,260	\$ 228,461
Cash equivalents	1,500,000	5,950,000
	<u>\$ 1,642,260</u>	<u>\$ 6,178,461</u>

Cash equivalents consist solely of a Guaranteed Investment Certificate ("GIC") which pays interest at a variable rate. The GIC can be converted into cash at any time at the option of the Company.

The significant non-cash transactions during the year ended September 30, 2009 were as follows:

- a) At September 30, 2009, net exploration costs included in accounts payable and accrued liabilities were \$30,586.

The significant non-cash transactions during the year ended September 30, 2008 were as follows:

- a) The Company issued 350,000 warrants valued at \$27,535 as finders' fees in connection with a private placement (Note 9).
- b) At September 30, 2008, net exploration costs included in accounts payable and accrued liabilities were \$499,470.
- c) The Company recorded stock-based compensation of \$1,105,590, calculated using the Black-Scholes pricing model.

14. SEGMENTED INFORMATION

Operating segments

The Company has one operating segment, being the exploration and development of natural resources. The Company's mineral properties are located in Chile

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14. SEGMENTED INFORMATION (cont'd...)

Geographic segments

	2009	2008
Loss for the year		
Canada	\$ (458,929)	\$(1,750,499)
Chile	(599,655)	(2,109,422)
	<u>\$ (1,058,584)</u>	<u>\$(3,859,921)</u>
Assets		
Canada	\$ 1,548,147	\$ 6,053,965
Chile	\$ 37,069,590	\$ 34,735,104
	<u>\$ 38,617,737</u>	<u>\$ 40,789,069</u>

15. CONTINGENCIES

During 2008 the Municipality of Putaendo in Chile filed a claim against CMV for alleged illegal intervention of river beds of the Rocin river. The claim was accepted by the Chilean General Department of Waters ("DGA") who ruled in favour of the Municipality of Putaendo and ordered CMV to correct the natural course of the river. CMV retained Chilean legal counsel and filed a reconsideration remedy before the DGA. The DGA again ruled in favour of the Municipality of Putaendo, and CMV subsequently filed an appeal to the court.

A second claim for alleged illegal intervention of water rights was filed by the Municipality of Putaendo against CMV. CMV, through its Chilean legal counsel has filed an answer to the claim. The final DGA decision on this second claim is pending.

No amounts have been recorded by the Company in respect of these matters as the amounts, if any, are not determinable.

16. SUBSEQUENT EVENTS

Subsequent to September 30, 2009:

- a) The Company made an option payment of US\$400,000, described in Note 5.