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LOS ANDES COPPER LTD.

CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 and 2010

DeVISSER GRAY LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Los Andes Copper Ltd.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Los Andes Copper Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at September 30, 2011 and 2010, and the consolidated statements of operations and comprehensive loss, cash flows and shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Los Andes Copper Ltd. and its subsidiaries as at September 30, 2011 and 2010, and their financial performance and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

De Visser Gray LLP

CHARTERED ACCOUNTANT
Vancouver, BC

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

	2011	2010
ASSETS		
Current		
Cash and cash equivalents (Note 13)	$ 565,184	$ 10,662
Receivables	7,429	10,577
Prepaid expenses	16,684	11,863
	589,297	33,102
Restricted cash (Note 13)	150,911	150,230
VAT tax credits (Note 2)	1,432,149	1,495,131
Mineral properties (Notes 4, 5, 7, 8 and 9)	75,083,065	36,659,126
Equipment (Note 6)	1,555	9,571
	$ 77,256,977	$ 38,347,160
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8 and Note 13)	$ 350,796	$ 459,435
Loan due to shareholder (Note 16)	-	428,516
Outstanding water rights payment (Note 7)	-	546,868
	350,796	1,434,819
Future income tax liability (Note 12)	10,902,637	4,659,184
	11,253,433	6,094,003
Contingencies (Note 15)		
Shareholders' equity		
Capital stock (Note 9)	70,613,111	42,057,780
Value assigned to stock options and warrants (Note 9)	8,166,152	2,266,523
Deficit	(12,731,399)	(12,026,826)
Accumulated other comprehensive loss	(44,320)	(44,320)
	66,003,544	32,253,157
	$ 77,256,977	$ 38,347,160

Nature and continuance of operations and going concern (Note 1)
Subsequent event (Note 17)

On behalf of the Board:

"Klaus Zeitler" Director *"Francisco Covarrubias"* 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,

	2011	2010
EXPENSES		
Amortization	$ 8,016	$ 8,510
Consulting, salaries and management fees (Note 8)	282,732	241,038
Office and administration	31,246	30,219
Professional fees (Note 8)	214,325	136,835
Shareholder communications	8,991	5,981
Stock-based compensation	37,556	-
Transfer agent, filing and regulatory fees	67,604	19,019
Travel, promotion and entertainment	160	6,190
Loss before other items	(650,630)	(447,792)
OTHER ITEMS		
Management fees (Note 8)	(72,000)	-
Foreign exchange gain (expense)	(58,707)	164,603
Interest expense (Note 7)	(32,373)	(63,388)
Interest income	3,450	3,058
Loss before income tax	(810,260)	(343,519)
Future income tax recovery (expense) (Note 12)	105,687	(92,856)
Loss and comprehensive loss for the year	$ (704,573)	$ (436,375)
Basic and diluted loss per share (Note 2)	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	135,304,289	93,599,266

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,

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year from operations	$ (704,573)	$ (436,375)
Items not affecting cash:		
Amortization	8,016	8,510
Future income tax (recovery) expense	(105,687)	92,856
Stock-based compensation	37,556	-
Accrued interest	-	286
Unrealized foreign exchange (gain) expense	81,515	(41,565)
Change in non-cash working capital items:		
Receivables	3,148	(3,215)
Prepaid expenses	(4,821)	(266)
Accounts payable and accrued liabilities	(96,814)	180,621
Net cash used in operating activities	(781,660)	(199,148)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash	3,535,000	-
Share issue costs	(116,336)	-
Loan from (repaid to) shareholder	(428,516)	428,230
Net cash provided by financing activities	2,990,148	428,230
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of mineral properties	(627,225)	(831,928)
Water rights	(531,569)	(565,516)
Deferred exploration costs	(460,659)	(239,710)
VAT tax credits	(34,513)	(113,526)
Net cash used in investing activities	(1,653,966)	(1,750,680)
Change in cash for the year	554,522	(1,521,598)
Cash and cash equivalents, beginning of year	10,662	1,532,260
Cash and cash equivalents, end of year	$ 565,184	$ 10,662

Supplementary cash flow information (Note 13)
Restricted cash (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, 2011 AND 2010

	Common shares					
	No. of shares	Amount ($)	Deficit ($)	Contributed Surplus ($)	Accumulated Other Comprehensive Income ($)	Shareholders' Equity ($)
Balance – September 30, 2009	93,599,266	42,057,780	(11,590,451)	2,266,523	(44,320)	32,689,532
Net loss for the year	-	-	(436,375)	-	-	(436,375)
Balance – September 30, 2010	93,599,266	42,057,780	(12,026,826)	2,266,523	(44,320)	32,253,157
Issuance of shares – Acquisition of mineral property (Note 4)	35,000,000	25,136,667	-	-	-	25,136,667
Issuance of shares – Private placements, net of issue costs	19,333,333	3,418,664	-	-	-	3,418,664
Warrants issued on property acquisition	-	-	-	5,862,073	-	5,862,073
Options vested	-	-	-	37,556	-	37,556
Net loss for the year	-	-	(704,573)	-	-	(704,573)
Balance – September 30, 2011	147,932,599	70,613,111	(12,731,399)	8,166,152	(44,320)	66,003,544

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

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").

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, 2011, the Company had no source of operating cash flow, an accumulated deficit of $12,731,399 (2010 - $12,026,826) and working capital of $238,501 (2010: working capital deficiency of $1,401,717). The Company has 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. During the year ended September 30, 2011 the Company completed two financings for gross proceeds of $3,535,000. These financings have enabled the Company to meet working capital requirements, fulfill obligations and maintain base-level operations in the short-term. If the Company is unable to obtain additional financing in the future, 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.

	2011	2010
Net working capital (deficiency)	$ 238,501	$ (1,401,717)
Cumulative operating deficit	(12,731,399)	(12,026,826)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Vizcachitas Limited, Compañía Minera Vizcachitas Holding, Sociedad Legal Minera San José Uno de Lo Vicuña, El Tártaro y Piguchén de Putaendo, Gemma Properties Group Limited and Inversiones Los Patos S.A. 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.

Newly adopted accounting policies

The Company early adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1582 ''Business Combinations'' during the year ended September 30, 2011. Section 1582 requires additional use of fair value measurements and recognition of additional assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Comparative figures
Certain of the comparative figures have been reclassified to conform to the current year's presentation.

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. Significant areas where management's judgement is applied include the determination of future income taxes and stock-based compensation. 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 property 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 reviews 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, 2011, the calculation of any possible asset retirement obligation is not determinable.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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

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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial Instruments

Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described in Note 10. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

3. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS

International Financial Reporting Standard ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to IFRS for Canadian profit-orientated publicly accountable entities ("PAEs"). The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. The Company has a September 30 year-end, thus the first unaudited interim financial statements under IFRS will be for the quarter ending December 31, 2011, with comparative financial information for the quarter ending December 31, 2010. The first audited financial statements will be for the year ending September 30, 2012, with comparative financial information for the year ending September 30, 2011.

4. VIZCACHITAS LIMITED AND GEMMA PROPERTIES GROUP LIMITED

On February 8, 2007, the Company acquired from Global Copper Corp. ("Global") all of the issued and outstanding shares of Vizcachitas Limited, a company that at that time indirectly owned a majority interest in the claims making up the Vizcachitas Property (the "Initial Acquisition").

Consideration for the Initial Acquisition consisted 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. The warrants expired unexercised. 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.

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. At the time of the Initial Acquisition, CMV owned the following interests in 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

4. VIZCACHITAS LIMITED AND GEMMA PROPERTIES GROUP LIMITED (cont'd…)

3. Five additional exploitation mining concessions (the "Additional Concessions"), which also encircle the SJ Concessions, subject to an option agreement in respect of which the Company made the final payment during the quarter ended December 31, 2010.

The Additional Concessions, together with the SJ Concessions and the Mining Rights, are referred to as the "Property".

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.

The SJ Concessions are subject to NSR royalties of 1.02% on surface mining and 0.51% on underground mining.

On December 21, 2010, the Company completed the consolidation of the Vizcachitas mining property through the acquisition (the "TBC Transaction") from Turnbrook Corporation ("TBC") of all of the issued and outstanding securities of Gemma Properties Group Limited ("GPGL"). GPGL owns 99 of the 100 issued and outstanding shares of Inversiones Los Patos S.A. ("Los Patos"). The remaining share in Los Patos was transferred to the Company. Los Patos is the legal and beneficial owner of 49% of the issued and outstanding shares of the San Jose SLM. With this transaction, the entire resource contained in the Vizcachitas property is now under unified ownership.

In accordance with the terms and conditions of the TBC Transaction, the Company issued to TBC 35,000,000 common shares in the capital stock of the Company together with 13,000,000 warrants to purchase common shares of the Company, exercisable at a price of $0.15 per share to December 21, 2013. The 35,000,000 common shares were issued at the fair value of $0.53 per share, the Company's closing share price on December 21, 2010, resulting in a mineral property acquisition cost of $18,550,000.

As part of the TBC Transaction, the Company also entered into a private placement (Note 9) for the issuance of 17,333,333 common shares at a deemed price of $0.15 per share. The difference of $6,586,667 resulting between the trading price of $0.53 and the deemed price of the shares issued in the placement was allocated to mineral property acquisition costs.

The 13,000,000 warrants were valued using the Black-Scholes pricing model (Note 9), resulting in a fair value of $5,862,073 credited to contributed surplus with a corresponding increase to mineral property acquisition costs.

The Company also recorded a future income tax liability of $6,349,140 for the difference between the financial and tax basis of the acquisition costs herein described, with an increase to mineral property acquisition costs.

The following table summarizes the purchase price allocation on the fair value of the assets acquired:

	$
Consideration paid	
Shares	25,136,667
Warrants	5,862,073
	30,998,740
Net assets acquired	
Mineral property	37,347,880
Future income tax liability	(6,349,140)
	30,998,740

4. VIZCACHITAS LIMITED (cont'd…)

In fiscal 2011, the Company obtained an additional 42 exploration mining concessions; 24 of the new exploration concessions were layered on top of existing exploitation claims and 18 of the new exploration concessions extend to the surroundings of already existent exploitation claims.

At September 30, 2011, TBC owned 26% of the issued and outstanding shares of the Company. On exercise of the warrants, TBC would own 32% of the issued shares of the Company. TBC has the right to require Los Andes to first offer to TBC and/or to TBC nominees the right to purchase a pro rata share of any new securities to be issued or sold by the Company at the same price and on the same terms offered on such securities.

5. MINERAL PROPERTIES

As at September 30, 2011, 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, all of its properties are in good standing.

	Total costs to Sept. 30, 2009	**Costs incurred in year ended Sept. 30, 2010**	**Total costs to Sept. 30, 2010**	**Costs incurred in year ended Sept. 30, 2011**	**Total costs to Sept. 30, 2011**
VIZCACHITAS					
Acquisition costs	$ 23,017,494	$ 831,928	$ 23,849,422	$ 37,975,105	$ 61,824,527
Water rights	4,252,021	-	4,252,021	-	4,252,021
Deferred exploration					
Automobile and travel	54,358	534	54,892	14,065	68,957
Assaying	142,256	-	142,256	-	142,256
Camp rehabilitation, maintenance & security	369,184	52,158	421,342	61,885	483,227
Core handling & storage	27,097	2,089	29,186	2,143	31,329
Drilling	3,586,387	-	3,586,387	-	3,586,387
Equipment and equipment rental	428,615	400	429,015	-	429,015
Exploration administration	259,732	96,586	356,318	188,687	545,005
Food & accommodation	279,735	760	280,495	12	280,507
Geological consulting	150,962	15,356	166,318	44,655	210,973
Other	10,036	-	10,036	10,116	20,152
Property & surface rights, taxes & tenure fees	226,488	91,839	318,327	114,569	432,896
Studies and other consulting	908,339	10,644	918,983	10,594	929,577
Subcontractors	1,309,212	-	1,309,212	-	1,309,212
Supplies	534,916	-	534,916	2,108	537,024
	8,287,317	270,366	8,557,683	448,834	9,006,517
	$ 35,556,832	$1,102,294	$ 36,659,126	$38,423,939	$ 75,083,065

On November 30, 2010, the Company made the final option payment in the amount of US$620,000 to complete the acquisition of a 100% interest in the Additional Concessions.

6. EQUIPMENT

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	$ 29,644	$ 28,089	$ 1,555	$ 29,644	$ 21,348	$ 8,296
Software	3,825	3,825	-	3,825	2,550	1,275
	$ 33,469	$ 31,914	$ 1,555	$ 33,469	$ 23,898	$ 9,571

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 the Vizcachitas Property. 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 originally due in January 2010.

In January 2010, the Company renegotiated the terms of the final payment of US$1,062,500 for the water rights. Under the revised payment terms, on January 28, 2010 the Company made a payment of US$531,250 and agreed to pay the balance of US $531,250 by November 30, 2010. In connection with the revised terms of payment the Company incurred interest, paid in advance, and stamp duties of US$56,897.

The Company deferred the outstanding water rights payment to January 30, 2011, on which date the final payment was made.

8. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2011, the Company paid or accrued $200,121 in management fees (2010: $129,419), $72,000 in management fees pursuant to severance to a former officer of the Company (2010: $nil), $49,584 in consulting fees (2010: $82,000), $33,027 in directors' fees (2010: $29,500), $4,144 in geological consulting fees (2010: $15,356) and $70,000 in legal fees (2010: $35,351) to companies related to directors, officers and related parties of the Company.

Included in the accounts payable and accrued liabilities balance at September 30, 2011 is $79,000 due to officers and directors, a former officer and related parties of the Company (2010: $158,699).

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.

Refer to Note 16.

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

Authorized – unlimited common shares without par value.

On March 4, 2011 the Company closed a private placement financing (the "March Financing") in the amount of $935,000 through the issuance of 2,000,000 common shares at a price of $0.4675 per share.

In accordance with the terms and conditions of the TBC Transaction (Note 4), on December 21, 2010 the Company issued to TBC 35,000,000 common shares in the capital stock of the Company together with 13,000,000 warrants to purchase common shares of the Company, exercisable at a price of $0.15 per share to December 21, 2013. The shares were issued at a recorded fair value of $18,550,000 ($0.53 per share) and the warrants at a recorded fair value of $5,862,073 ($0.45 per warrant). As part of the TBC transaction, the Company closed a private placement financing (the "December Financing") in the amount of $2,600,000 million through the issuance of 17,333,333 common shares at a price of $0.15 per share. A share discount of $6,586,667 calculated from obtaining the difference between the market value of the shares on the closing date and the share issue price of the December financing was allocated to share capital.

There were no share transactions during the year ended September 30, 2010.

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

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.

On December 31, 2010, the Company granted 100,000 share purchase options to a director of the Company at a cost of $37,556. The options are exercisable at a price of $0.50 per share and expire on December 31, 2015.

The fair value-based method of accounting is applied to the issuance of stock options on the date of issuance using the Black-Scholes model. The weighted-average fair value of the stock options issued in fiscal 2011 is $0.38 calculated using the following weighted-average assumptions: 2.41% risk-free interest rate; expected stock price volatility of 112.89%; expected life of 5 years; and no expected dividend yield.

There were no options granted during the year ended September 30, 2010.

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.

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

	Number of Options	Weighted Average Exercise Price ($)
Balance, September 30, 2009 and 2010	4,750,000	0.55
Options forfeited	(4,750,000)	0.55
Options granted	100,000	0.50
Options outstanding, September 30, 2011	100,000	0.50
Exercisable, September 30, 2011	100,000	0.50

A total of 4,750,000 options were forfeited in connection with the TBC Transaction.

At September 30, 2011, the following stock options were outstanding and exercisable:

Number of Options	Exercise Price	Expiry Date
100,000	$0.50	December 31, 2015
100,000		

At September 30, 2011, the weighted average contractual life remaining of the options was 4.25 years and the weighted average fair value of the options granted was $0.38 per share.

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

Warrants and value assigned to warrants

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

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, September 30, 2009	3,900,000	1.00
Warrants expired	(3,900,000)	1.00
Balance, September 30, 2010	-	-
Warrants granted for property acquisition (Note 4)	13,000,000	0.15
Balance, September 30, 2011	13,000,000	0.15

On December 21, 2010, the Company granted 13,000,000 share purchase warrants at a cost of $5,862,073. The warrants are exercisable at a price of $0.15 per share and expire on December 21, 2013.

The fair value-based method of accounting is applied to the issuance of share purchase warrants on the date of issuance using the Black-Scholes model. The weighted-average fair value of share purchase warrants issued in December 2010 is $0.44 calculated using the following weighted-average assumptions: 1.62% risk-free interest rate; expected stock price volatility of 101.82%; expected life of 3 years; and no expected dividend yield.

10. ACCOUNTING FOR FINANCIAL INSTRUMENTS

Fair Values

The Company's financial instruments include cash and cash equivalents, receivables, accounts payable, accrued liabilities, loan due to shareholder and outstanding water rights payment. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

The following table provides a comparison of carrying and fair values of each classification of financial instrument as at September 30, 2011:

	Loans and receivables $	Available for sale $	Held for trading $	Other financial liabilities $	Total fair value $
Cash and cash equivalents	-	-	565,184	-	565,184
Receivables	7,429	-	-	-	7,429
Accounts payable & accrued liabilities	-	-	-	350,796	350,796

10. ACCOUNTING FOR FINANCIAL INSTRUMENTS (cont'd...)

The following table provides a comparison of carrying and fair values of each classification of financial instrument as at September 30, 2010:

	Loans and receivables $	Available for sale $	Held for trading $	Other financial liabilities $	Total fair value $
Cash and cash equivalents	-	-	10,662	-	10,662
Receivables	10,577	-	-	-	10,577
Accounts payable & accrued liabilities	-	-	-	459,435	459,435
Loan due to shareholder	-	-	-	428,516	428,516
Outstanding water rights payment	-	-	-	546,868	546,868

The Company has made the following classifications for its financial instruments:

Cash and cash equivalents are classified as "Assets held for trading" and measured at fair value at the end of each period with any resulting gains or losses recognized in operations. Receivables are classified as "Loans and receivables" and are recorded at amortized cost using the effective interest rate method, which upon their initial measurement is equal to their fair value. Subsequent measurement of receivables is at amortized cost, which usually corresponds to the amount initially recorded less any recoverability allowance. Accounts payable and accrued liabilities are classified as "Other financial liabilities" and are measured at amortized cost using the effective interest rate method.

CICA Handbook Section 3862, Financial Instruments – Disclosures requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly and
- Level 3 – Inputs that are not based on observable market data.

At September 30, 2011, the Company's financial instrument measured at fair value on a recurring basis was cash and cash equivalents. This financial instrument was classified as "level 1" instruments.

Credit Risk
Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. Cash deposits are maintained with a financial institution of reputable credit and are redeemable on demand. Receivables refer exclusively to Harmonized Sales Tax Input Tax Credits payable to the Company by the Government of Canada. Accordingly, the Company's opinion is that credit risk is minimal. The Company also has VAT credits in Chile. 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.

10. ACCOUNTING FOR FINANCIAL INSTRUMENTS (cont'd...)

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, will engage in negotiations to extend terms with debtors or will secure alternative interim financing. The Company manages liquidity by 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 VAT tax credits denominated in Chilean pesos. 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 operation of the Company is interest income earned on deposits held in Canadian dollars. Interest expense is also included in results of operations and has been incurred in connection with deferral of option and water rights payments and a working capital loan. At September 30, 2010 the Company had an outstanding debt of US$416,000 due to a shareholder, subject to interest at a rate of 1% per month. This loan was repaid during the fiscal year ended September 30, 2011 (Note 16).

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, 2011.

The Company is not subject to externally imposed capital requirements.

12. INCOME TAXES

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

	2011	2010
Loss for the year before income taxes	$(810,260)	$(343,519)
Expected income tax recovery	$(206,601)	$ (109,038)
Non-deductible expenses	(81,392)	(110,947)
Unrecognized benefit of non-capital losses	287,993	219,985
	-	-
Adjustment of future income tax liability to actual	$ 105,687	($92,856)
Total income tax recovery (expense)	$ 105,687	($92,856)

12. INCOME TAXES (cont'd...)

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

	2011	2010
Future income tax assets (liabilities):		
Non-capital loss available for future periods	1,303,109	1,037,580
Share issue costs	64,559	41,472
Capital loss available	301,483	301,483
Plant and equipment	(773)	(773)
Resource properties	(12,571,015)	(6,038,945)
Net future tax liability	(10,902,637)	(4,659,184)

The Company has Canadian and Chilean non-capital losses of approximately $4,799,000 (2010: $3,964,000) and $608,000 (2010: $274,000) 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:

	$
2011	237,000
2012	181,000
2016	278,000
2027	458,000
2028	997,000
2029	819,000
2030	793,000
2031	1,036,000
	4,799,000

The Chilean losses can be carried forward indefinitely.

Subject to certain restrictions, the Company also has Canadian mineral property expenditures of approximately $998,913 (2010: $998,913) available to reduce taxable income in future years.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2011	2010
Cash received during the year for interest	$ 3,450	$ 3,058
Cash paid during the year for interest	$ (32,373)	$ (63,103)

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)

Cash and cash equivalents consist of:

	September 30, 2011	September 30, 2010
Cash	$ 489,583	$ 10,662
Cash equivalents	75,601	-
	$565,184	$10,662

Cash equivalents at September 30, 2011 consisted solely of a Guaranteed Investment Certificate ("GIC") which paid interest at a variable rate. The GIC could be converted into cash at any time at the option of the Company.

Restricted cash of $150,911 (2010: $150,230) consists of cash equivalents held in the San Jose SLM. The Company has booked a provision of $150,911 (2010: $150,230) against these amounts, included in accounts payable and accrued liabilities due to uncertainties inherent in realizing any value from the restricted cash.

The significant non-cash transactions during the year ended September 30, 2011 were as follows:

a) At September 30, 2011, net exploration costs included in accounts payable and accrued liabilities were $49,417;

b) The Company recorded stock-based compensation expense of $37,556, calculated using the Black-Scholes pricing model.

c) In connection with the TBC transaction (Note 4), the Company issued 35,000,000 common shares valued at $18,550,000 and recorded a discount of $6,586,667 on the shares issued pursuant to the financing component of the transaction.

d) The Company recorded a fair value of $5,862,073 for 13,000,000 warrants issued, calculated using the Black-Scholes pricing model, recorded as an increase to mineral property acquired.

The significant non-cash transactions during the year ended September 30, 2010 were as follows:

a) At September 30, 2010, net exploration costs included in accounts payable and accrued liabilities were $61,242.

14. SEGMENTED INFORMATION

Operating segments

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

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

Geographic segments

	2011	2010
(Loss) income for the year		
Canada	$ (724,809)	$ (440,347)
Chile	20,236	3,972
	$ (704,573)	$ (436,375)
Assets		
Canada	$ 552,799	$ 29,765
Chile	$ 76,704,178	$ 38,317,395
	$ 77,256,977	$ 38,347,160

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 issued a final ruling declaring this matter resolved as the natural course of the Rocin river had been naturally restored by rising river currents.

Also in 2008, a second claim for alleged illegal intervention of river beds of the Rocin river was filed by the Municipality of Putaendo against CMV. CMV, through its Chilean legal counsel filed an answer to the claim.

Although the final DGA decision on this second claim is pending, the Company expects it to be resolved on the same terms and for the same reason as in the first claim.

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

16. LOAN DUE TO SHAREHOLDER

The Company entered into a loan agreement (the "Amerigo Agreement") with Amerigo Resources Ltd. ("Amerigo") effective September 27, 2010, for amounts to be agreed upon by the Company and Amerigo. On September 30, 2010 Amerigo made an initial advance of US$416,000 to the Company in accordance with the terms of the Amerigo Agreement. All advances made to the Company pursuant to the Amerigo Agreement were payable on demand and secured by the Company's water rights. The Company agreed to pay interest at a rate of 1% per month on all amounts owing by the Company to Amerigo pursuant to the Amerigo Agreement. During the quarter ended December 31, 2010, the Company received US$725,000 in further advances pursuant to the Amerigo Agreement, for total advances of US$1,141,000. These advances together with accrued interest were repaid in full on receipt of proceeds of the financing on December 21, 2010.

As at September 30, 2011, Amerigo owned approximately 3% of the shares of the Company.

17. SUBSEQUENT EVENTS

Subsequent to September 30, 2011, the Company closed a non-brokered private placement financing in the amount of $760,000 through the issuance of 2,000,000 common shares at a price of $0.38 per share. The common shares issued in the financing are subject to a hold period of four months and one day expiring on May 1, 2012.