



LOS ANDES COPPER Ltd.

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LOS ANDES COPPER LTD.

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010
UNAUDITED**

**NOT AUDITED OR REVIEWED BY THE COMPANY'S EXTERNAL
AUDITORS**

LOS ANDES COPPER LTD.
CONSOLIDATED BALANCE SHEETS
UNAUDITED

	December 31, 2010	September 30, 2010
ASSETS		
Current		
Cash and cash equivalents	\$ 1,431,946	\$ 10,662
Receivables	29,786	10,577
Prepaid expenses	6,767	11,863
	1,468,499	33,102
Restricted cash	150,230	150,230
VAT tax credits (Note 2)	1,478,579	1,495,131
Mineral properties (Notes 3,4, 5 and 6)	42,591,359	36,659,126
Equipment	7,567	9,571
	\$ 45,696,234	\$ 38,347,160

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities (Note5)	\$ 754,537	\$ 459,435
Loan due to shareholder (Note 9)	-	428,516
Outstanding water rights payment (Note 6 and 9)	531,357	546,868
	1,285,894	1,434,819

Future income tax liability

4,659,184	4,659,184
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5,945,078	6,094,003
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Shareholders' equity

Capital stock (Note7)	49,789,030	42,057,780
Value assigned to stock options and agents' warrants (Note7)	2,304,079	2,266,523
Deficit	(12,297,633)	(12,026,826)
Accumulated other comprehensive loss	(44,320)	(44,320)

39,751,156	32,253,157
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\$ 45,696,234	\$ 38,347,160
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Nature and continuance of operations and going concern (Note 1)

Subsequent events (Note 10)

On behalf of the Board:

“Pedro Covarrubias”

Director

“Klaus Zeitler”

Director

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

LOS ANDES COPPER LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
UNAUDITED

	Three months ended December 31,	
	2010	2009
EXPENSES		
Amortization	\$ 2,004	\$ 2,169
Consulting and management fees (Note 5)	52,125	43,194
Office and administration	8,820	7,737
Interest expense	32,074	-
Professional fees (Note 5)	90,565	26,001
Shareholder communications	2,853	900
Stock-based compensation	37,556	
Transfer agent, filing and regulatory fees	41,220	1,920
Travel, promotion and entertainment	160	1,127
	<hr/>	<hr/>
Loss before other items	(267,377)	(83,048)
OTHER ITEMS		
Foreign exchange (loss) gain	(4,804)	99,119
Interest income	1,374	1,888
	<hr/>	<hr/>
(Loss) earnings and comprehensive loss for the period	\$ 270,807	\$ 17,959
	<hr/>	<hr/>
Basic and diluted (loss) earnings per share	\$ -	\$ -
Weighted average number of shares outstanding	98,718,831	93,599,266

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

LOS ANDES COPPER LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	Three months ended December 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) earnings for the period	\$270,807	\$ 17,959
Items not affecting cash:		
Amortization	2,004	2,169
Stock based compensation	37,556	-
Unrealized foreign exchange (gain) loss	(15,511)	(38,961)
Change in non-cash working capital items:		
Receivables	(19,209)	3,749
Prepaid expenses	5,096	890
Accounts payable and accrued liabilities	266,876	(3,125)
Net cash used in operating activities	6,005	(17,319)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares for cash, net of share issue costs	2,481,250	-
Repayment of loan to shareholder	(428,516)	-
Net cash provided by financing activities	2,052,734	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of mineral properties	(627,225)	(420,445)
Deferred exploration costs	(26,782)	(55,623)
VAT tax credits	16,552	(57,924)
Net cash used in investing activities	(637,455)	(533,992)
Change in cash for the period	1,421,284	(551,311)
Cash and cash equivalents, beginning of period	10,662	1,642,260
Cash and cash equivalents, end of period	\$ 1,431,946	\$ 1,090,949

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

LOS ANDES COPPER LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
UNAUDITED

	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	35,000,000	5,250,000	-	-	-	5,250,000
Issuance of shares – Private placement, net of issue costs	17,333,333	2,481,250	-	-	-	2,481,250
Options vested	-	-	-	37,556	-	37,556
Net loss for the quarter	-	-	(270,807)	-	-	(436,375)
Balance – December 31, 2010	145,932,599	49,789,030	(12,297,633)	2,304,079	(44,320)	39,751,156

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

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

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 December 31 2010, the Company had no source of operating cash flow, an accumulated deficit of \$12,297,633 (September 30, 2010: \$12,026,826) and working capital of \$182,605 (September 30, 2010: working capital deficiency of \$1,401,717). The Company has funded operations since inception 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. In the quarter ended December 31, 2010 the Company completed a financing for gross proceeds of \$2,600,000. The financing has 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements include the accounts of the Company and its subsidiaries, Vizcachitas Limited, Compañía Minera Vizcachitas Holding and Sociedad Legal Minera San José Uno de Lo Vicuña, El Tártaro y Piguchén de Putaendo. 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.

The interim financial statements of the Company have been prepared in accordance with Canadian Generally Accepted Accounting Principles for interim financial statements and therefore do not include all of the information and notes required for annual financial statements. These statements follow the same accounting policies and methods of application as the most recent annual financial statements. Accordingly, they should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2010.

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. 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 to offset amounts due to the Chilean Revenue Service by the Company resulting from VAT charged in future.

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 December 31, 2010, the Company does not have any asset retirement obligations.

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. 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.

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 of the September 30, 2010 financial statements of the Company. 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. ACQUISITION OF VIZCACHITAS LIMITED

On February 8, 2007, the Company acquired from Global Copper Corp. ("Global") all of the issued and outstanding shares of Vizcachitas Limited.

Consideration for the acquisition of the Vizcachitas Property 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.

On August 1, 2008, Teck Resources 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.

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 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
3. Five additional exploitation mining concessions (the "Additional Concessions"), which also encircle the SJ Concessions, acquired through an option agreement for which the final payment was made during the quarter ended December 31, 2010.

The Additional Concessions, together with the SJ Concessions and the Mining Rights, form 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.

3. ACQUISITION OF VIZCACHITAS LIMITED (cont'd...)

During the quarter ended December 31, 2010, The Company completed the consolidation of the Vizcachitas 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 Los Andes. 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, Los Andes issued to TBC 35,000,000 common shares in the capital stock of Los Andes at a deemed price of \$0.15 per share, together with 13,000,000 warrants to purchase Los Andes common shares, exercisable at a price of \$0.15 per share to December 21, 2013. All shares issued to TBC, including those shares issuable on exercise of the warrants, are subject to a hold period from the date of issuance to April 22, 2011. TBC currently owns 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.

4. MINERAL PROPERTIES

As at December, 2010, 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 is in good standing.

LOS ANDES COPPER LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
DECEMBER 31, 2010

4. MINERAL PROPERTIES (cont'd...)

	Total costs to Sept. 30, 2009	Costs incurred in year ended Sept. 30, 2010	Total costs to Sept. 30, 2010	Costs incurred in quarter ended Dec. 31, 2010	Total costs to Dec. 31, 2010
VIZCACHITAS					
Acquisition costs	\$ 23,017,494	\$ 831,928	\$ 23,849,422	\$ 5,877,225	\$ 29,726,647
Water rights	4,252,021	-	4,252,021	-	4,252,021
Deferred exploration					
Automobile and travel	54,358	534	54,892	647	55,539
Assaying	142,256	-	142,256	-	142,256
Camp rehabilitation, maintenance & security	369,184	52,158	421,342	15,431	436,773
Core handling & storage	27,097	2,089	29,186	536	29,722
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	26,472	382,790
Food & accommodation	279,735	760	280,495	12	280,507
Geological consulting	150,962	15,356	166,318	2,763	169,081
Other	10,036	-	10,036	1,127	11,163
Property & surface rights, taxes & tenure fees	226,488	91,839	318,327	2,577	320,904
Studies and other consulting	908,339	10,644	918,983	5,443	924,426
Subcontractors	1,309,212	-	1,309,212	-	1,309,212
Supplies	534,916	-	534,916	-	534,916
	8,287,317	270,366	8,557,683	55,008	8,612,691
	\$ 35,556,832	\$ 1,102,294	\$ 36,659,126	\$ 5,933,233	\$ 42,591,359

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.

5. RELATED PARTY TRANSACTIONS

During the quarter ended December 31, 2010, the Company paid or accrued \$27,163 in management fees (quarter ended December 31, 2009: \$22,825), \$18,000 in consulting fees (quarter ended December 31, 2009: \$15,000), \$6,962 in directors' fees (quarter ended December 31, 2009: \$5,250), \$2,763 in geological consulting fees (quarter ended December 31, 2009: \$4,875) and \$47,500 in legal fees (quarter ended December 31, 2009: \$6,741) to companies related to directors, officers and related parties of the Company.

Included in the accounts payable and accrued liabilities balance at December 31, 2010 is \$255,902 due to officers and directors and related parties of the Company (September 30, 2010: \$158,699). Of the \$255,902 due to officers and directors of the Company at December 31, 2010, \$97,000 is under review (September 30, 2010: \$52,200).

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.

Please see Note 9.

6. 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.

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

Authorized – unlimited common shares without par value.

On December 21, 2010 Los Andes issued to TBC 35,000,000 common shares in the capital stock of Los Andes at a deemed price of \$0.15 per share, together with 13,000,000 warrants to purchase Los Andes common shares, exercisable at a price of \$0.15 per share to December 21, 2013, in accordance with the terms and conditions of the TBC Transaction (Note 3). All shares issued to TBC, including those shares issuable on exercise of the warrants are subject to a hold period from the date of issuance to April 22, 2011.

Also on December 21, 2010, Los Andes closed a private placement financing (the "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. The shares issued pursuant to the Financing are also subject to a hold period from the date of issuance to April 22, 2011.

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

Contributed Surplus

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

On December 31, 2010, the Company granted 100,000 share purchase options to a director of the Company at a cost of \$44,320. The options are exercisable at a price of \$0.50 per share and expire on December 31, 2015.

There were no options granted during the year ended September 30, 2009.

LOS ANDES COPPER LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
DECEMBER 31, 2010

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

Stock options

Under its stock option plan, the Company is authorized to grant stock options, upon receiving regulatory approval, 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 the options is determined by the board of directors but may not be less than the closing price of the Company's common shares on the day preceding the day on which the directors grant such options, less any discount permitted by the TSX Venture Exchange, and must be 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, December 31, 2010	100,000	0.50
Exercisable, December 31, 2010	100,000	0.50

At December 31, 2010, the following stock options were outstanding and exercisable:

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

During the quarter ended December 31, 2010, 4,750,000 Company options were cancelled by the Company and forfeited by the optionees.

At December 31, 2010, the weighted average contractual life remaining of the options was 5 years and their weighted average exercise price was \$0.50 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, 2009	3,900,000	1.00
Warrants expired	(3,900,000)	1.00
Balance, September 30, 2010	-	-
Warrants granted for property acquisition (Note 3)	13,000,000	0.15
Balance, December 31, 2010	13,000,000	0.15

8. 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. The final DGA ruling declared this matter resolved as the natural course of the Rocin river had been naturally restored by rising river currents.

A second claim for alleged illegal intervention of water rights was also filed by the Municipality of Putaendo against CMV. The DGA also ruled in favour of CMV in this claim but the final DGA ruling has still not been published.

9. 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 further advances pursuant to the Amerigo loan of US\$725,000, 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.

As at December 31, 2010, Amerigo owned approximately 3% of the shares of the Company.

10. SUBSEQUENT EVENTS

Subsequent to December 31, 2010:

- The Company made the final water rights payment in the amount of US\$531,250 (Note 6);
- Announced a non-brokered private placement of up to 2,000,000 shares priced at \$0.4675 per share, for gross proceeds of up to \$935,000, subject to acceptance by the TSX Venture Exchange. The shares issued pursuant to the private placement will be subject to a hold period of four months from the closing date of the placement, in accordance with applicable Canadian securities laws. The proceeds of the private placement will be used to fund exploration and development work, and for general working capital purposes.