



LOS ANDES COPPER Ltd.

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LOS ANDES COPPER LTD.

**CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 and 2009**

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, 2010 and 2009 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, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

De Visser Gray LLP

CHARTERED ACCOUNTANTS
Vancouver, Canada

January 27, 2011

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

	2010	2009
ASSETS		
Current		
Cash and cash equivalents (Note 17)	\$ 10,662	\$ 1,532,260
Receivables	10,577	7,362
Prepaid expenses	11,863	11,597
	<u>33,102</u>	<u>1,551,219</u>
Restricted cash (Note 13)	150,230	110,000
VAT tax credits (Note 2)	1,495,131	1,381,605
Mineral properties (Notes 4, 5, 7, 8 and 17)	36,659,126	35,556,832
Equipment (Note 6)	9,571	18,081
	<u>\$ 38,347,160</u>	<u>\$ 38,617,737</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 459,435	\$ 207,928
Loan due to shareholder (Note 16)	428,516	-
Outstanding water rights payment (Note 7)	546,868	1,153,949
	<u>1,434,819</u>	<u>1,361,877</u>
Future income tax liability (Note 12)	4,659,184	4,566,328
	<u>6,094,003</u>	<u>5,928,205</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	(12,026,826)	(11,590,451)
Accumulated other comprehensive loss	(44,320)	(44,320)
	<u>32,253,157</u>	<u>32,689,532</u>
	<u>\$ 38,347,160</u>	<u>\$ 38,617,737</u>

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

On behalf of the Board:

"TBD"

 Director

"TBD"

 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,

	2010	2009
EXPENSES		
Amortization	\$ 8,510	\$ 8,104
Consulting, salaries and management fees (Note 8)	241,038	196,488
Office and administration	30,219	34,634
Professional fees (Note 8)	136,835	157,668
Shareholder communications	5,981	74,002
Transfer agent, filing and regulatory fees	19,019	17,960
Travel, promotion and entertainment	6,190	8,917
Loss before other items	(447,792)	(497,773)
OTHER ITEMS		
Foreign exchange gain (expense)	164,603	(212,310)
Interest expense (Note 7)	(63,388)	-
Interest income	3,058	83,957
Loss before income tax	(343,519)	(626,126)
Future income tax expense (Note 12)	(92,856)	(432,458)
Loss and comprehensive loss for the year	\$ (436,375)	\$ (1,058,584)
Basic and diluted loss per share (Note 2)	\$ (0.00)	\$ (0.01)
Weighted average number of shares outstanding	93,599,266	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,

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year from operations	\$ (436,375)	\$ (1,058,584)
Items not affecting cash:		
Amortization	8,510	8,104
Future income tax expense	92,856	432,458
Accrued interest	286	-
Unrealized foreign exchange (gain) expense	(41,565)	50,819
Change in non-cash working capital items:		
Receivables	(3,215)	20,017
Prepaid expenses	(266)	35,795
Accounts payable and accrued liabilities	180,621	(24,011)
Net cash used in operating activities	<u>(199,148)</u>	<u>(535,402)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from shareholder	428,230	-
Net cash provided by financing activities	<u>428,230</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of mineral properties	(831,928)	(1,122,495)
Water rights	(565,516)	(1,103,130)
Deferred exploration costs	(239,710)	(1,549,499)
Purchase of equipment	-	(3,825)
VAT tax credits	(113,526)	(221,850)
Net cash used in investing activities	<u>(1,750,680)</u>	<u>(4,000,799)</u>
Change in cash for the year	(1,521,598)	(4,536,201)
Cash and cash equivalents, beginning of year	1,532,260	6,068,461
Cash and cash equivalents, end of year	\$ 10,662	\$ 1,532,260

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, 2010 AND 2009

	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, 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
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

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

LOS ANDES COPPER LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 and 2009

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, 2010, the Company had no source of operating cash flow, an accumulated deficit of \$12,026,826 (2009 - \$11,590,451) and a working capital deficiency of \$1,401,717 (2009: working capital of \$189,342). Operations for the years ended September 30, 2009 and 2010 were funded from cash at hand. In 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. Subsequent to September 30, 2010 (Note 17) the Company completed a financing for gross proceeds of \$2,600,000. The financing will enable 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.

	2010	2009
Net working capital	\$ (1,401,717)	\$ 189,342
Cumulative operating deficit	(12,026,826)	(11,590,451)

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, 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...)

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 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, 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. 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

Effective October 1, 2010 the Company adopted the CICA amendments to Handbook Section 3862, Financial Instruments – Disclosures. The amendments include enhanced disclosures relating to the fair value of financial instruments and the liquidity risk associated with financial instruments. Section 3862 now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels. Refer to Note 10 - Financial Instruments for enhanced fair value disclosures and financial liabilities and liquidity risk disclosures. The amendments are consistent with recent amendments to financial instrument disclosure standards in International Financial Reporting Standards.

International Financial Reporting Standards (“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 30, 2011, with comparative financial information for the quarter ending December 30, 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. The Company has concluded that its current financial statements will not be subject to any material changes under IFRS. The Company will however be subject to enhanced disclosure requirements in the notes to its financial statements under IFRS.

Business combinations

In January 2009, the AcSB issued Section 1582, “Business Combinations”, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. The Company plans to adopt this standard effective October 1, 2011 and does not expect the adoption of this statement to have an impact on its results of operations or financial position.

Consolidated financial statements and Non-controlling interests

In January 2009, the AcSB issued Sections 1601, “Consolidated Financial Statements”, and 1602, “Non-controlling Interests”, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. The Company plans to adopt these standards effective October 1, 2011 and does not expect the adoption will impact its results of operations or financial position.

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.

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. 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 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"), which also encircle the SJ Concessions.

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.

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.

Subsequent to September 30, 2010, the Company completed the acquisition of the remaining 49% interest of San Jose SLM and now controls 100% of the Vizcachitas property (Note 17).

LOS ANDES COPPER LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 and 2009

5. MINERAL PROPERTIES

As at September 30, 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 are in good standing.

	Total costs to Sept. 30, 2008	Costs incurred in year ended Sept. 30, 2009	Total costs to Sept. 30, 2009	Costs incurred in year ended Sept. 30, 2010	Total costs to Sept. 30, 2010
VIZCACHITAS					
Acquisition costs	\$ 21,894,999	\$ 1,122,495	\$ 23,017,494	\$ 831,928	\$ 23,849,422
Water rights	4,252,021	-	4,252,021	-	4,252,021
Deferred exploration					
Automobile and travel	51,979	2,379	54,358	534	54,892
Assaying	135,269	6,987	142,256	-	142,256
Camp rehabilitation, maintenance & security	285,272	83,912	369,184	52,158	421,342
Core handling & storage	24,425	2,672	27,097	2,089	29,186
Drilling	3,410,758	175,629	3,586,387	-	3,586,387
Equipment and equipment rental	418,624	9,991	428,615	400	429,015
Exploration administration	162,686	97,046	259,732	96,586	356,318
Food & accommodation	267,573	12,162	279,735	760	280,495
Geological consulting	121,324	29,638	150,962	15,356	166,318
Other	9,646	390	10,036	-	10,036
Property & surface rights, taxes & tenure fees	126,990	99,498	226,488	91,839	318,327
Studies and other consulting	414,758	493,581	908,339	10,644	918,983
Subcontractors	1,279,159	30,053	1,309,212	-	1,309,212
Supplies	498,239	36,677	534,916	-	534,916
	7,206,702	1,080,615	8,287,317	270,366	8,557,683
	\$ 33,353,722	\$ 2,203,110	\$ 35,556,832	\$ 1,102,294	\$ 36,659,126

As per an agreement dated September 21, 2005 and amended on November 28, 2008, and July 30, 2010 the Company was committed to making the payment outlined below in connection with an option to acquire a 100% interest in the Additional Concessions:

US\$ 620,000 November 30, 2010 (paid)

6. EQUIPMENT

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	\$ 29,644	\$ 21,348	\$ 8,296	\$ 29,644	\$ 14,751	\$ 14,893
Software	3,825	2,550	1,275	3,825	637	3,188
	\$ 33,469	\$ 23,898	\$ 9,571	\$ 33,469	\$ 15,388	\$ 18,081

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.

Subsequent to September 30, 2010, the Company deferred the outstanding water rights payment to January 30, 2011.

8. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2010, the Company paid or accrued \$129,419 in management fees (2009: \$109,738), \$82,000 in consulting fees (2009: \$62,000), \$29,500 in directors' fees (2009: \$24,750), \$15,356 in geological consulting fees (2009: \$26,488) and \$35,351 in legal fees (2009: \$27,820) to companies related to directors, officers and related parties of the Company.

Included in the accounts payable and accrued liabilities balance at September 30, 2010 is \$158,699 due to officers and directors and related parties of the Company (2009: \$6,048). Of the \$158,699 due to officers and directors of the Company at September 30, 2010, \$52,200 is under review.

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 also Note 16.

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

Authorized – unlimited common shares without par value.

No shares were issued in the years ended September 30, 2009 and 2010.

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 years ended September 30, 2009 and 2010.

LOS ANDES COPPER LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 and 2009

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

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
Outstanding, September 30, 2009	4,850,000	\$ 0.55
Forfeited	(100,000)	0.46
Outstanding, September 30, 2010	4,750,000	0.55
<hr/>		
Exercisable, September 30, 2010	4,750,000	\$ 0.55

At September 30, 2010, the following stock options were outstanding and exercisable:

Number of Options	Exercise Price	Expiry Date
2,000,000	\$0.60	May 10, 2012
2,500,000	\$0.51	November 30, 2012
250,000	\$0.62	April 30, 2013
<hr/> 4,750,000		

At September 30, 2010, the weighted average contractual life remaining of the options was 1.96 years and their weighted average exercise price was \$0.55 per share.

Subsequent to September 30, 2010, all of the Company's options were cancelled by the Company and forfeited by the optionees (Note 17).

Warrants

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

On February 7, 2010 a total of 3,900,000 warrants expired unexercised. The warrants had an exercise price of \$1.00 per share and a three year term.

LOS ANDES COPPER LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 and 2009

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

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

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2008	27,250,000	\$ 0.76
Expired	(23,350,000)	\$ 0.71
Balance, September 30, 2009	3,900,000	\$ 1.00
Expired	(3,900,000)	\$ 1.00
Balance, September 30, 2010	-	-

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, 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, accrued liabilities, loan due to shareholder and outstanding water rights payment are classified as "Other financial liabilities" and are measured at amortized cost using the effective interest rate method.

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

During the year ended September 30, 2010, CICA Handbook Section 3862, Financial Instruments – Disclosures, was amended to require 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, 2010, the Company's financial instrument measured at fair value on a recurring basis was cash. This financial instrument was classified as "level 1" instruments.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash. 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.

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 amounts due for option payments (Note 5), loan due to shareholder (Note 16) 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 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 subsequent to September 30, 2010 (Note 17).

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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, 2010.

The Company is not subject to externally imposed capital requirements.

12. INCOME TAXES

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

	2010	2009
Loss for the year before income taxes	\$(343,519)	\$ (626,126)
Expected income tax recovery	\$ (109,038)	\$ (166,102)
Non-deductible expenses	(110,947)	(91,635)
Unrecognized benefit of non-capital losses	219,985	257,737
Adjustment of future income tax liability to actual	(\$92,856)	(\$432,458)
Total income tax expense	(\$92,856)	(\$432,458)

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

	2010	2009
Future income tax assets (liabilities):		
Non-capital loss available for future periods	1,037,580	879,030
Share issue costs	41,472	92,111
Capital loss available	301,483	313,542
Plant and equipment	(773)	(2,366)
Resource properties	(6,038,945)	(5,848,645)
Net future tax liability	(4,659,184)	(4,566,328)

The Company has Canadian and Chilean non-capital losses of approximately \$3,964,000 (2009: \$3,222,000) and \$274,000 (2009: \$243,000) respectively which may be carried forward and applied against taxable income in future years.

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

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

	\$
2010	160,000
2011	237,000
2012	181,000
2016	278,000
2027	458,000
2028	997,000
2029	819,000
2030	834,000
	<u>3,964,000</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 (2009: \$998,913) available to reduce taxable income in future years.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2010	2009
Cash received during the year for interest	\$ 3,058	\$ 83,115
Cash paid during the year for interest	\$ (63,103)	\$ -

Cash and cash equivalents consist of:

	September 30, 2010	September 30, 2009
Cash	\$ 10,662	\$ 32,260
Cash equivalents	-	1,500,000
	<u>\$10,662</u>	<u>\$ 1,532,260</u>

Cash equivalents at September 30, 2009 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 \$150,230 (2009: \$110,000) consists of cash equivalents held in the San Jose SLM. The Company has booked a provision of \$150,230 (2009: \$110,000) 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, 2010 were as follows:

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

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.

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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

Geographic segments

	2010	2009
(Loss) income for the year		
Canada	\$ (440,347)	\$ (458,929)
Chile	3,972	(599,655)
	<u>\$ (436,375)</u>	<u>\$ (1,058,584)</u>
Assets		
Canada	\$ 29,765	\$ 1,548,147
Chile	\$ 38,317,395	\$ 37,069,590
	<u>\$ 38,347,160</u>	<u>\$ 38,617,737</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. 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.

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 are payable on demand and secured by the Company's water rights. The Company has 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. The loan and accrued interest were paid subsequent to September 30, 2010 (Note 17). As at September 30, 2010, Amerigo owned approximately 9% (2009: 9%) of the shares of the Company.

17. SUBSEQUENT EVENTS

Subsequent to September 30, 2010:

- a) 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 (“GPGI”). GPGI owns 99 of the 100 issued and outstanding shares of Inversiones Los Patos S.A. (“Los Patos”). The owner of the remaining share in Los Patos has also transferred that share to Los Andes. Los Patos is the legal and beneficial owner of 49% of the issued and outstanding shares of the San Jose SLM (Note 4), and the San Jose SLM is the legal and beneficial owner of the SJ Concessions that form the central portion of the Vizcachitas property. With the remaining 51% of the San Jose SLM which is already beneficially owned by the Company, 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.

- b) Concurrently with the TBC Transaction, Los Andes also 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.
- c) 4,750,000 share purchases options (Note 9) were cancelled by the Company and forfeited by the optionees.
- d) 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.
- e) 100,000 share purchase options were granted to a director of the Company. The options are exercisable at a price of \$0.50 per share and expire on December 31, 2015.