LOS ANDES COPPER LTD.

Consolidated Financial Statements

For the Years Ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditor's Report

To the Shareholders of Los Andes Copper Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Los Andes Copper Ltd., which comprise the consolidated statements of financial position as at September 30, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is William Nichols.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
January 30, 2023

LOS ANDES COPPER LTD.
Consolidated Statements of Financial Position
As at September 30, 2022 and 2021
(Expressed in Canadian dollars)

	Note	2022	2021
		$	$
Assets			
Current Assets			
Cash		6,318,090	8,772,846
Receivables		3,448	7,660
Prepaid expenses and deposits		259,176	190,447
		6,580,714	8,970,953
Non-Current Assets			
Property, plant and equipment		278,192	121,650
Unproven mineral right interests	**6**	82,042,765	73,726,592
Hydro-electric project water rights	**6**	8,250,000	8,250,000
		90,570,957	82,098,242
Total Assets		97,151,671	91,069,195
Liabilities			
Current Liabilities			
Trade payables and other liabilities	**9**	1,823,724	829,576
Lease liability short-term	**14**	132,129	97,208
Interest payable on convertible debenture	**7**	123,125	42,238
		2,078,978	969,022
Non-Current Liabilities			
Lease liability long-term		4,107	-
Convertible debentures	**7**	12,271,686	4,181,206
Derivative liability – convertible debenture conversion feature	**7**	8,458,699	2,103,074
DSU liability	**8(f),9**	648,316	17,886
Deferred income tax	**13**	11,646,815	8,814,616
		33,029,623	15,116,782
Total Liabilities		35,108,601	16,085,804
Shareholders' Equity			
Share capital	**8**	104,073,463	103,415,432
Reserve	**8**	7,907,501	7,495,181
Deficit		(38,168,013)	(27,268,254)
Accumulated other comprehensive loss		(11,769,881)	(8,658,968)
Total Equity		62,043,070	74,983,391
Total Liabilities and Shareholders' Equity		97,151,671	91,069,195

Nature of operation and continuance of business (Note 1)
Subsequent events (Note 16)

Approved by the Board of Directors on January 30, 2023:

"Frank O'Kelly"	*"Francisco Covarrubias"*
Director	Director

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

LOS ANDES COPPER LTD.

Consolidated Statements of Loss and Comprehensive Loss
For the years ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

	Note	2022	2021
		$	$
Expenses			
Consulting, salaries, management and directors' fees	**9**	1,415,744	470,024
Depreciation	**14**	116,844	116,127
Interest	**7,14**	900,480	188,643
Accretion	**7**	745,044	267,854
Office and administration		655,836	110,097
Professional fees	**9**	401,797	186,086
Shareholder communications		699,763	250,714
Share-based compensation	**8, 9**	551,589	18,142
Transfer agent, filing and regulatory fees		149,213	57,122
		5,636,310	1,664,809
Hydro-electric Project			
Professional fees		5,782	(17,542)
Project supplies and expenses		137	187
		5,919	(17,355)
Loss before other items		(5,642,229)	(1,647,454)
Other Items			
Foreign exchange loss		(174,949)	(190,631)
Change in fair value of derivative liability	**7**	(2,076,154)	(221,922)
Change in fair value of DSU liability	**8(f)**	(229,108)	2,937
Write-off of trade payables		54,880	-
		(2,425,331)	(409,616)
Loss before income taxes		**(8,067,560)**	**(2,057,070)**
Deferred income tax recovery (expense)	**13**	(2,832,199)	410,000
Net loss		**(10,899,759)**	**(1,647,070)**
Other comprehensive loss			
Items that may be reclassified to profit or loss:			
Current translation adjustment		(3,110,913)	(2,826,414)
Total comprehensive income (loss) for the year		**(14,010,672)**	**(4,473,484)**
Loss per share, basic and diluted		(0.40)	(0.06)
Weighted average number of shares outstanding, basic and diluted		27,210,758	27,166,407

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

LOS ANDES COPPER LTD.
Consolidated Statements of Changes in Equity
For the years ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

	Common Shares	Share Capital	Equity reserve[1]	Accumulated other comprehensive income	Deficit	Total
	#	$	$	$	$	$
Balance, September 30, 2020	**27,165,843**	**103,368,850**	**7,477,039**	**(5,832,554)**	**(25,621,184)**	**79,392,151**
Shares issued pursuant to interest payment	6,645	46,582	-	-	-	46,582
Share-based compensation	-	-	18,142	-	-	18,142
Net loss	-	-	-	-	(1,647,070)	(1,647,070)
Current translation adjustment	-	-	-	(2,826,414)	-	(2,826,414)
Balance, September 30, 2021	**27,172,488**	**103,415,432**	**7,495,181**	**(8,658,968)**	**(27,268,254)**	**74,983,391**
Shares issued pursuant to interest payment	18,711	265,194	-	-	-	265,194
Shares issued for establishment fee	9,914	153,568	-	-	-	153,568
Performance shares issued	63,316	-	495,149	-	-	495,149
Vested performance shares	-	111,385	(111,385)	-	-	-
Option exercise	20,000	127,884	(27,884)	-	-	100,000
Share-based compensation	-	-	56,440	-	-	56,440
Net loss	-	-	-	-	(10,899,759)	(10,899,759)
Current translation adjustment	-	-	-	(3,110,913)	-	(3,110,913)
Balance, September 30, 2022	**27,284,429**	**104,073,463**	**7,907,501**	**(11,769,881)**	**(38,168,013)**	**62,043,070**

[1] Reserve consists of fair values of stock options and finder's warrants

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

LOS ANDES COPPER LTD.
Consolidated Statements of Cash Flows
For the years ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

	2022	2021
	$	$
Cash provided by (used in):		
Operating activities		
Net loss	(10,899,759)	(1,647,070)
Items not affecting cash:		
Accretion	745,044	267,854
Deferred income tax (recovery) expense	2,832,199	(410,000)
Depreciation	116,844	116,127
Change in fair value of derivative liability	2,076,154	221,922
Change in fair value of DSU liability	229,108	(2,937)
Interest expense	900,480	188,643
Share-based compensation	551,589	18,142
Management and director fees settled in DSUs	401,322	20,823
Write-off of trade payables	54,880	-
Changes in non-cash working capital items:		
Prepaid expenses and deposits	(68,729)	(47,898)
Receivables	4,212	24,155
Trade payables and other liabilities	252,981	(239,520)
Net cash provided used in operating activities	(2,803,675)	(1,489,759)
Investing activities		
Purchase of property, plant and equipment	(122,907)	(9,894)
Unproven mineral right interests	(11,822,159)	(3,797,470)
Royalty purchase agreements	502,924	4,109,481
Net cash provided by (used in) investing activities	(11,442,142)	302,117
Financing activities		
Repayment of lease liability	(110,534)	(112,736)
Proceeds on issuance of convertible debentures	11,284,757	5,717,623
Interest on convertible debentures - cash	(505,629)	(78,642)
Exercise of options	100,000	-
Net cash provided by financing activities	10,768,594	5,526,245
Change in cash for the year	(3,477,223)	4,338,603
Effect of exchange rate changes on cash	1,022,467	441,387
Cash, beginning of year	8,772,846	3,992,856
Cash, end of year	6,318,090	8,772,846

See Note 12 for supplemental cash flow information.

1. NATURE OF OPERATION AND CONTINUANCE OF BUSINESS

Los Andes Copper Ltd. ("Los Andes") is involved in the acquisition, exploration and development of advanced copper deposits in Latin America, including holding a 100% interest in the Vizcachitas copper project in Chile.

Los Andes was incorporated under the Business Corporations Act (British Columbia) in 1983 and is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “LA”. Its principal office is located at Suite 1100-1199 West Hastings Street, Vancouver, B.C. V6E 3T5, Canada.

These consolidated financial statements include the accounts of Los Andes and of its controlled subsidiaries (collectively, the “Company”): Vizcachitas Limited, Compañía Minera Vizcachitas Holding (“CMVH”), Sociedad Legal Minera San José Uno de Lo Vicuña El Tártaro y Piguchén de Putaendo (“San José SLM"), Gemma Properties Group Limited, Inversiones Los Patos S.A, DK Corporation, Rocín SPA, Hidroeléctrica de Pasada Rio Rocín SPA and Sociedad Los Juncos de la Unión SPA.

At the date of these consolidated financial statements the Company has not yet determined whether any of its mineral right interests contain mineral reserves that are economically recoverable. Accordingly, the carrying amount of its mineral right interests represents the cumulative acquisition costs and exploration expenditures incurred to date, which does not necessarily reflect present or future values. The recovery of these costs is dependent on the discovery of economically recoverable mineral reserves and the ability of the Company to obtain the necessary financing to undertake continuing exploration and development, and to resolve any environmental, regulatory or other constraints.

These consolidated financial statements have been prepared on a going concern basis, which assumes 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.

Notwithstanding the above, the Company’s business activities are in the development stage, the Company has a history of recurring losses and no source of revenue or operating cash flow. Operations in recent years have been funded from the issuance of share capital and cash on hand.

Given its current stage of operations, the Company’s ability to continue as a going concern is contingent on its ability to continue to obtain additional financing. In the event the Company is unable to raise adequate financing or meet its current obligations, the carrying value of the Company’s assets could be subject to material adjustments.

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

These consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated.

These consolidated financial statements were authorized for issue by the Board of Directors on January 30, 2023 and have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared on an accrued basis and are based on the historical cost basis and modified where applicable.

3. SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries and the basis of consolidation

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally, but not in all cases, accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Judgement is also exercised in respect of the functional currency of foreign subsidiaries.

The financial statements of subsidiaries (Note 1) are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated on consolidation.

Where the Company's interest is less than 100%, the interest attributable to outside shareholders is reflected in non-controlling interest. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash. As at September 30, 2022 and 2021, the Company did not have any cash equivalents.

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated amortization and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire an asset and includes the direct expenditures associated with bringing the asset to the location and condition necessary for putting it into use along with the future cost of dismantling and removing the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Amortization is calculated on a straight-line basis over the useful life of the asset at rates ranging from six to ten years once the asset is available for use.

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 the future to offset amounts due to the Chilean Revenue Service by the Company resulting from VAT charged to clients on future sales. VAT tax credits are included in unproven mineral right interests as they originated from deferred exploration expenses.

Unproven mineral right interests

All acquisition costs, exploration and direct field costs are capitalized into intangible assets until the rights to which they relate are placed into production, at which time these deferred costs will be amortized over the estimated useful life of the rights upon commissioning the property or written-off if the rights are disposed of, impaired or abandoned.

Management reviews the carrying amounts of mineral right interests on an annual basis and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights. Administration costs and other exploration costs that do not relate to a specific mineral right are expensed as incurred.

Costs include the cash consideration and the fair value of shares issued on the acquisition of mineral rights. Rights acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Proceeds from property option payments received by the Company are netted against the deferred costs of the related mineral rights, with any excess being included in operations.

There may be material uncertainties associated with the Company's title and ownership of its unproven mineral interests. Ordinarily the Company does not own the land upon which an interest is located, and title may be subject to unregistered prior agreements or transfers or other undetected defects.

Hydroelectric project

The Company capitalizes all costs, net of any recoveries, of acquiring the rights associated with the hydroelectric project, until the rights to which they relate commence commercial operations, at which time these deferred costs will be amortized over the estimated useful life of the project or written-off if the rights are disposed of, impaired or abandoned. Acquisition costs include the cash consideration and the fair value of shares issued on the acquisition of hydroelectric project rights.

Management reviews the carrying amounts of hydroelectric project rights annually, or when there are indicators of impairment, and will recognize impairment based upon assessment of the probability of profitable exploitation of the rights.

Hydroelectric project development costs are expensed as incurred.

Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Management estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of unproven mineral right interests. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

Income taxes

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that enough taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets for unused tax losses, tax credits and deductible temporary differences are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity or other comprehensive income ("OCI") is recognized in equity or OCI and not in the statement of loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount, which is determined on a cost recovery basis.

Share-based compensation

(i) Share options

The Company grants share purchase options to directors, officers, employees and consultants to purchase common shares. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

(ii) Deferred share units

A Deferred Share Unit Plan ("DSU" or "DSUs") was established for officers and directors of the Company. The DSUs vest quarterly from the date of grant and are settled in cash or common shares of the Company, at the Company's option, based on the 20-day volume weighted average price ("VWAP") of the Company's publicly traded common shares on the settlement date. The cost of a DSU is measured, initially, at fair value on the date of grant based on the VWAP of the Company's common shares. The cost of a DSU is recognized as a liability, in accordance with IFRS 2 *Share-based Payments*, in the Company's consolidated statements of financial position. The liability is remeasured at each reporting period, with changes in the fair value of the liability being recognized in the Company's consolidated statements of loss and comprehensive loss. At termination, where the holder ceases to hold any position as a director of the Company and not otherwise being employed or engaged as a consultant or eligible stakeholder (as determined by the Board) by the Company, including the death of the holder, the Company will elect to settle the outstanding DSUs as either cash settlement or equity settlement, in accordance with the DSU plan (Note 8). Until such a time, the DSUs continue to be recognized as a liability.

Share capital

The Company records proceeds from share issuances in share capital, net of issue costs and any tax effects. The fair value of common shares issued as consideration for mineral right interests is based on the trading price of those shares on the TSX-V on the date of agreement to issue shares or other fair value equivalent amount as determined by the Board of Directors. Stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value.

Basic loss per share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, and the effect of outstanding stock options and warrants would be anti-dilutive, basic and diluted loss per share is the same.

Financial instruments

The following are the Company's accounting policies under IFRS 9:

a) Financial assets

A financial asset is recognized when the Company has the contractual right to collect future cash flows. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial assets are recognized at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost.

Cash and cash equivalents are recognized at their fair value and carried at amortized cost.

Receivables, excluding GST, are initially recognized at their fair value, less transaction costs and subsequently carried at amortized cost using the effective interest method less impairment losses.

Equity investments are initially recognized at their fair value. Changes in the fair value of equity investments are recognized in comprehensive income (loss) in the period in which they occur.

Interest income is recognized by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Impairment of financial assets

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and forecasts that affect the expected collectability of future cash flows of the instrument.

In applying this forward-looking approach, the Company separates instruments into the following categories:

1. financial instruments that have not deteriorated significantly since initial recognition or that have low credit risk; or
2. financial instruments that have deteriorated significantly since initial recognition and whose credit loss is not low; or
3. financial instruments that have objective evidence of impairment at the reporting date.

12-month expected credit losses are recognized for the first category while ‘lifetime expected credit losses’ are recognized for the second category.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis when they possess shared credit risk characteristics and days past due.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

Financial assets, other than those at FVTPL and amortized cost, are assessed for indicators of impairment at each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

De-recognition of financial assets

A financial asset is derecognized when the contractual right to the asset's cash flows expire or the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

b) Financial liabilities

A financial liability is recognized when the Company has the contractual obligation to pay future cash flows. Financial liabilities such as accounts payable and other liabilities, lease liability and convertible debenture are recognized at amortized cost using the effective interest rate method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the asset until the asset is substantially ready for its intended use. Other borrowing costs are recognized as an expense in the period incurred.

Reclamation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight-line method. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.

Foreign currency translation

The functional currency of subsidiaries is the currency of the primary economic environment in which the entity operates, which has been determined to be the Chilean peso. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the parent entity is the Canadian dollar. The presentation currency of the Company is also the Canadian dollar.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's subsidiaries are translated into the Canadian dollar using exchange rates prevailing at the end of the period. Income and expense items are translated at the average rate for the period. Exchange differences are recognized as the current translation adjustment in other comprehensive income and accumulated in equity.

Convertible debentures / Derivative liability

The Company evaluates its convertible debt, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for. This accounting treatment requires that the carrying amount of embedded derivatives be marked-to-market at each statement of financial position date and carried at fair value. In the event that the fair value is recorded as a liability, the change in fair value during the period is recorded in the statement of loss and comprehensive loss as either income or expense. Upon conversion, exercise or modification to the terms of a derivative instrument, the instrument is marked to fair value at the conversion date and then the related fair value is reclassified to equity.

In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

The classification of financial instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities will be classified in the statement of financial position as current or non-current based on whether or not net-cash settlement of the derivative instrument is expected within 12 months of the statement of financial position date.

Leases

IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company chose to measure the right of use assets equal to the lease liability calculated for each lease on initial adoption, using a borrowing rate of 12%.

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the aggregate lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

The Company has elected to include non-lease components related to premises leases in the determination of the lease liability. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve-months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Use of judgements and estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Judgements

a) Unproven mineral right interests and hydro-electric project water rights

The application of the Company's accounting policies for unproven mineral right interests and hydro-electric project water rights requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is impaired with a corresponding charge to profit or loss in the period in which the new information becomes available.

b) Title to unproven mineral right interests

Although the Company has taken steps to verify title to its unproven mineral right interests, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Right-of-use assets/lease liabilities

The measurement of the lease liability for the premises leases includes the 1-year extension option because under IFRS 16 if it is probable that a renewal option will be exercised, the renewal period has to be included into the lease liability. The incremental rate of borrowing used in the measurement of the lease liabilities was estimated by management to be 12% per annum.

d) Going concern

Critical judgement and estimates are applied for the determination that the Company will continue as a going concern for the next year.

Estimates

a) Deferred income tax

In the year ended September 30, 2022, the Company booked an increase in deferred income tax liability and corresponding deferred income tax expense of $2,832,199 (2021: recovery of $410,000). The Company's deferred income tax liability arises mostly from the difference between the book and tax value of its mineral right interests.

b) Convertible debentures / Derivative liability

Management has made significant assumptions in the application of the Black-Scholes option-pricing model when calculating the fair value of the derivative liability and the residual fair value of the convertible debenture.

5. THE VIZCACHITAS PROPERTY

In 2007, the Company acquired all of the issued and outstanding shares of Vizcachitas Limited which, at the time, owned a majority of the claims making up the Vizcachitas Property. Vizcachitas Limited owned 51% of the shares of San José SLM which owned the San José mining concessions (the "SJ Concession") and an additional 35 mining rights and concessions (the "Initial Properties") that comprised part of the Vizcachitas Property. In 2010, the Company completed the consolidation of the Vizcachitas Property through the acquisition from Turnbrook Corporation of all of the issued and outstanding securities of Gemma Properties Group Limited ("Gemma"), who indirectly owned 49% of the issued and outstanding shares of the San Jose SLM. With this transaction, the entire resource contained in the Vizcachitas Property came under unified ownership.

At September 30, 2022, the Company owns 52 exploitation mining concessions covering 10,771 hectares and 183 exploration claims covering a combined total of 51,000 hectares (including the Initial Properties) and is obligated to Net Smelter Returns ("NSR") royalty payments (as defined below).

Royalty Purchase Agreement

On December 3, 2019, the Company entered into a Royalty Purchase Agreement and a Net Smelter Returns Royalty Agreement (the "First Agreements") with RCF VI CAD LLC ("RCF"), a limited liability corporation in the State of Delaware. Pursuant to the First Agreements, the Company received US$8 million as consideration for future payments calculated on the basis of a production royalty ("Royalty") from minerals produced from the SJ Concession that forms part of the Company's Vizcachitas Property.

The proceeds of $10,721,624 net of $80,024 in finder's fees and $277,387 in transaction expenses reimbursed to RCF have been accounted for as a recovery of costs incurred on the Vizcachitas Property. During the year ended September 31, 2021, the Company recorded a recovery of transaction costs totalling $31,948, which has been included as a recovery of costs in that year (Note 6).

As long as RCF (or its associates or affiliates) holds all or any part of the Royalty, or holds, directly or indirectly, common shares or securities convertible into common shares representing not less than 10% of the Company's issued and outstanding common shares (on a partially diluted basis), RCF has a right of first offer to provide future royalty or stream financing in relation to new claims that may subsequently form part of the Vizcachitas Property, subject to the terms as described.

Pursuant to the First Agreements, the Company will make payments to RCF on the basis of an NSR of 0.49% for underground production and 0.98% for open pit production on the SJ Concession. Following this transaction, the overall NSR level of the Initial Properties, including the SJ Concession, covering the mineral resources of the Vizcachitas Property is 1% for underground mining methods and 2% for open pit mining methods.

The obligations of the Company under the First Agreements are guaranteed by the Company's subsidiary Sociedad Legal Minera San Jose Uno De Lo Vicuna, El Tartaro Y Piguchen De Putaendo (the "Guarantor"), with the guarantee being secured by a mortgage and charge over and against mining rights and mineral properties (as defined) and any related proceeds, governed by the laws of Chile and granted by the Guarantor in favour of RCF, subject to existing obligations of the Company and the Guarantor.

<u>Existing Royalty Purchase Agreement</u>

On May 15, 2020, the Company entered into a Contract of Promise of Sale (the "Existing Royalty Purchase Agreement" or "ERPA") with a group of individuals in Chile to purchase the existing royalty applied to the sale of all locatable minerals produced from certain concessions that form part of the Initial Properties for US$7,100,000 ($7,645,241). The purchase price was paid as follows:

- US$1,000,000 ($1,363,360) paid on May 15, 2020;
- US$2,500,000 ($3,118,926) paid on April 23, 2021; and
- US$3,600,000 ($4,526,315) paid on April 18, 2022.

Upon completion of the payment on April 18, 2022, the Company had satisfied its requirements in regards to the ERPA and cancelled the underlying royalty in the ERPA effective June 23, 2022.

<u>Second Royalty Purchase Agreement</u>

On June 25, 2020, the Company entered into a Royalty Purchase Agreement and a Net Smelter Returns Royalty Agreement (the "Second Agreements") with RCF. Pursuant to the Second Agreements, the Company received US$9,000,000 ($11,382,881) as consideration for future payments calculated on the basis of an NSR of 1% for underground production and 2% for open pit production from minerals produced from certain concessions that form part of the Initial Properties ("Royalty 2"). The Company can receive up to an additional US$5 million in the event that RCF sells Royalty 2 prior to commencement of commercial production of the Vizcachitas Property. The purchase price was received as follows:

- US$1,000,000 ($1,363,360) received on June 25, 2020;
- US$4,000,000 ($4,990,282) received on April 23, 2021; and
- US$4,000,000 ($5,029,239) received on April 18, 2022.

In the event of an RCF sale prior to the commencement of commercial production of the Vizcachitas Project by the Company or an affiliate, RCF will pay a contingent royalty purchase price up to US$5 million.

In the event that the contingent royalty purchase price is less than US$5 million the difference between the contingent royalty purchase price and US$5 million will be deducted from initial NSR royalty payments until the total contingent purchase price reaches US$5 million. In the event RCF does not sell the royalty prior to commencement of commercial production, the amount payable of US$5 million shall be deducted from initial NSR royalty payments.

The right of first offer to provide future royalty or stream financing as described in the First Agreements above applies to Royalty 2.

Pursuant to Royalty 2, the Company will make payments to RCF on the basis of an NSR of 1% from the sale or other disposition of all locatable minerals produced from the properties by underground production and 2% from surface production.

If the mining operations of the Company and its affiliates commence in, or predominantly shift to, a different area of the project than that identified in the June 13, 2019 Preliminary Economic Assessment of the Vizcachitas Project, RFC has the option to:

- sell Royalty 2 to the Company for an amount equal to four times the US$9 million purchase price less the aggregate amount of royalty payments received by RCF as of the date of the change of production focus; or
- if RCF has not yet received US$36 million, swap Royalty 2 for a new royalty consistent with the terms of Royalty 2 over the newly proposed development areas at a valuation equal to the valuation of Royalty 2 (having regard to royalty payments made to such date).

The obligations of the Company under the Second Agreements are guaranteed by the Company and its subsidiary, CMVH (the “Guarantors”), with the guarantee being secured by a mortgage and charge over and against mining rights and mineral properties (as defined) and any related proceeds, governed by the laws of Chile and granted by CMVH in favour of RCF, subject to existing obligations of the Company and the Guarantor.

As at September 30, 2022, the Company is subject to NSR royalty payments calculated on the basis of a production royalty from minerals produced at the Initial Properties, including the SJ Concession, of 1% on any underground production and 2% on any surface production.

(Expressed in Canadian dollars)

6. UNPROVEN MINERAL RIGHT INTERESTS / HYDRO-ELECTRIC PROJECT WATER RIGHTS

The Company has the right to certain exploration concessions and exploitation concessions located in Region V, Chile. Title to mining right interests 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 right interests. The Company has investigated title to all of its mineral right interests, and to the best of its knowledge, all of its mineral right interests are in good standing.

	Total costs to September 30, 2020 $	Costs incurred (recovered) in year ended September 30, 2021 $	Total costs to September 30, 2021 $	Costs incurred (recovered) in year ended September 30, 2022 $	Total costs to September 30, 2022 $
VIZCACHITAS					
Acquisition costs	54,562,243	-	54,562,243	-	54,562,243
Water rights	5,945,768	-	5,945,768	-	5,945,768
VAT tax credits	2,589,407	196,097	2,785,504	1,373,478	4,158,982
Deferred exploration					
Automobile and travel	624,997	65,296	690,293	4,198	694,491
Assaying	706,487	18,875	725,362	-	725,362
Camp rehabilitation, maintenance and security	3,058,903	467,452	3,526,355	248,217	3,774,572
Core handling and storage	32,914	-	32,914	-	32,914
Drilling	5,374,998	63,104	5,438,102	6,347,578	11,785,680
Equipment and equipment rental	642,170	2,373	644,543	885	645,428
Exploration administration	6,284,957	1,702,655	7,987,612	2,281,324	10,268,936
Food and accommodation	384,038	1,041	385,079	-	385,079
Geological consulting (Note 8)	2,377,327	167,694	2,545,021	538,790	3,083,811
Other	178,535	38,071	216,606	15,349	231,955
Property & surface rights, taxes & tenure fees	1,863,103	252,295	2,115,398	316,630	2,432,028
Road repairs	47,556	-	47,556	-	47,556
Studies and other consulting	4,597,236	867,537	5,464,773	1,126,523	6,591,296
Subcontractors	1,269,366	-	1,269,366	-	1,269,366
Supplies	846,342	64,338	910,680	-	910,680
Sustainable development	29,501	103,096	132,597	190,925	323,522
Warehouse Maintenance	-	-	-	64,548	64,548
Total deferred exploration	**28,318,430**	**3,813,827**	**32,132,257**	**11,134,967**	**43,267,224**
Royalty purchase agreements (Note 5)	(10,364,213)	(1,903,304)	(12,267,517)	(502,924)	(12,770,441)
Exchange rate differences	(6,246,910)	(3,184,753)	(9,431,663)	(3,689,348)	(13,121,011)
	74,804,725	**(1,078,133)**	**73,726,592**	**8,316,173**	**82,042,765**

Included within unproven mineral right interests are:

a) Water rights to a permanent, continuous and consumptive use of 500 liters per second ("lps") flow from the Aconcagua River, located near the Vizcachitas Property;

b) VAT tax credits available in Chile, originating from deferred exploration expenses; and

c) The Rocin River Hydroelectric Project.

In 2014, the Company acquired non-consumptive water rights over a section of the Rocin River, Putaendo, Region V, Chile, together with the engineering and other studies and reports for the development of a hydroelectric facility (the "Hydroelectric Facility"). Consideration for the acquisition consisted of 3,750,000, Los Andes shares, valued at a price of $2.20 per share, for total consideration of $8,250,000.

7. CONVERTIBLE DEBENTURES

On June 1, 2021 (the "Closing Date"), the Company entered into an agreement with Queen's Road Capital Investment Ltd. ("QRC"), whereby QRC invested US$5,000,000 in the Company by way of convertible debenture (the "First Convertible Debenture"). The First Convertible Debenture has a five-year term, carries an eight percent coupon and is convertible into common shares in the capital of the Company at a price of $10.82 per share (the "Conversion Price"). The interest is payable quarterly, five percent in cash and three percent in shares, at the VWAP prior to the interest payment date. Interest expense of $651,193 (US $400,000) was recognized during the year ended September 30, 2022 and as at September 30, 2022 $45,064 (US $32,877) of interest was payable.

The First Convertible Debenture matures on June 1, 2026. On or after the third anniversary of the Closing Date and prior to the maturity date, the Company may force conversion of the First Convertible Debenture, in whole or in part, at par plus accrued interest provided that the VWAP of the common shares on the TSXV exceeds 130% of the Conversion Price.

As the First Convertible Debenture and the embedded conversion feature are denominated in US dollars and the Company has a Canadian dollar functional currency, they are within the scope of IAS 32 – Financial Instruments: Presentation. The value of the conversion feature is subject to changes in value based on the prevailing exchange rate, resulting in a derivative liability. On initial measurement, the Company fair valued the derivative liability at $1,991,001 using the Black-Scholes option pricing model, using volatility of 68% and a risk-free interest rate of 0.78%. Transaction costs of $333,877 were incurred for the First Convertible Debenture and will be amortized over the life of the First Convertible Debenture. The derivative liability is fair valued at each reporting period. On initial measurement, the liability component of the First Convertible Debenture was fair valued at $4,060,499 and will be amortized to maturity using an effective interest rate of 20.33%.

On April 6, 2022 (the "Second Closing Date"), the Company received a further US$4,000,000 from QRC by way of convertible debenture (the "Second Convertible Debenture"). The Second Convertible Debenture has a five-year term, carries an eight per cent coupon and is convertible into common shares in the capital of the Company at a price of $19.67 per share (the "Second Conversion Price"). The interest is payable quarterly, five percent in cash and three percent in shares, at the VWAP prior to the interest payment date. Interest expense of $202,693 (US $156,932) was recognized during the year ended September 30, 2022 and as at September 30, 2022 $36,001 (US $26,301) of interest was payable.

The Second Convertible Debenture matures on April 5, 2027. On or after the third anniversary of the Second Closing Date and prior to the maturity date, the Company may force conversion of the Second Convertible Debenture, in whole or in part, at par plus accrued interest provided that the VWAP of the common shares on the TSXV exceeds 130% of the Second Conversion Price.

On initial measurement, the Company fair valued the derivative liability at $1,899,034 using the Black-Scholes option pricing model, using volatility of 62% and a risk-free interest rate of 2.48%. Transaction costs of $221,973 were incurred for the Second Convertible Debenture and will be amortized over the life of the Second Convertible Debenture. The derivative liability is fair valued at each reporting period. On initial measurement, the liability component of the Second Convertible Debenture was fair valued at $3,123,606 and will be amortized to maturity using an effective interest rate of 22.24%.

On September 2, 2022 (the "Third Closing Date"), the Company received a further US$5,000,000 from QRC by way of convertible debenture (the "Third Convertible Debenture"). The Third Convertible Debenture has a five-year term, carries an eight per cent coupon and is convertible into common shares in the capital of the Company at a price of $16.75 per share (the "Third Conversion Price"). The interest is payable quarterly, five percent in cash and three percent in shares, at the VWAP prior to the interest payment date. Interest expense of $40,062 (US $30,685) was recognized during the year ended September 30, 2022. As at September 30, 2022 $42,060 (US $30,685) of interest was payable.

(Expressed in Canadian dollars)

The Third Convertible Debenture matures on September 3, 2027. On or after the third anniversary of the Third Closing Date and prior to the maturity date, the Company may force conversion of the Third Convertible Debenture, in whole or in part, at par plus accrued interest provided that the VWAP of the common shares on the TSXV exceeds 130% of the Third Conversion Price.

On initial measurement, the Company fair valued the derivative liability at $2,556,322 using the Black-Scholes option pricing model, using volatility of 58% and a risk-free interest rate of 3.30%. Transaction costs of $236,225 were incurred for the Third Convertible Debenture and will be amortized over the life of the Third Convertible Debenture. The derivative liability is fair valued at each reporting period. On initial measurement, the liability component of the Third Convertible Debenture was fair valued at $4,010,425 and will be amortized to maturity using an effective interest rate of 22.52%.

The net change in the convertible debentures and the derivative liability balances for the years ended September 30, 2022 and 2021, were as follows:

	Convertible debentures $	Derivative liability $	Total $
Balance, September 30, 2020	**-**	**-**	**-**
Additions	4,060,499	1,991,001	6,051,500
Transaction costs	(224,028)	(109,849)	(333,877)
Change in fair value	-	221,922	221,922
Interest and accretion	267,854	-	267,854
Interest payments	(125,204)	-	(125,204)
Foreign exchange	244,323	-	244,323
Balance, September 30, 2021	**4,223,444**	**2,103,074**	**6,326,518**
Additions	7,134,031	4,455,356	11,589,387
Transaction costs	(282,313)	(175,885)	(458,198)
Change in fair value	-	2,076,154	2,076,154
Interest and accretion	1,638,992	-	1,638,992
Interest payments	(770,823)	-	(770,823)
Foreign exchange	451,480	-	451,480
Balance, September 30, 2022	**12,394,811**	**8,458,699**	**20,853,510**

As at September 30, 2022, $123,125 (2021: $42,238) of interest related to the convertible debentures is payable and recorded as short-term interest payable.

See Note 12 for supplemental cash flow information.

8. EQUITY

a) Authorized

Unlimited number of common shares without par value.

b) Financings

During the year ended September 30, 2022, the Company had the following share transactions:

- i) On November 30, 2021, the Company issued 4,432 common shares, fair valued at $48,752, pursuant to an interest payment on the First Convertible Debenture (Note 7).
- ii) On February 28, 2022, the Company issued 3,276 common shares, fair valued at $52,449, pursuant to an interest payment on the First Convertible Debenture (Note 7).
- iii) On April 4, 2022, issued 9,914 common shares, fair valued at $153,568, as establishment fee pursuant to the Second Convertible Debenture (Note 7).
- iv) On May 31, 2022, issued 3,260 common shares fair valued at $52,449, pursuant to an interest payment on the First Convertible Debenture (Note 7).
- v) On June 1, 2022, the Company issued 63,316 common shares, that are held in escrow, pursuant to an employment agreement (Note 8g).
- vi) On July 6, 2022, the Company issued 20,000 common shares pursuant to an option exercise for gross proceeds of $100,000 (Note 8d).
- vii) On September 6, 2022, the Company issued 3,357 common shares fair valued at $48,273, pursuant to an interest payment on the First Convertible Debenture and 4,386 common shares fair valued at $63,071, pursuant to an interest payment on the Second Convertible Debenture (Note 7).

During the year ended September 30, 2021, the Company issued 6,645 common shares pursuant to the first interest payment on the First Convertible Debenture (Note 7).

c) Equity Reserve

Equity reserve consists of the accumulated fair value of common share options and share purchase warrants recognized as share-based compensation and share purchase warrants issued on acquisitions of unproven mineral rights.

(Expressed in Canadian dollars)

d) Share purchase options

The balance of share purchase options outstanding and exercisable as at September 30, 2022 and 2021 and the changes for the years then ended is as follows:

	Number of Options #	Weighted Average Exercise Price $	Weighted Average Life Remaining (years)
Balance, September 30, 2020	**159,500**	**5.00**	**3.69**
Balance, September 30, 2021	**159,500**	**5.00**	**2.69**
Granted	10,000	10.00	**0.27**
Exercised	(20,000)	5.00	**-**
Balance, September 30, 2022	**149,500**	**5.33**	**1.85**
Unvested	(3,000)	5.00	2.99
Vested and exercisable	**146,500**	**5.34**	**1.83**

The Company recorded share-based compensation expense of $56,440 during the year ended September 30, 2022 (2021: $18,142) related to the vesting of previously granted options and the granting of 10,000 options to the CEO of the Company. The options have an exercise of $10.00 and expire on October 26, 2026 and were fair valued at $50,221 using the Black-Scholes option pricing model using the following assumptions: risk free rate – 1.33%, forfeiture rate – nil, volatility – 145%.

The options outstanding as at September 30, 2022, are as follows:

Outstanding #	Exercisable #	Exercise Price $	Expiry Date
50,000	50,000	5.00	July 6, 2023
52,500	52,500	5.00	May 31, 2024
37,000	34,000	5.00	September 24, 2025
10,000*	10,000	10.00	October 27, 2026
149,500	**146,500**	**5.33**	

*Subsequent to September 30, 2022, 10,000 options were exercised at an exercise price of $10.00 for gross proceeds of $100,000 (Note 16).

e) Warrants

As at September 30, 2022, the Company has 1,340,000 (2021: 1,340,000) warrants outstanding and exercisable. The warrants have a weighted average exercise price of $5.00. The warrants outstanding at September 30, 2022, are as follows:

Warrants #	Exercise Price $	Expiry Date
393,500	5.00	May 7, 2023
946,500	5.00	June 7, 2023
1,340,000	**5.00**	

(Expressed in Canadian dollars)

f) Deferred share units

On May 27, 2021, the Company adopted a deferred share unit ("DSU") plan as an alternative form of compensation for employees, officers, consultants and directors of the Company. Each DSU is comprised of one notional common share that entitles the participant, on termination of services, to receive, at the discretion of the Company, common shares of the Company up to the number of DSUs held or the cash equivalent. In the event the Company decides to settle all or a portion of the DSUs outstanding in cash, the total DSUs owing will be multiplied by the fair market value of one common share of the Company. The fair market value will be determined as the VWAP of the Company's common shares on the valuation date. The maximum number of common shares that are issuable under the DSU plan is 500,000.

As the DSU can be settled in cash or shares, at the discretion of the Company, the liability associated with each DSU grant is recorded as a liability and fair valued at each reporting period.

On October 27, 2021 (the "Effective Date"), the Company granted R. Michael Jones 58,570 DSUs with an aggregate value of US$400,000.

During the year ended September 30, 2022, 29,285 DSUs (the "First Tranche DSUs") vested in full, having met the First Tranche DSUs vesting conditions.

The remaining 29,285 DSUs (the "Second Tranche DSUs") will vest in full once the Company's share price reaches and exceeds $30.00 for any 10 consecutive eligible trading days occurring on or October 27, 2022. Subsequent to September 30, 2022, R. Michael Jones resigned from his position as CEO and the Second Tranche DSUs expired unexercised.

During the year ended September 30, 2022, the Company granted 13,893 DSUs to directors and officers of the Company and as at September 30, 2022, 45,687 DSUs were fully vested. The change in DSUs outstanding for the year ended September 30, 2022 and 2021 is as follows:

Balance, September 30, 2020	**-**
Granted	2,509
Balance, September 30, 2021	**2,509**
Granted	72,463
Balance, September 30, 2022	**74,972**
Unvested	(29,285)
Vested, September 30, 2022	**45,687**

Following is a summary of the vested DSUs outstanding at September 30, 2022:

Grant date	Number of DSUs	Deemed value	Fair Market Value at September 30, 2022
June 1, 2021	1,325	$9.43	$14.19
September 1, 2021	1,184	$7.03	$14.19
October 1, 2021	5,844	$7.13	$14.19
October 27, 2021	29,285*	$8.44	$14.19
January 1, 2022	3,357	$11.17	$14.19
April 1, 2022	2,301	$16.30	$14.19
July 1, 2022	2,391	$15.68	$14.19

*Subsequent to September 30, 2022, 29,285 DSUs were exercised.

As at September 30, 2022, the Company had a total of $648,316 in DSU liabilities. See Note 9.

(Expressed in Canadian dollars)

g) Restricted share units and Performance shares

On February 14, 2022, the Company appointed Santiago Montt as Chief Operating Officer of the Company. The Company will grant Mr. Montt Restricted Share Units ("RSUs") once the Company implements an RSU Plan. Until such time, the Company will issue Mr. Montt 29,312 common shares, referred to as Y1 Performance Shares, in escrow, to be released over the first year of his employment. An additional 34,004 common shares, referred to as Y2 Performance Shares will then be issued to him and placed in escrow to be released over the second year of his employment if certain performance targets are met.

During the year ended September 30, 2022, all 63,316 performance shares were issued and placed in escrow and $495,149 of share-based expense was recognized in reserves due to the vesting conditions of the performance shares. As at September 30, 2022, 7,328 performance shares have been released and 55,988 remained in escrow.

9. RELATED PARTY TRANSACTIONS

The Company's related parties consist of companies controlled by a Company director, the Company's President and Chief Executive Officer ("CEO"), and the Company's current Chief Financial Officer ("CFO").

	Nature of Transaction
Sociedad Cartografica Limitada	Geological Consulting
Kasheema International Ltd.	Management
Kasheema Enterprises Ltd.	Management
Malaspina Consultants Inc.	Accounting

The Company incurred the following fees and salaries during the period in the normal course of operations with companies controlled by key management, including the Company's Chief Executive Officer, Chief Financial Officer, and/or directors. Transactions have been measured at the exchange amount, which is the consideration determined and agreed to by the related parties.

	Year ended September 30	
	2022	**2021**
	$	**$**
Consulting, salaries, management and directors' fees	1,305,419	445,303
Geological consulting fees	297,295	227,516
Professional fees (accounting)	76,330	44,874
Share-based compensation	548,276	8,945
	2,227,320	726,638

During the year ended September 30, 2022, included in directors' fees and management fees was $401,322 which was the deemed value of DSUs at issuance. See Note 8(f).

Included in trade and other payables as at September 30, 2022, is $93,442 (2021: $48,027) owing to related parties. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

(Expressed in Canadian dollars)

Key management compensation during the years ended September 30, 2022 and 2021 is as follows:

	Year ended September 30	
	2022	**2021**
	$	**$**
Consulting, salaries, management, geological consulting and professional fees	1,428,085	652,355
Share-based compensation	548,276	8,945
	1,976,361	661,300

10. FINANCIAL AND CAPITAL RISK MANAGEMENT – FINANCIAL INSTRUMENTS

Financial risk management

The Company's activities expose it to a variety of financial risks, which include liquidity risk, interest rate risk, currency risk and credit risk.

a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by raising additional capital as required from time to time.

The Company's financial liabilities fall due as indicated in the following table:

At September 30, 2022	**Total**	**Less than 1 year**	**Between 1 and 2 years**	**Greater than 2 years**
	$	$	$	$
Trade payables and other liabilities	1,823,724	1,823,724	-	-
Lease liability	136,236	132,129	4,107	-
Convertible debentures	12,271,686	-	-	12,271,686
Interest payable on convertible debentures	123,125	123,125	-	-
Derivative liability	8,458,699	-	-	8,458,699
DSU liability	648,316	-	-	648,316

At September 30, 2021	**Total**	**Less than 1 year**	**Between 1 and 2 years**	**Greater than 2 years**
	$	$	$	$
Trade payables and other liabilities	829,576	829,576	-	-
Lease liability	97,208	97,208	-	-
Convertible debentures	4,181,206	-	-	4,181,206
Interest payable on convertible debentures	42,238	42,238	-	-
Derivative liability	2,103,074	-	-	2,103,074
DSU liability	17,886	-	-	17,886

b) Currency risk

The Company faces foreign exchange risk exposures arising from transactions denominated in foreign currencies.

The Company's main foreign exchange risks arise with respect to the Chilean peso ("CLP") and to a lesser degree, the U.S. dollar. The Company continuously monitors this exposure to determine if any mitigation strategies become necessary and maintains limited balances in foreign currencies to avoid continuous fluctuation. Based on the balances as at September 30, 2022, a 1% increase (decrease) in the Canadian dollar/CLP or Canadian/U.S. dollar or Canadian dollar/GBP exchange rates on that day would have resulted in an increase or decrease of approximately $246,000 in the Company's net loss.

c) Interest Rate Risk

Included in the results of operations of the Company are interest income on U.S. dollar, and Canadian dollar cash and cash equivalents. The Company receives interest on cash based on market interest rates. As at September 30, 2022, with other variables unchanged, a 1% change in Prime rates would have had no material impact on the Company's net loss and no effect on other comprehensive loss. The interest rates on the Company's premises leases and convertible debenture are fixed during the term of the lease and the term of the convertible debenture.

d) Credit Risk

Financial instruments that potentially subject the Company to credit risk consists of cash and cash equivalents. Cash is maintained with financial institutions in Canada and Chile and is redeemable on demand. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Capital Risk Management

The Company's capital structure is comprised of working capital (current assets minus current liabilities) and equity. The Company's objectives when managing its capital structure are to maintain financial flexibility to preserve the Company's access to capital markets and its ability to meet its financial obligations. The Company's management is responsible for capital management and to determine the future capital management requirements.

Capital management is undertaken to ensure a secure, cost-effective supply of funds and that the Company's corporate and project requirements are met.

Financial Instruments by Category

The Company's financial instruments consist of cash and cash equivalents, receivables, excluding GST, trade payables and other liabilities, lease liability, DSU liability and convertible debenture. 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 fair value of cash and cash equivalents, receivables and trade payables and other liabilities approximate their carrying values due to the short-term maturities of these financial instruments.

The Company is required to make 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:

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

(Expressed in Canadian dollars)

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

	2022	2021
	$	$
Assets at amortized cost		
Cash	6,318,090	8,772,846
	6,318,090	**8,772,846**
Liabilities at amortized cost		
Trade payables and other liabilities	1,823,724	829,576
Lease liability (total)	136,236	97,208
Convertible debentures	12,271,686	4,181,206
Interest payable on convertible debentures	123,125	42,238
	14,354,771	**5,150,228**
Liabilities at FVTPL		
Derivative liability	8,458,699	2,103,074
DSU liability	648,316	17,886
	9,107,015	**2,120,960**

11. SEGMENTED INFORMATION

At September 30, 2022, the Company has three reportable segments: mineral exploration, hydroelectric project and corporate, and has operations in two geographical areas, Canada and Chile.

Operating Segments

	Year ended September 30, 2022	2021
	$	$
Net loss		
Mineral exploration	(266,183)	(97,739)
Hydroelectric project	(5,919)	17,355
Corporate	(10,627,657)	(1,566,686)
	(10,899,759)	**(1,647,070)**

	September 30, 2022	September 30, 2021
	$	$
Assets		
Mineral exploration	82,924,440	74,294,333
Hydroelectric project	8,250,000	8,250,000
Corporate	5,977,231	8,524,862
	97,151,671	**91,069,195**

(Expressed in Canadian dollars)

Geographic Segments

	Year ended September 30, 2022	2021
	$	$
Net loss		
Canada	(10,518,993)	(1,436,435)
Chile	(380,766)	(210,635)
	(10,899,759)	**(1,647,070)**

	September 30, 2022	September 30, 2021
	$	$
Assets		
Canada	5,980,680	8,524,862
Chile	91,170,991	82,544,333
	97,151,671	**91,069,195**

12. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities

At September 30, 2022:

- Net exploration costs included in trade payables and other liabilities were $1,346,464 (2021: $660,177);
- Exchange rate differences of $3,689,348 (2021: $3,184,753) were included in unproven mineral right interests;
- The Company issued $153,568 in common shares pursuant to convertible debenture interest payments;
- Accretion expense of $745,044 related to the convertible debenture was recorded (2021: $267,854);
- 63,316 performance shares were issued and $495,149 was recognized in reserve due to the vesting conditions of the performance shares; and
- 72,463 DSUs were granted and $401,322 was recognized in profit and loss due to the vesting conditions of some of the DSUs.

Also see Note 14.

(Expressed in Canadian dollars)

13. INCOME TAXES

a) Income tax expense reported differs from the amount computed by applying the tax rates applicable to the Company to the loss before the tax provision due to the following:

	September 30, 2022	**September 30, 2021**
	$	**$**
Loss for the year before income taxes	(8,067,560)	(2,057,070)
Statutory tax rate	27.00%	27.00%
Expected income tax recovery	(2,178,241)	(555,409)
Changes attributable to:		
Net adjustment for depreciation and non-deductible amounts	898,244	647,663
Unrecognized benefit of non-capital losses	1,279,997	55,956
Non-capital losses and resource pools utilized	-	(148,210)
Adjustment of deferred income tax liability to actual	(2,832,199)	410,000
Total income tax recovery (expense)	(2,832,199)	410,000

b) The components of the Company's unrecognized deferred tax assets and liabilities are as follows:

	2022	**2021**
	$	**$**
Deferred tax liabilities: mineral properties & equipment	(13,089,613)	(10,290,256)
Deferred tax assets: non-capital losses net of valuation allowance	1,442,798	1,475,640
Net deferred tax liabilities	(11,646,815)	(8,814,616)

The Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

	2022	**2021**
	$	**$**
Non-capital losses	4,370,931	-
Mineral properties	1,162,639	395,661
Capital losses	2,411,861	2,411,861
Unrecognized deductible temporary differences	7,945,431	2,807,522

At September 30, 2022, the Company had non-capital operating losses of $4,370,931 (2021: $nil) and had resource related amounts available, subject to certain restrictions, for deduction against future taxable income in Canada.

The Company also has Chilean estimated net operating loss carry-forwards for tax purposes of approximately $5,344,000 (2021: $5,466,000). These losses carry-forward indefinitely.

(Expressed in Canadian dollars)

14. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

As at September 30, 2022, the Company was the lessee to three premises leases. The incremental rate of borrowing for these leases was estimated by management to be 12% per annum.

Right-of-use assets

As at September 30, 2022, the right-of-use assets recorded for the Company's premises were as follows:

	Premises **$**
As at September 30, 2020	**199,392**
Depreciation	(108,797)
Foreign exchange	(7,245)
As at September 30, 2021	**83,350**
Additions	151,235
Depreciation	(97,475)
Foreign exchange	(845)
As at September 30, 2022	**136,265**

Lease liability

Minimum lease payments in respect of lease liabilities and the effect of discounting are as follows:

	September 30, 2022 **$**
Undiscounted minimum lease payments:	
Less than one year	140,015
Two to three years	4,150
	144,165
Effect of discounting	(7,929)
Present value of minimum lease payments	136,236
Less current portion	(132,129)
Long-term portion	4,107

(Expressed in Canadian dollars)

Lease liability continuity

The net change in the lease liability is as follows:

	Premises $
As at September 30, 2020	224,684
Cash flows:	
Principal payments	(112,736)
Non-cash changes:	
Foreign exchange	(14,740)
As at September 30, 2021	**97,208**
Cash flows:	
Additions	151,235
Principal payments	(110,534)
Non-cash changes:	
Foreign exchange	(1,674)
As at September 30, 2022	**136,235**

During the year ended September 30, 2022, interest of $6,532 (2021: $21,181) was paid.

15. CONTINGENCIES

On June 29, 2022, the Company was notified that Terraservice, one of the Company's drilling contractors, had initiated an arbitration process in the amount of US $670,000, regarding the application of the force majeure clause of the drilling agreement following the drilling suspension ordered by the Environmental Court on March 18, 2022. The Company's assessment is that it has acted in accordance with its agreement with Terraservice and therefore has not accrued any additional liabilities related to the arbitration process. As at September 30, 2022, a formal claim against the Company has not been made by Terraservice.

16. SUBSEQUENT EVENTS

Subsequent to September 30, 2022:

i) On October 1, 2022, the Company granted 2,643 DSUs to directors of the Company. These DSUs vested on December 31, 2022.
ii) On November 29, 2022, 10,000 stock options were exercised for gross proceeds of $100,000.
iii) On November 30, 2022, pursuant to the Convertible Debentures (Note 7), the Company paid interest of US$278,889, whereby US$174,321 was paid in cash and US$104,568 was paid through the issuance of 10,172 common shares.
iv) On January 1, 2023, the Company granted 2,700 DSUs to directors of the Company. These DSUs will vest by March 31, 2023.
v) On January 30, 2023, the Company completed a $10,040,000 bought deal offering consisting of 800,000 common shares at a price of $12.55 per share.