

LOS ANDES COPPER LTD.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended June 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

LOS ANDES COPPER LTD.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	Note	June 30, 2023 \$	September 30, 2022 \$
Assets			
Current Assets			
Cash		12,955,340	6,318,090
Receivables		68,614	3,448
Prepaid expenses and deposits		218,711	259,176
		13,242,665	6,580,714
Non-Current Assets			
Property, plant and equipment		157,202	278,192
Unproven mineral right interests	5	93,971,042	82,042,765
Hydro-electric project water rights	5	8,250,000	8,250,000
		102,378,244	90,570,957
Total Assets		115,620,909	97,151,671
Liabilities			
Current Liabilities			
Trade payables and other liabilities	8	1,069,561	1,823,724
Lease liability short-term	11	93,650	132,129
Interest payable on convertible debenture	6	121,881	123,125
		1,285,092	2,078,978
Non-Current Liabilities			
Lease liability long-term		-	4,107
Convertible debentures	6	12,625,868	12,271,686
Derivative liability – convertible debenture conversion feature	6	9,746,573	8,458,699
DSU liability	7(f),8	384,238	648,316
Deferred income tax		11,646,815	11,646,815
		34,403,494	33,029,623
Total Liabilities		35,688,586	35,108,601
Shareholders' Equity			
Share capital	7	123,221,639	104,073,463
Reserve	7	5,741,285	7,907,501
Deficit		(44,333,827)	(38,168,013)
Accumulated other comprehensive loss		(4,696,774)	(11,769,881)
Total Equity		79,932,323	62,043,070
Total Liabilities and Shareholders' Equity		115,620,909	97,151,671

Nature of operation and continuance of business (Note 1)
Subsequent events (Note 13)

Approved by the Board of Directors on August 28, 2023:

"Frank O'Kelly"

Director

"Francisco Covarrubias"

Director

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

LOS ANDES COPPER LTD.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the Three and Nine Months Ended June 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

		Three months ended June 30,		Nine months ended June 30,	
	Note	2023	2022	2023	2022
		\$	\$	\$	\$
Expenses					
Consulting, salaries, management and directors' fees	8	158,104	425,598	798,107	1,335,482
Depreciation	11	42,597	28,653	130,414	90,766
Interest	6,11	376,879	129,767	1,140,386	398,801
Accretion	6	276,683	370,881	794,115	776,747
Office and administration		110,443	154,980	594,704	386,135
Professional fees	8	395,671	166,922	575,217	300,050
Shareholder communications		132,701	221,773	358,723	606,305
Share-based compensation	7, 8	70,472	1,555	336,839	55,827
Transfer agent, filing and regulatory fees		(5,982)	28,059	174,970	131,262
		1,557,568	1,528,188	4,903,475	4,081,375
Hydro-electric project					
Professional fees		2,727	1,185	5,392	3,537
Project supplies and expenses		2	-	97	53
		2,729	1,185	5,489	3,590
Loss before other items		(1,560,297)	(1,529,373)	(4,908,964)	(4,084,965)
Other items					
Foreign exchange gain (loss)		107,764	(300)	(131,684)	200,447
Change in fair value of derivative liability	6	(4,390,793)	(74,406)	(1,287,874)	(3,191,273)
Change in fair value of DSU liability	7(f)	(85,152)	26,830	129,418	(182,079)
Write-off of trade payables		-	-	33,290	-
		(4,368,181)	(47,876)	(1,256,850)	(3,172,905)
Net loss		(5,928,478)	(1,577,249)	(6,165,814)	(7,257,870)
Other comprehensive loss					
Items that may be reclassified to profit or loss:					
Current translation adjustment		(1,529,453)	(5,653,180)	7,073,107	(4,652,330)
Total comprehensive income (loss) for the period		(7,457,931)	(7,230,429)	907,293	(11,910,200)
Earnings / (Loss) per share, basic and diluted		(0.21)	(0.06)	(0.22)	(0.27)
Weighted average number of shares outstanding, basic and diluted		28,666,457	27,212,087	27,943,415	27,188,090

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

LOS ANDES COPPER LTD.

Condensed Interim Consolidated Statements of Changes in Equity
For the Nine Months Ended June 30, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

	Common Shares	Share Capital	Equity reserve ¹	Accumulated other comprehensive income	Deficit	Total
	#	\$	\$	\$	\$	\$
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	10,968	153,850	-	-	-	153,850
Shares issued for establishment fee	9,914	153,568	-	-	-	153,568
Performance shares issued	63,316	-	107,664	-	-	107,664
Share-based compensation	-	-	55,827	-	-	55,827
Net loss and comprehensive loss	-	-	-	(4,652,330)	(7,257,870)	(11,910,200)
Balance, June 30, 2022	27,256,686	103,722,850	7,658,672	(13,311,298)	(34,526,124)	63,544,100
Shares issued pursuant to interest payment	7,743	111,344	-	-	-	111,344
Shares issued for establishment fee	-	-	-	-	-	-
Performance shares issued	-	-	387,485	-	-	387,485
Vested performance shares	-	111,385	(111,385)	-	-	-
Option exercise	20,000	127,884	(27,884)	-	-	100,000
Share-based compensation	-	-	613	-	-	613
Net loss and comprehensive loss	-	-	-	1,541,417	(3,641,889)	(2,100,472)
Balance, September 30, 2022	27,284,429	104,073,463	7,907,501	(11,769,881)	(38,168,013)	62,043,070
Private placement, net of share issue costs	800,000	10,040,000	-	-	-	10,040,000
Share issue costs	-	(878,583)	-	-	-	(878,583)
Shares issued pursuant to interest payment	33,706	436,539	-	-	-	436,539
Performance shares issued	-	-	335,000	-	-	335,000
Vested performance shares	-	334,157	(334,157)	-	-	-
Option exercise	10,000	150,220	(50,220)	-	-	100,000
Warrant exercise	1,340,000	8,818,678	(2,118,678)	-	-	6,700,000
DSU exercise	29,285	247,165	-	-	-	247,165
Share-based compensation	-	-	1,839	-	-	1,839
Net loss and comprehensive loss	-	-	-	7,073,107	(6,165,814)	907,293
Balance, June 30, 2023	29,497,420	123,221,639	5,741,285	(4,696,774)	(44,333,827)	79,932,323

¹ Reserve consists of fair values of stock options, performance shares and finder's warrants

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

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Condensed Interim Consolidated Statements of Cash Flows
For the Nine Months Ended June 30, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

	2023	2022
	\$	\$
Cash provided by (used in):		
Operating activities		
Net loss	(6,165,814)	(7,257,870)
Items not affecting cash:		
Accretion	794,115	776,747
Depreciation	130,414	90,766
Change in fair value of derivative liability	1,287,874	3,191,273
Change in fair value of DSU liability	(129,418)	182,079
Interest expense	1,153,241	497,215
Share-based compensation	1,839	55,827
Performance shares	335,000	107,664
Management and director fees settled in DSUs	112,505	478,922
Write-off of trade payables	33,290	-
Changes in non-cash working capital items:		
DSU liability		
Prepaid expenses and deposits	40,465	(63,432)
Receivables	(65,166)	(3,953)
Trade payables and other liabilities	(133,524)	448,654
Net cash used in operating activities	(2,605,179)	(1,496,108)
Investing activities		
Purchase of property, plant and equipment	(4,879)	(95,002)
Unproven mineral right interests	(5,961,442)	(10,230,177)
Royalty purchase agreements	-	-
Second royalty purchase agreement	-	502,924
Net cash used in investing activities	(5,966,321)	(9,822,255)
Financing activities		
Proceeds from issuance of shares, net of cash issue costs	10,040,000	-
Share issuance costs	(878,583)	-
Repayment of lease liability	(124,741)	(82,495)
Interest on convertible debentures - cash	(709,449)	4,954,235
Exercise of options	100,000	(239,615)
Exercise of warrants	6,700,000	-
Net cash provided by financing activities	15,127,227	4,632,125
Change in cash for the period	6,555,727	(6,686,238)
Effect of exchange rate changes on cash	81,523	147,790
Cash, beginning of period	6,318,090	8,772,846
Cash, end of period	12,955,340	2,234,398

See Note 10 for supplemental cash flow information.

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Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended June 30, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

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

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 28, 2023 and have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

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2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended September 30, 2022, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended September 30, 2022.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

For full details on the critical accounting estimates and judgements affecting the Company, please refer to the Company’s annual consolidated financial statements and notes for the year ended September 30, 2022.

4. 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 June 30, 2023, 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 30, 2021, the Company recorded a recovery of transaction costs totalling \$31,948, which has been included as a recovery of costs in that year.

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.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended June 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

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.

Existing Royalty Purchase Agreement

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 (\$9,008,601).

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.

Second Royalty Purchase Agreement

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.

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, RCF 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

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- 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 June 30, 2023, 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.

Also see Note 13.

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Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited - Expressed in Canadian dollars)

5. 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, 2021 \$	Costs incurred (recovered) in year ended September 30, 2022 \$	Total costs to September 30, 2022 \$	Costs incurred (recovered) in period ended June 30, 2023 \$	Total costs to June 30, 2023 \$
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	2,785,504	1,373,478	4,158,982	431,536	4,590,518
Deferred exploration					
Automobile and travel	690,293	4,198	694,491	45,471	739,962
Assaying	725,362	-	725,362	-	725,362
Camp rehabilitation, maintenance and security	3,526,355	248,217	3,774,572	233,841	4,008,413
Core handling and storage	32,914	-	32,914	-	32,914
Drilling	5,438,102	6,347,578	11,785,680	741,256	12,526,936
Equipment and equipment rental	644,543	885	645,428	149	645,577
Exploration administration	7,987,612	2,281,324	10,268,936	2,019,160	12,288,096
Food and accommodation	385,079	-	385,079	-	385,079
Geological consulting (Note 8)	2,545,021	538,790	3,083,811	376,515	3,460,326
Other	216,606	15,349	231,955	98,278	330,233
Property & surface rights, taxes & tenure fees	2,115,398	316,630	2,432,028	313,626	2,745,654
Road repairs	47,556	-	47,556	38,727	86,283
Studies and other consulting	5,464,773	1,126,523	6,591,296	832,348	7,423,644
Subcontractors	1,269,366	-	1,269,366	-	1,269,366
Supplies	910,680	-	910,680	-	910,680
Sustainable development	132,597	190,925	323,522	106,494	430,016
Warehouse Maintenance	-	64,548	64,548	-	64,548
Total deferred exploration	32,132,257	11,134,967	43,267,224	4,805,865	48,073,089
Royalty purchase agreements (Note 5)	(12,267,517)	(502,924)	(12,770,441)	-	(12,770,441)
Exchange rate differences	(9,431,663)	(3,689,348)	(13,121,011)	6,690,876	(6,430,135)
	73,726,592	8,316,173	82,042,765	11,928,277	93,971,042

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.

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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.

6. 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 \$404,235 (US \$300,000) (2022 - \$378,281) was recognized during the nine months ended June 30, 2023 and as at June 30, 2023 \$43,529 (US \$30,685) 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 \$323,388 (US \$240,000) (2022 - \$97,387) was recognized during the nine months ended June 30, 2023 and as at June 30, 2023 \$34,823 (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

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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 \$404,235 (US \$300,000) (2022 - \$nil) was recognized during the nine months ended June 30, 2023. As at June 30, 2023 \$43,529 (US \$32,877) of interest was payable.

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 nine months ended June 30, 2023 and the year ended September 30, 2022, were as follows:

	Convertible debentures \$	Derivative liability \$	Total \$
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
Change in fair value	-	1,287,874	1,287,874
Interest and accretion	2,128,432	-	2,128,432
Interest payments	(1,145,988)	-	(1,145,988)
Foreign exchange	(629,506)	-	(629,506)
Balance, June 30, 2023	12,747,749	9,746,573	22,494,322

As at June 30, 2023, \$128,730 (September 30, 2022: \$123,125) of interest related to the convertible debentures is payable and recorded as short-term interest payable.

See Note 10 for supplemental cash flow information.

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7. EQUITY

a) Authorized

Unlimited number of common shares without par value.

b) Financings

During the nine months ended June 30, 2023, the Company had the following share transactions:

- i) On November 29, 2022, the Company issued 10,000 common shares pursuant to an option exercise for gross proceeds of \$100,000 (Note 7d).
- ii) On December 1, 2022, the Company issued 3,647 common shares, fair valued at \$50,183, pursuant to an interest payment on the First Convertible Debenture, 2,918 common shares fair valued at \$40,152, pursuant to an interest payment on the Second Convertible Debenture and 3,607 common shares fair valued at \$49,633, pursuant to an interest payment on the Third Convertible Debenture (Note 6).
- iii) On December 7, 2022, the Company issued 29,285 common shares pursuant to a DSU exercise (Note 7(f)).
- iv) 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. In connection with the bought deal offering, the Company incurred cash share issue costs of \$878,583.
- v) On March 1, 2023, the Company issued 4,280 common shares, fair valued at \$54,356, pursuant to an interest payment on the First Convertible Debenture, 3,424 common shares fair valued at \$43,485, pursuant to an interest payment on the Second Convertible Debenture and 4,280 common shares fair valued at \$54,356, pursuant to an interest payment on the Third Convertible Debenture (Note 6).
- vi) On May 4, 2023, the Company issued 393,500 common shares pursuant to a warrant exercise for gross proceeds of \$1,967,500 (Note 7(e)).
- vii) On June 1, 2023, the Company issued 4,125 common shares, fair valued at \$51,563, pursuant to an interest payment on the First Convertible Debenture, 3,300 common shares fair valued at \$41,250, pursuant to an interest payment on the Second Convertible Debenture and 4,125 common shares fair valued at \$51,563, pursuant to an interest payment on the Third Convertible Debenture (Note 6).
- viii) On June 5, 2023, the Company issued 946,500 common shares pursuant to a warrant exercise for gross proceeds of \$4,732,500 (Note 7(e)).

During the nine months ended June 30, 2022, the Company issued 8,027 common shares pursuant to the second and third interest payments on the convertible debenture (Note 6).

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.

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d) Share purchase options

The balance of share purchase options outstanding and exercisable as at June 30, 2023 and September 30, 2022 and the changes for the periods then ended is as follows:

	Number of Options #	Weighted Average Exercise Price \$	Weighted Average Life Remaining (years)
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
Exercised	(10,000)	10.00	-
Balance, June 30, 2023	139,500	5.00	0.95
Unvested	(3,000)	5.00	2.24
Vested and exercisable	136,500	5.00	0.92

The Company recorded share-based compensation expense of \$1,839 during the nine months ended June 30, 2023 (2022: \$55,827) related to the vesting of previously granted options.

The options outstanding as at June 30, 2023, 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
139,500	136,500	5.00	

e) Warrants

As at June 30, 2023, the Company has nil (September 30, 2022: 1,340,000) warrants outstanding and exercisable. The balance of share purchase warrants outstanding and exercisable as at June 30, 2023 and September 30, 2022 and the changes for the periods then ended is as follows:

	Number of Warrants #	Weighted Average Exercise Price \$
Balance, September 30, 2021	1,340,000	5.00
Balance, September 30, 2022	1,340,000	5.00
Exercised	(1,340,000)	5.00
Balance, June 30, 2023	-	-

Upon exercise of the outstanding warrants the Company transferred \$2,118,678 of reserves to share capital.

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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.

During the nine months ended June 30, 2023, R. Michael Jones resigned from his position as CEO and the remaining 29,285 DSUs (the "Second Tranche DSUs") expired unexercised.

During the nine months ended June 30, 2023, the Company granted 8,460 DSUs to directors and officers of the Company and as at June 30, 2023, 24,862 DSUs were fully vested. The change in DSUs outstanding for the nine months ended June 30, 2023 and the year ended September 30, 2022 is as follows:

Balance, September 30, 2021	2,509
Granted	72,463
Balance, September 30, 2022	74,972
Granted	8,460
Exercised	(29,285)
Expired	(29,285)
Vested and exercisable, June 30, 2023	24,862

Following is a summary of the vested DSUs outstanding at June 30, 2023:

Grant date	Number of DSUs	Deemed value	Fair Market Value at June 30, 2023
June 1, 2021	1,325	\$9.43	\$15.45
September 1, 2021	1,184	\$7.03	\$15.45
October 1, 2021	5,844	\$7.13	\$15.45
January 1, 2022	3,357	\$11.17	\$15.45
April 1, 2022	2,301	\$16.30	\$15.45
July 1, 2022	2,391	\$15.68	\$15.45
October 1, 2022	2,643	\$14.19	\$15.45
January 1, 2023	2,700	\$13.89	\$15.45
April 1, 2023	3,117	\$12.03	\$15.45

As at June 30, 2023, the Company had a total of \$384,238 in DSU liabilities. See Note 8.

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

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Plan. Until such time, the Company issued 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, were 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 during the nine months ended June 30, 2023, \$335,000 (2022 - \$nil) of share-based expense was recognized in reserves due to the vesting conditions of the performance shares. As at June 30, 2023, 29,312 performance shares have been released and 34,004 remain in escrow.

8. RELATED PARTY TRANSACTIONS

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

	Nature of Transaction
Sociedad Cartografica Limitada	Geological Consulting
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, VP of Exploration and/or directors. Transactions have been measured at the exchange amount, which is the consideration determined and agreed to by the related parties.

	Three months ended		Nine months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Consulting, salaries, management and directors' fees ¹	235,981	361,003	983,054	1,270,887
Geological consulting fees	60,370	57,657	181,920	171,344
Professional fees (accounting)	24,000	19,000	71,000	57,330
Share-based compensation	70,066	694	335,621	52,791
	390,417	438,354	1,571,595	1,552,352

¹ Includes fees from former CEO R. Michael Jones and the board of directors.

During the nine months ended June 30, 2023, included in directors' fees and management fees was \$112,505 which was the deemed value of DSUs at issuance. See Note 7(f).

Included in trade and other payables as at June 30, 2023, is \$57,742 (September 30, 2022: \$93,442) owing to related parties. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

Key management compensation during the three and nine months ended June 30, 2023 and 2022 is as follows:

	Three months ended		Nine months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Consulting, salaries, management, geological consulting and professional fees	173,733	248,417	796,299	1,029,642
Share-based compensation	70,066	694	335,621	52,791
	243,799	249,111	1,131,920	1,082,433

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9. SEGMENTED INFORMATION

At June 30, 2023, the Company has three reportable segments: mineral exploration, hydroelectric project and corporate, and has operations in two geographical areas, Canada and Chile.

Operating segments

	Three months ended June 30,		Nine months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net income/(loss)				
Mineral exploration	(42,624)	(86,548)	(222,567)	(202,347)
Hydroelectric project	(2,729)	(1,186)	(5,489)	(3,590)
Corporate	(5,883,125)	(1,489,515)	(5,937,758)	(7,051,933)
	(5,928,478)	(1,577,249)	(6,165,814)	(7,257,870)

	June 30, 2023	September 30, 2022
	\$	\$
Assets		
Mineral exploration	94,548,112	82,924,440
Hydroelectric project	8,250,000	8,250,000
Corporate	12,822,797	5,977,231
	115,620,909	97,151,671

Geographic segments

	Three months ended June 30,		Nine months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net income/(loss)				
Canada	(5,836,800)	(1,467,569)	(5,802,584)	(6,970,725)
Chile	(91,678)	(109,680)	(363,230)	(287,145)
	(5,928,478)	(1,577,249)	(6,165,814)	(7,257,870)

	June 30, 2023	September 30, 2022
	\$	\$
Assets		
Canada	12,891,411	5,980,680
Chile	102,729,498	91,170,991
	115,620,909	97,151,671

10. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities

At June 30, 2023:

- Net exploration costs included in trade payables and other liabilities were \$622,424 (September 30, 2022: \$1,346,646);
- Exchange rate differences of \$6,690,876 (2022: \$5,198,203) were included in unproven mineral right interests;
- Accretion expense of \$794,115 related to the convertible debenture was recorded (2022: \$776,747);

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- \$335,000 was recognized in reserve due to the vesting conditions of the 63,316 performance shares previously issued; and
- 8,460 DSUs were granted.

Also see Note 11.

11. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

As at June 30, 2023, 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 June 30, 2023, the right-of-use assets recorded for the Company's premises were as follows:

	Premises \$
As at September 30, 2021	83,350
Additions	151,235
Depreciation	(97,475)
Foreign exchange	(845)
As at September 30, 2022	136,265
Additions	66,634
Depreciation	(124,985)
Foreign exchange	16,496
As at June 30, 2023	94,410

Lease liability

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

	June 30, 2023 \$
Undiscounted minimum lease payments:	
Less than one year	99,884
Two to three years	-
	99,884
Effect of discounting	(6,234)
Present value of minimum lease payments	93,650
Less current portion	(93,650)
Long-term portion	-

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Lease liability continuity

The net change in the lease liability is as follows:

	Premises
	\$
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
Cash flows:	
Additions	66,634
Principal payments	(124,741)
Non-cash changes:	
Foreign exchange	15,522
As at June 30, 2023	93,650

During the quarter ended June 30, 2023, interest of \$6,648 (2022: \$4,499) was paid.

12. CONTINGENCIES

On June 29, 2022, the Company was notified that Terraservice, one of the Company's drilling contractors, had initiated an arbitration process 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. Terraservice has filed a claim in the amount of US\$2,566,643 and the Company has filed a counterclaim for US\$803,374. 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 claim.

13. SUBSEQUENT EVENTS

Subsequent to June 30, 2023:

- i) On July 1, 2023, the Company granted 2,426 DSUs to directors of the Company. These DSUs will vest by September 30, 2023.
- ii) On July 5, 2023, the Company issued 35,473 common shares pursuant to the exercise of 50,000 stock options.
- iii) On August 3, 2023, the Company closed the royalty agreement (the "Royalty") with Ecora Resources PLC ("Ecora") for a total cash consideration of US\$20,000,000. The Royalty is calculated over the sale of all minerals produced from the Company's Vizcachitas Project in Chile. Ecora will receive royalty payments on the basis of an NSR of 0.125% for underground production and 0.25% NSR for open pit production.