LOS ANDES COPPER LTD.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended December 31, 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	December 31, 2023	September 30, 2023
		$	$
Assets			
Current Assets			
Cash and cash equivalents		31,694,959	34,545,860
Receivables		639,987	316,593
Prepaid expenses and deposits		233,824	214,304
		32,568,770	35,076,757
Non-Current Assets			
Property, plant and equipment		182,778	217,751
Mineral right interests	**5**	67,986,671	67,339,430
Hydro-electric project water rights	**5**	8,250,000	8,250,000
		76,419,449	75,807,181
Total Assets		108,988,219	110,883,938
Liabilities			
Current Liabilities			
Trade payables and other liabilities	**8**	767,683	1,080,867
Lease liability short-term	**11**	73,060	106,920
Interest payable on convertible debenture	**6**	125,687	124,345
		966,430	1,312,132
Non-Current Liabilities			
Convertible debentures	**6**	13,218,467	13,197,929
Derivative liability – convertible debenture conversion feature	**6**	4,022,670	4,487,827
DSU liability	**7(f),8**	902,567	301,044
Deferred income tax		9,829,072	9,829,072
		27,972,776	27,815,872
Total Liabilities		28,939,206	29,128,004
Shareholders' Equity			
Share capital	**7**	122,992,809	123,440,339
Reserve	**7**	5,655,453	5,582,702
Deficit		(39,050,758)	(38,267,869)
Accumulated other comprehensive loss		(9,548,491)	(8,999,238)
Total Equity		80,049,013	81,755,934
Total Liabilities and Shareholders' Equity		108,988,219	110,883,938

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

Approved by the Board of Directors on February 29, 2024:

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

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

LOS ANDES COPPER LTD.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the Three Months Ended December 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

	Note	2023	2022
		$	$
Expenses			
Consulting, salaries, management and directors' fees	**8**	200,932	482,542
Depreciation	**11**	41,343	45,981
Interest	**6,11,12**	386,964	386,621
Accretion	**6**	318,151	262,056
Office and administration		86,798	350,463
Professional fees	**8,12**	74,166	153,089
Shareholder communications		104,326	86,653
Share-based compensation	**7, 8**	72,751	155,465
Transfer agent, filing and regulatory fees		13,715	17,165
		1,299,146	1,940,035
Hydro-electric project			
Professional fees		1,336	1,245
		1,336	1,245
Loss before other items		(1,300,482)	(1,941,280)
Other items			
Foreign exchange gain (loss)		(314,384)	(16,815)
Change in fair value of derivative liability	**6**	465,156	1,003,992
Change in fair value of DSU liability	**7(f)**	7,147	174,083
Interest income		359,674	-
Write-off of trade payables		-	33,290
		517,593	1,194,550
Net loss		**(782,889)**	**(746,730)**
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss:			
Current translation adjustment		(549,253)	5,254,889
Total comprehensive income (loss) for the period		**(1,332,142)**	**4,508,159**
Earnings / (Loss) per share, basic and diluted		(0.03)	(0.03)
Weighted average number of shares outstanding, basic and diluted		29,517,862	27,299,401

LOS ANDES COPPER LTD.

Condensed Interim Consolidated Statements of Changes in Equity
For the Three Months Ended December 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

	Common Shares	Share Capital	Equity reserve[1]	Accumulated other comprehensive loss	Deficit	Total
	#	$	$	$	$	$
Balance, September 30, 2022	**27,284,429**	**104,073,463**	**7,907,501**	**(11,769,881)**	**(38,168,013)**	**62,043,070**
Shares issued pursuant to interest payment	10,172	139,968	-	-	-	139,968
Performance shares issued	-	-	154,852	-	-	154,852
Option exercise	10,000	150,220	(50,220)	-	-	100,000
DSU exercise	29,285	247,165	-	-	-	247,165
Share-based compensation	-	-	613	-	-	613
Net loss and comprehensive income	-	-	-	5,254,889	(746,730)	4,508,159
Balance, December 31, 2022	**27,333,886**	**104,610,816**	**8,012,746**	**(6,514,992)**	**(38,914,743)**	**67,193,827**
Private placement	800,000	10,040,000	-	-	-	10,040,000
Share issue costs	-	(878,582)	-	-	-	(878,582)
Shares issued pursuant to interest payment	23,534	296,571	-	-	-	296,571
Performance shares issued	-	-	239,651	-	-	239,651
Vested performance shares	-	463,372	(463,372)	-	-	-
Option exercise	35,473	89,484	(89,484)	-	-	-
Warrant exercise	1,340,000	8,818,678	(2,118,678)	-	-	6,700,000
Share-based compensation	-	-	1,839	-	-	1,839
Net income and comprehensive loss	-	-	-	(2,484,246)	646,874	(1,837,372)
Balance, September 30, 2023	**29,532,893**	**123,440,339**	**5,582,702**	**(8,999,238)**	**(38,267,869)**	**81,755,934**
Shares issued pursuant to interest payment	12,365	123,650	-	-	-	123,650
Conversion of performance shares to DSUs	(55,988)	(571,180)	72,751	-	-	(498,429)
Net loss and comprehensive loss	-	-	-	(549,253)	(782,889)	(1,332,142)
Balance, December 31, 2023	**29,489,270**	**122,992,809**	**5,655,453**	**(9,548,491)**	**(39,050,758)**	**80,049,013**

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

LOS ANDES COPPER LTD.
Condensed Interim Consolidated Statements of Cash Flows
For the Three Months Ended December 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

	2023	**2022**
	$	**$**
Cash provided by (used in):		
Operating activities		
Net loss	(782,889)	(746,730)
Items not affecting cash:		
Accretion	318,151	262,056
Depreciation	41,343	45,981
Change in fair value of derivative liability	(465,156)	(1,003,992)
Change in fair value of DSU liability	(7,147)	(174,083)
Interest expense	364,835	382,604
Share-based compensation	72,751	155,465
Management and director fees settled in DSUs	37,490	37,504
Write-off of trade payables	-	33,290
Changes in non-cash working capital items:		
Prepaid expenses and deposits	(19,520)	55,692
Receivables	(323,394)	(16,446)
Trade payables and other liabilities	(246,913)	391,892
Net cash used in operating activities	(1,010,449)	(576,767)
Investing activities		
Mineral right interests	(1,438,513)	(1,917,339)
Net cash used in investing activities	(1,438,513)	(1,917,339)
Financing activities		
Repayment of lease liability	(32,531)	(33,180)
Interest on convertible debentures - cash	(237,055)	(233,614)
Exercise of options	-	100,000
Net cash provided by financing activities	(269,586)	(166,794)
Change in cash for the period	(2,718,548)	(2,660,900)
Effect of exchange rate changes on cash	(132,353)	(60,300)
Cash and cash equivalents, beginning of period	34,545,860	6,318,090
Cash and cash equivalents, end of period	31,694,959	3,596,890

See Note 10 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 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 February 29, 2024 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 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, 2023, 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, 2023.

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, 2023.

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 December 31, 2023, the Company owns 52 exploitation mining concessions covering 10,771 hectares and 178 exploration claims covering a combined total of 44,940 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, net of finder's fees and transaction expenses reimbursed to RCF, were accounted for as a recovery of costs incurred on the Vizcachitas Property.

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.

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.

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 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, 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.

Ecora Royalty Agreement

On August 3, 2023, the Company closed the royalty agreement (the “Ecora Royalty”) with Ecora Resources PLC (“Ecora”) for total cash consideration of US$20,000,000. The Ecora 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.

The proceeds, net of finder’s fees and transaction costs, were accounted for as a recovery of costs incurred on the Vizcachitas Property.

In the event that productions are delayed the NSRs will increase as follows:

- If delays extend beyond June 30, 2030, and up to June 30, 2031, the royalties will increase to 0.05% for underground production and 0.10% for open pit production;
- If delays extend beyond June 30, 2031, and up to June 30, 2032, the royalties will increase, a second time, by an additional 0.05% for underground operations and 0.10% for open pit operations;
- If delays extend beyond June 30, 2032, the royalties will increase, a third time, by an additional 0.05% for underground operations and 0.10% for open pit operations; and
- The Company has the option to avoid the second and third rate increases by paying, at the time each of the rate increases are triggered, an amount equal to US$15,000,000 or US$20,000,000 if copper prices at that time exceed US$5/lb).

The obligations of the Company under the Ecora Royalty are guaranteed by the Company’s subsidiary Sociedad Legal Minera San Jose Uno De Lo Vicuna, El Tartaro Y Piguchen De Putaendo (the “Guarantor2”), 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 Guarantor2 in favour of Ecora, subject to existing obligations of the Company and the Guarantor2.

As at December 31, 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 1.125% on any underground production and 2.25% on any surface production.

(Unaudited - Expressed in Canadian dollars)

5. 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, 2022 $	Costs incurred (recovered) in year ended September 30, 2023 $	Total costs to September 30, 2023 $	Costs incurred (recovered) in period ended December 31, 2023 $	Total costs to December 31, 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	4,158,982	511,827	4,670,809	148,784	4,819,593
Deferred exploration					
Automobile and travel	694,491	93,304	787,795	(8,558)	779,237
Assaying	725,362	-	725,362	-	725,362
Camp rehabilitation, maintenance and security	3,774,572	323,328	4,097,900	61,588	4,159,488
Core handling and storage	32,914	-	32,914	-	32,914
Drilling	11,785,680	880,965	12,666,645	93,417	12,760,062
Equipment and equipment rental	645,428	148	645,576	-	645,576
Exploration administration	10,268,936	2,786,068	13,055,004	746,570	13,801,574
Food and accommodation	385,079	-	385,079	-	385,079
Geological consulting (Note 8)	3,083,811	513,742	3,597,553	144,594	3,742,147
Other	231,955	118,146	350,101	22,268	372,369
Property & surface rights, taxes & tenure fees	2,432,028	341,159	2,773,187	24,622	2,797,809
Road repairs	47,556	63,638	111,194	21,387	132,581
Studies and other consulting	6,591,296	1,115,472	7,706,768	97,335	7,804,103
Subcontractors	1,269,366	-	1,269,366	-	1,269,366
Supplies	910,680	-	910,680	-	910,680
Sustainable development	323,522	119,324	442,846	20,235	463,081
Warehouse Maintenance	64,548	-	64,548	-	64,548
Total deferred exploration	**43,267,224**	**6,355,294**	**49,622,518**	**1,223,458**	**50,845,976**
Royalty agreements (Note 5)	(12,770,441)	(23,915,061)	(36,685,502)	-	(36,685,502)
Exchange rate differences	(13,121,011)	2,344,605	(10,776,406)	(725,001)	(11,501,407)
	82,042,765	**(14,703,335)**	**67,339,430**	**647,241**	**67,986,671**

Included within 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.

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 $137,340 (US $100,000) (2022: $136,896) was recognized during the three months ended December 31, 2023 and as at December 31, 2023 $44,870 (US $33,880) 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 $109,872 (US $80,000) (2022: $109,517) was recognized during the three months ended December 31, 2023 and as at December 31, 2023 $35,947 (US $27,178) 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%.

(Unaudited - Expressed in Canadian dollars)

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 $136,964 (US $100,000) (2022: $136,896) was recognized during the three months ended December 31, 2023. As at December 31, 2023, $44,870 (US $33,880) 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 three months ended December 31, 2023 and the year ended September 30, 2023, were as follows:

	Convertible debentures $	**Derivative liability $**	**Total $**
Balance, September 30, 2022	**12,394,811**	**8,458,699**	**20,853,510**
Change in fair value	-	(3,970,872)	(3,970,872)
Interest and accretion	2,604,110	-	2,604,110
Interest payments	(1,524,282)	-	(1,524,282)
Foreign exchange	(152,365)	-	(152,365)
Balance, September 30, 2023	**13,322,274**	**4,487,827**	**17,810,101**
Change in fair value	-	(465,156)	(465,156)
Interest and accretion	702,326	-	702,326
Interest payments	(360,705)	-	(360,705)
Foreign exchange	(319,742)	-	(319,742)
Balance, December 31, 2023	**13,344,153**	**4,022,671**	**17,366,824**

As at December 31, 2023, $125,687 (September 30, 2023: $124,345) of interest related to the convertible debentures is payable and recorded as short-term interest payable.

See Note 10 for supplemental cash flow information.

(Unaudited - Expressed in Canadian dollars)

7. EQUITY

a) Authorized

Unlimited number of common shares without par value.

b) Financings

During the three months ended December 31, 2023, the Company had the following share transactions:

i) On December 7, 2023, the Company issued 4,416 common shares, fair valued at $44,160, pursuant to an interest payment on the First Convertible Debenture, 3,533 common shares fair valued at $35,330, pursuant to an interest payment on the Second Convertible Debenture and 4,416 common shares fair valued at $44,160, pursuant to an interest payment on the Third Convertible Debenture (Note 6).

During the three months ended December 31, 2022, the Company had the following share transactions:

ii) On November 29, 2022, the Company issued 10,000 common shares pursuant to an option exercise for gross proceeds of $100,000 (Note 7(d)).
iii) 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).
iv) On December 7, 2022, the Company issued 29,285 common shares pursuant to a DSU exercise (Note 7(f)).

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 mineral rights.

d) Share purchase options

The balance of share purchase options outstanding and exercisable as at December 31, 2023 and September 30, 2023 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, 2022	**149,500**	**5.33**	**1.85**
Exercised	(60,000)	5.83	**-**
Balance, September 30, 2023	**89,500**	**5.00**	**1.21**
Balance, December 31, 2023	**89,500**	**5.00**	**1.21**
Unvested	-	-	-
Vested and exercisable	**89,500**	**5.00**	**0.96**

(Unaudited - Expressed in Canadian dollars)

The Company recorded share-based compensation expense of $nil during the three months ended December 31, 2023 (2022: $613) related to the vesting of previously granted options.

The options outstanding as at December 31, 2023, are as follows:

Outstanding #	Exercisable #	Exercise Price $	Expiry Date
52,500	52,500	5.00	May 31, 2024
37,000	37,000	5.00	September 24, 2025
89,500	**89,500**	**5.00**	

e) Warrants

As at December 31, 2023, the Company has nil (September 30, 2023: nil) warrants outstanding and exercisable. The balance of share purchase warrants outstanding and exercisable as at December 31, 2023 and September 30, 2023 and the changes for the periods then ended is as follows:

	Number of Warrants #	Weighted Average Exercise Price $
Balance, September 30, 2022	**1,340,000**	**5.00**
Exercised	(1,340,000)	5.00
Balance, September 30, 2023	**-**	**-**
Balance, December 31, 2023	**-**	**-**

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 year ended September 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 three months ended December 31, 2023, the Company granted a total of 59,387 DSUs to directors and officers of the Company. 55,988 of those DSUs were exchanged from an equal number of performance shares to the CEO of the Company, of which 30,485 vested immediately, 8,501 will vest on February 14, 2024 and 17,002 DSU's will vest on February 14, 2024 subject to certain performance provisions.

(Unaudited - Expressed in Canadian dollars)

As at December 31, 2023, 61,173 DSUs were fully vested. The change in DSUs outstanding for the three months ended December 31, 2023 and the year ended September 30, 2023 is as follows:

Balance, September 30, 2022	**74,972**
Granted	10,887
Exercised	(29,285)
Expired	(29,285)
Balance, September 30, 2023	**27,289**
Granted	59,387
Balance, December 31, 2023	86,676
Unvested	(25,513)
Vested and exercisable, December 31, 2023	**61,163**

Following is a summary of the vested DSUs outstanding at December 31, 2023:

Grant date	Number of DSUs	Deemed value	Fair Market Value at December 31, 2023
June 1, 2021	1,325	$9.43	$10.41
September 1, 2021	1,184	$7.03	$10.41
October 1, 2021	5,844	$7.13	$10.41
January 1, 2022	3,357	$11.17	$10.41
April 1, 2022	2,301	$16.30	$10.41
July 1, 2022	2,391	$15.68	$10.41
October 1, 2022	2,643	$14.19	$10.41
January 1, 2023	2,700	$13.89	$10.41
April 1, 2023	3,117	$12.03	$10.41
July 1, 2023	2,427	$15.45	$10.41
October 1, 2023	3,399	$11.03	$10.41
December 1, 2023	55,988	$10.20	$10.41

As at December 31, 2023, the Company had a total of $902,567 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 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. During the year ended September 31, 2023, share-based expense of $394,503 (2022: $495,149) was recognized in reserves due to the vesting conditions of the performance shares.

On December 1, 2023, the Company exchanged 55,988 performance shares for an equal number of DSUs to the CEO of the Company, of which 30,485 vested immediately, 8,501 will vest on February 14, 2024 and 17,002 DSU's will vest on February 14, 2024 subject to certain performance provisions which includes authorization by the Company's Board of Directors.

(Unaudited - Expressed in Canadian dollars)

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 December 31,	
	2023	**2022**
	$	**$**
Consulting, salaries, management and directors' fees[1]	313,532	513,617
Geological consulting fees	72,779	60,694
Professional fees (accounting)	24,100	15,000
Share-based compensation	72,751	155,059
	483,162	744,370

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

During the three months ended December 31, 2023, included in directors' fees and management fees was $37,491 which was the deemed value of DSUs at issuance. See Note 7(f).

Included in trade and other payables as at December 31, 2023, is $15,028 (September 30, 2023: $55,234) owing to related parties. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

Key management compensation during the three months ended December 31, 2023 and 2022 is as follows:

	Three months ended December 31,	
	2023	**2022**
	$	**$**
Consulting, salaries, management, geological consulting and professional fees	252,291	452,363
Share-based compensation	72,751	155,059
	325,042	607,422

(Unaudited - Expressed in Canadian dollars)

9. SEGMENTED INFORMATION

At December 31, 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 December 31, 2023	2022
	$	$
Net income/(loss)		
Mineral exploration	(47,544)	(138,681)
Hydroelectric project	(1,336)	(1,245)
Corporate	(734,009)	(606,804)
	(782,889)	**(746,730)**

	December 31, 2023	September 30, 2023
	$	$
Assets		
Mineral exploration	68,575,660	67,930,719
Hydroelectric project	8,250,000	8,250,000
Corporate	32,162,559	34,703,219
	108,988,219	**110,883,938**

Geographic segments

	Three months ended December 31, 2023	2022
	$	$
Net income/(loss)		
Canada	(697,941)	(563,786)
Chile	(84,948)	(182,944)
	(782,889)	**(746,730)**

	December 31, 2023	September 30, 2023
	$	$
Assets		
Canada	32,162,559	34,719,254
Chile	76,825,660	76,164,684
	108,988,219	**110,883,938**

10. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities

At December 31, 2023:

- Net exploration costs included in trade payables and other liabilities were $676,725 (September 30, 2023: $742,996);
- Exchange rate differences of $725,001 (2022: $5,156,359) were included in mineral right interests;
- Accretion expense of $318,151 related to the convertible debenture was recorded (2022: $262,056); and

(Unaudited - Expressed in Canadian dollars)

- 59,387 DSUs were granted.

Also see Note 11.

11. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

As at December 31, 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 December 31, 2023, the right-of-use assets recorded for the Company's premises were as follows:

	Premises **$**
As at September 30, 2022	**136,265**
Additions	123,753
Depreciation	(166,541)
Foreign exchange	9,147
As at September 30, 2023	**102,624**
Additions	-
Depreciation	(33,383)
Foreign exchange	(1,328)
As at December 31, 2023	**67,913**

Lease liability

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

	December 31, 2023 **$**
Undiscounted minimum lease payments:	
Less than one year	71,850
Two to three years	-
	71,850
Effect of discounting	1,210
Present value of minimum lease payments	73,060
Less current portion	(73,060)
Long-term portion	-

(Unaudited - Expressed in Canadian dollars)

Lease liability continuity

The net change in the lease liability is as follows:

	Premises **$**
As at September 30, 2022	**136,236**
Cash flows:	
Additions	123,753
Principal payments	(167,039)
Non-cash changes:	
Foreign exchange	13,970
As at September 30, 2023	**106,920**
Cash flows:	
Additions	-
Principal payments	(32,531)
Non-cash changes:	
Foreign exchange	(1,329)
As at December 31, 2023	**73,060**

During the quarter ended December 31, 2023, interest of $2,788 (2022: $3,312) 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 filed a claim in the amount of US$2,566,643 and the Company filed a counterclaim for US$803,374. The Company's assessment was that it had acted in accordance with its agreement with Terraservice and therefore had not accrued any additional liabilities related to the claim during the year ended September 30, 2022.

On November 6, 2023, the arbitrator ordered the Company to pay Terraservice US$166,656, plus interest as settlement of the claims. The Company paid the amount in full, including interest of US$9,286 on November 29, 2023 and the matter is resolved.

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2023:

i) On January 18, 2024, the Company granted 40,000 options to eligible employees of the Company. The options are exercisable at a price of $15.00 per share and expire on December 30, 2026. These options vest as follows: 12,300 options on January 31, 2024; 12,300 options on January 31, 2025; and 15,400 options on January 31, 2026.
ii) On January 1, 2024, the Company granted 3,602 DSUs to directors of the Company. These DSUs will vest by March 31, 2024.