LOS ANDES COPPER LTD.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 and 2018

DeVISSERGRAY 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, 2019 and 2018, 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, 2019 and 2018, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company is dependent upon the future receipt of equity financing to maintain its operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Brad J. Waddell.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
January 24, 2020

LOS ANDES COPPER LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	September 30, 2019 ($)	September 30, 2018 ($)
ASSETS		
Current		
Cash and cash equivalents (Note 9)	1,390,162	5,180,299
Receivable	4,963	7,863
Prepaid expenses and deposits	87,888	56,751
	1,483,013	5,244,913
Non-current assets		
Property, plant and equipment	28,129	-
Unproven mineral right interests (Notes 4 and 5)	83,132,406	82,204,361
Hydro-electric project water rights (Note 6)	8,250,000	8,250,000
	92,893,548	95,699,274
LIABILITIES		
Current		
Trade and other payables (Note 8)	842,382	594,648
	842,382	594,648
Non-current liability		
Deferred income tax (Note 12)	8,720,266	8,570,657
	9,562,648	9,165,305
EQUITY		
Share capital (Note 7)	103,368,850	103,368,850
Equity reserve (Note 7)	7,351,119	7,291,616
Deficit	(23,641,496)	(22,773,447)
Accumulated other comprehensive loss	(3,821,173)	(1,500,390)
Equity attributable to the owners of the Company	83,257,300	86,386,629
Non-controlling interest	73,600	147,340
	83,330,900	86,533,969
	92,893,548	95,699,274

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 13)
Subsequent event (Note 14)

On behalf of the Board:

"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
(Expressed in Canadian Dollars)

	Year ended September 30, 2019 ($)	2018 ($)
EXPENSES		
General and Administrative		
Consulting, salaries and management fees (Note 8)	422,953	401,461
Depreciation	4,339	-
Office and administration	57,292	57,477
Professional fees	81,862	118,188
Share-based payments (Note 8)	59,503	71,588
Shareholder communications	72,211	177,379
Transfer agent, filing and regulatory fees	41,718	60,836
	739,878	886,929
Hydro-electric Project		
Professional fees	7,035	(28,150)
Project supplies and expenses	326	212
	7,361	(27,938)
Loss before other items	(747,239)	(858,991)
OTHER ITEMS		
Foreign exchange gain (loss)	85,032	(103,991)
Interest expense	-	(3,877)
Interest income	35,829	7,280
	120,861	(100,588)
Loss before income taxes	(626,378)	(959,579)
Deferred income tax expense (Note 12)	(149,609)	(1,258,349)
Net loss attributable to:		
Owners of the Company	(775,917)	(2,218,418)
Non-controlling interest	(70)	490
Net loss	(775,987)	(2,217,928)
Other comprehensive (loss) income		
Cumulative translation allowance	(2,320,783)	191,710
	(2,320,783)	191,710
Loss and comprehensive loss attributable to:		
Owners of the Company	(3,096,700)	(2,026,708)
Non-controlling interest	(70)	490
Loss and comprehensive loss	(3,096,770)	(2,026,218)
Basic and diluted loss per share	-	(0.01)
Weighted average number of shares outstanding	271,658,136	253,970,383

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

LOS ANDES COPPER LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Common shares						
	No. of shares	Amount ($)	Deficit ($)	Equity Reserve ($)	Accumulated Other Comprehensive Loss ($)	Non-Controlling Interest ($)	Shareholders' Equity ($)
Balance - October 1, 2017	244,858,136	96,643,529	(20,555,029)	5,101,349	(1,692,100)	146,850	79,644,599
Private placement (Note 7)	26,800,000	6,725,321	-	2,118,679	-	-	8,844,000
Share-based payments (Note7)	-	-	-	71,588	-	-	71,588
Net (loss) income	-	-	(2,218,418)	-	-	490	(2,217,928)
Cumulative translation allowance	-	-	-	-	191,710	-	191,710
Balance - September 30, 2018	271,658,136	103,368,850	(22,773,447)	7,291,616	(1,500,390)	147,340	86,533,969
Balance - October 1, 2018	271,658,136	103,368,850	(22,773,447)	7,291,616	(1,500,390)	147,340	86,533,969
Net loss	-	-	(775,917)	-	-	(70)	(775,987)
Share-based payments (Note7)	-	-	-	59,503	-	-	59,503
Repurchase of subsidiary shares (Note 3)	-	-	(92,132)	-	-	(73,670)	(165,802)
Cumulative translation allowance	-	-	-	-	(2,320,783)	-	(2,320,783)
Balance - September 30, 2019	271,658,136	103,368,850	(23,641,496)	7,351,119	(3,821,173)	73,600	83,330,900

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

LOS ANDES COPPER LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended September 30, 2019 ($)	Year ended September 30, 2018 ($)
CASH FLOWS FROM OPERATING ACTIVITES		
Net loss	(775,987)	(2,217,928)
Items not affecting cash:		
Deferred income tax expense	149,609	1,258,349
Depreciation	4,339	-
Share-based payments	59,503	71,588
Change in non-cash working capital items:		
Receivable	2,900	(1,449)
Prepaid expenses and deposits	(31,137)	3,092
Trade and other payables	113,091	59,941
Net cash used in operating activities	(477,682)	(826,407)
CASH FLOWS FROM FINANCING ACTIVITES		
Purchase of subsidiary shares	(165,802)	-
Proceeds from issuance of shares (Note 7)	-	8,844,000
Net cash (used in)/provided by financing activities	(165,802)	8,844,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(34,299)	-
Unproven mineral right interests	(3,227,316)	(5,049,038)
Net cash used in investing activities	(3,261,615)	(5,049,038)
Change in cash for the year	(3,905,099)	2,968,555
Effect of exchange rate changes on cash	114,962	153,281
Cash and cash equivalents, beginning of year	5,180,299	2,058,463

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Los Andes Copper Ltd. ("Los Andes") is a company 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 1260-355 Burrard Street, Vancouver, B.C. V6C 2G8, 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, Sociedad Legal Minera San José Uno de Lo Vicuña El Tártaro y Piguchén de Putaendo, 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 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 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. The Company has made a positive assessment of its ability to continue as a going concern given that subsequent to September 30, 2019, the Company entered into Royalty Purchase ("RPA") and Net Smelter Returns Royalty ("RA") Agreements (Note 14).

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

These financial statements were authorized for issue by the Board of Directors on January 24, 2020 and have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

2. BASIS OF PREPARATION

a) Basis of presentation

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

(b) Adoption of new and revised standards and interpretations

During the year, the Company has adopted revisions to certain accounting standards as described below. The adoption of these revisions did not result in any material changes to the financial statements.

- IFRS 9, Financial Instruments

  IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. It also introduced a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The Company adopted this standard effective August 1, 2018. As the standard permits on transition to IFRS 9, the Company has not restated prior periods with respect to the new amortized cost measurement for financial assets and impairment requirements. The adoption of this standard had no material impact on the financial statements.

Effective for annual periods beginning on or after January 1, 2019:

- IFRS 16, Leases

  Under IFRS 16, the Company is required to review all its contracts to determine if they contain leases or lease-type arrangements. Virtually all leases are required to be accounted for as finance leases rather than operating leases, where the required lease payments are disclosed as a commitment in the notes to the financial statements (Note 13). As a result, the Company will be required to recognize leased assets ("right-of-use" assets) and the related lease liability on the statement of financial position. The adoption of IFRS 16 will have an impact on the Company's financial statements as the Company is party to a number of lease agreements.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of judgments and estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments 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 judgments 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:

Judgments

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 judgment 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) 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, 2019, the Company booked an increase in deferred income tax liability and corresponding deferred income tax expense of $149,609 (2018: $1,258,349). The Company’s deferred income tax liability arises mostly from the difference between the book and tax value of its mineral right interests.

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. Judgment is also exercised in respect of the function currency of foreign subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The current non-controlling interest represents a 0.95% (2018: 1.9%) interest in Hidroelectrica de Pasada Rio Rocin SPA. During the year ended September 30, 2019, the Company repurchased 0.95% of the issued and outstanding common shares of Hidroeléctrica de Pasada Rio Rocín SPA for $165,802 and the difference between the cost base and consideration paid was recognized as a direct charge to equity.

Cash and cash equivalents

Cash and cash equivalents in the 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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued for goods or services, the share-based payment is measured at the fair value of the goods and services received. Where the fair value of such goods and services cannot be specifically identified, it is measured at the fair value of the share-based payment.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date the equity is issued.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected in the computation of diluted earnings per share.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 classification of a financial asset or liability is determined at the time of initial recognition. The Company does not enter into derivative contracts.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

IFRS 9 replaces the incurred loss model from IAS 39 with an expected loss model ("ECL"). The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39. The ECL model applies to the Company's trade receivables.

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 below categories:

1. financial instruments that have not deteriorated significantly since initial recognition or that have low credit risk.
2. financial instruments that have deteriorated significantly since initial recognition and whose credit loss is not low.
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. To calculate, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 accrued liabilities 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 cumulative translation allowance in other comprehensive income and accumulated in equity.

4. THE VIZCACHITAS PROPERTY

In 2007, the Company acquired all of the issued and outstanding shares of Vizcachitas Limited, a company that at that time directly and indirectly owned the following assets that comprised a majority interest in the claims making up the Vizcachitas Property (the "Initial Acquisition"):

1. 51% of the shares of Sociedad Legal Minera San José Uno de Lo Vicuña, El Tártaro y Piguchén de Putaendo ("San José SLM"), a Chilean Sociedad Legal Minera which is the owner of the San José mining concessions (the "SJ Concession");

2. 30 mining rights (the "Mining Rights"), of which 27 were existing exploitation mining concessions encircling the SJ Concessions and 3 were exploration mining concessions in process of constitution (exploration claims); and

3. 5 additional exploitation mining concessions (the "Additional Concessions"), which also encircle the SJ Concessions, and were subject to an option agreement completed in 2010.

The SJ Concessions, the Mining Rights and the Additional Concessions are collectively referred to as the "Initial Properties".

At September 30, 2019, all the Initial Properties, except for the SJ Concessions, are subject to NSR royalties of 2% on any surface production and 1% on any underground production. The SJ Concession is subject to NSR royalties of 1.02% on surface mining and 0.51% on underground mining (Note 14).

In 2010, the Company completed the consolidation of the Vizcachitas Property through the acquisition from Turnbrook Corporation ("TBC") of all of the issued and outstanding securities of Gemma Properties Group Limited, 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.

In 2014, TBC and Turnbrook Mining Limited ("TBML") entered into a subscription agreement whereby TBC subscribed for common shares in the capital of TBML for consideration consisting of all of the common shares in the capital of the Company owned by TBC at that date. As at September 30, 2019, TBML owns a total of 143,736,144 or approximately 52.9% of the common shares of the Company (Note 6). TBC is the controlling shareholder of TBML, and TBC no longer has direct ownership of any of the Company's common shares.

As of September 30, 2019, the Company owns 52 exploitation mining concessions covering 10,771 hectares and 161 exploration claims covering a combined total of 45,500 hectares (including the Initial Properties).

(Expressed in Canadian Dollars)

5. UNPROVEN MINERAL RIGHT INTERESTS

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, 2017	Costs incurred in year ended Sept. 30, 2018	Total costs to Sept. 30, 2018	Costs incurred in year ended September 30, 2019	Total costs to September 30, 2019
VIZCACHITAS					
Acquisition costs	$ 54,562,243	$ -	$ 54,562,243	$ -	$ 54,562,243
Water rights	4,122,611	1,823,157	5,945,768	-	5,945,768
VAT tax credits	2,250,440	101,623	2,352,063	126,885	2,478,948
Deferred exploration					
Automobile and travel	380,460	76,013	456,473	96,789	553,262
Assaying	379,018	249,208	628,226	56,661	684,887
Camp rehabilitation, maintenance and security	1,921,841	239,512	2,161,353	431,322	2,592,675
Core handling and storage	34,836	(1,922)	32,914	-	32,914
Drilling	5,381,016	(25,929)	5,355,087	19,911	5,374,998
Equipment and equipment rental	616,368	15,426	631,794	7,812	639,606
Exploration administration	2,673,967	684,079	3,358,046	1,274,400	4,632,446
Food and accomodation	338,293	27,794	366,087	14,867	380,954
Geological consulting (Note 8)	1,300,968	521,102	1,822,070	393,454	2,215,524
Other	76,710	8,953	85,663	13,419	99,082
Property & surface rights, taxes & tenure fees	1,293,640	171,503	1,465,143	206,483	1,671,626
Road repairs	34,105	-	34,105	13,451	47,556
Studies and other consulting	2,033,770	516,591	2,550,361	617,923	3,168,284
Subcontractors	1,269,366	-	1,269,366	-	1,269,366
Supplies	635,443	28,979	664,422	88,582	753,004
Sustainable development	30,424	(923)	29,501	-	29,501
	18,400,225	2,510,386	20,910,611	3,235,074	24,145,685
Exchange rate differences	(1,604,753)	38,429	(1,566,324)	(2,433,914)	(4,000,238)
	$ 77,730,766	$ 4,473,595	$ 82,204,361	$ 928,045	$ 83,132,406

Included within unproven mineral right interests are:

a) Water rights to a permanent, continuous and consumptive use of 500 liters per second (“lps”) (2018: 500 lps) flow from the Aconcagua River, located near the Vizcachitas Property, and

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

6. THE ROCIN RIVER HYDROLECTRIC PROJECT

In 2014, the Company acquired from TBML non-consumptive water rights over a section of the Rocin River, Putaendo, Fifth Region, 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 37,500,000 Los Andes shares, valued at a share price of $0.22, for total consideration of $8,250,000.

The Rocin River water rights and associated studies are indirectly held by the Company's subsidiary Rocin SPA ("Rocin"). In 2014, Rocin entered into an agreement (the "Agreement") with Icafal Inversiones S.A. ("Icafal") for the development and financing of the Hydroelectric Facility with an expected installed capacity of 28 to 30 MW on the Rocin River. Rocin in turn incorporated a subsidiary (the "Rocin Subsidiary") to own, develop, build and operate the Hydroelectric Facility. At September 30, 2019, 0.95% of the issued and outstanding shares of the Rocin Subsidiary were held by minority shareholders.

In 2017, Rocin and Icafal terminated the Agreement, and all studies and work performed by Icafal or by third parties retained by Icafal to the termination date were transferred to Rocin. These studies and work were transferred at no cost to Rocin, except for a reimbursement of $39,744, which represented approximately 19.8% of the work performed towards the environmental study as of the termination date. The termination of the Agreement provides that if any of the studies prepared by third parties are used by Rocin in the development of the Hydroelectric Facility, then Rocin shall reimburse Icafal the cost paid by Icafal to the third party of such study once the Hydroelectric Facility is in operation. The determination of whether a study should be reimbursed shall be made by Rocin at its sole discretion.

7. EQUITY

Capital

a) Share capital

Authorized share capital consists of an unlimited number of common shares without par value.

There were no share capital transactions in fiscal 2019.

Fiscal 2018

On May 7, 2018, Los Andes closed the first tranche of a non-brokered private placement raising $2,597,100. The Company issued 7,870,000 units (the "Units") priced at $0.33 per Unit. Each Unit consists of one common share of the Company (a "Unit Share") and one half of a detachable share purchase warrant (a "Warrant") entitling the holder thereof to purchase one additional common share of the Company (a "Warrant Share") at a price of $0.50 per Warrant Share for a period of five years. $1,977,738 was allocated to common shares and $619,362 was allocated to share equity reserve.

On June 7, 2018, Los Andes closed the second tranche of a non-brokered private placement raising $6,246,900. The Company issued 18,930,000 units (the "Units") priced at $0.33 per Unit. Each Unit consists of one common share of the Company (a "Unit Share") and one half of a detachable share purchase warrant (a "Warrant") entitling the holder thereof to purchase one additional common share of the Company (a "Warrant Share") at a price of $0.50 per Warrant Share for a period of five years. $4,747,583 was allocated to common shares and $1,499,317 was allocated to share equity reserve.

(Expressed in Canadian Dollars)

7. EQUITY (continued)

b) Equity reserve

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

725,000 options were granted in the year ended September 30, 2019 and 500,000 options were granted in the year ended September 30, 2018.

The assumptions used by the Company to price share options vested in the year ended September 30, 2019 were the following:

- Weighted average share price: $0.30
- Weighted average exercise price: $0.50
- Dividend yield: 0%
- Weighted average risk-free interest rate: 1.36%
- Pre-vest forfeiture rate: 0%
- Expected life (years): 5 years
- Weighted average expected volatility: 69.57%

A compensation expense of $59,503 associated with vested options was recognized during the year ended September 30, 2019 (2018: $71,588).

c) Share options

The continuity of the number of share options outstanding is summarized as follows:

	Number of Options	Weighted Average Exercise Price ($)
At September 30, 2017	1,425,000	0.50
Expired	(500,000)	0.50
Granted	500,000	0.50
At September 30, 2018	1,425,000	0.50
Granted	725,000	0.50
At September 30, 2019	2,150,000	0.50
Vested and Exercisable	1,575,000	0.50

At September 30, 2019, the weighted average exercise price of options outstanding was $0.50 (September 30, 2018: $0.50) and their weighted average remaining contractual life was 2.82 years (September 30, 2018: 2.88 years).

(Expressed in Canadian Dollars)

7. EQUITY (continued)

d) Warrants

On May 7, 2018 Los Andes issued 3,935,000 detachable warrants entitling the holder thereof to purchase one additional common share of the Company at a price of $0.50 per Warrant Share for a period of five years.

On June 7, 2018 Los Andes issued 9,465,000 detachable warrants entitling the holder thereof to purchase one additional common share of the Company at a price of $0.50 per Warrant Share for a period of five years.

The continuity of the number of Warrants outstanding is summarized as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
At September 30, 2017	26,800,000	0.45
Forfeited	(26,800,000)	0.45
Granted	13,400,000	0.50
At September 30, 2018	13,400,000	0.50
At September 30, 2019	13,400,000	0.50
Vested and Exercisable	13,400,000	0.50

8. RELATED PARTY TRANSACTIONS

a) Trading Transactions

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

	Nature of Transaction
Sociedad Cartografica Limitada	Geological Consulting
Mineral Consulting Services Ltd.	Consulting
Kasheema International Ltd.	Management
Zeitler Holdings Corp.	Management
Delphis Financial Strategies Inc.	Management

The Company incurred the following fees in the normal course of operations with companies controlled by key management and/or with directors. Transactions have been measured at the exchange amount, which is the consideration determined and agreed to by the related parties.

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (continued)

	For the years ended September 30, 2019	2018
Management & consulting fees and salaries	$ 525,410	$ 480,034
Geological fees	119,493	115,736
Directors' fees	20,417	21,000
	$ 665,320	$ 616,770

Included in trade and other payables as at September 30, 2019 is $85,917 (2018: $132,300) owing to related parties. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

b) Key Management Compensation

The remuneration of members of key management during the years ended September 30, 2019 and 2018 is as follows:

	For the years ended September 30, 2019	2018
Management fees, salaries and geological fees	$ 644,903	$ 595,770
Share-based payments	41,126	71,588
	$ 686,029	$ 667,358

9. 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, 2019	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	($)	($)	($)	($)	($)
Trade and other payables	842,382	842,382	-	-	-

(Expressed in Canadian Dollars)

9. FINANCIAL AND CAPITAL RISK MANAGEMENT – FINANCIAL INSTRUMENTS (continued)

At September 30, 2018	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	($)	($)	($)	($)	($)
Trade and other payables	594,648	594,648	-	-	-

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 has elected not to actively manage this exposure at this time. Notwithstanding, the Company continuously monitors this exposure to determine if any mitigation strategies become necessary. Based on the balances as at September 30, 2019, a 1% increase (decrease) in the Canadian dollar/CLP or Canadian/U.S. dollar exchange rates on that day would have resulted in an increase or decrease of approximately $17,000 in the Company's net loss and an increase or decrease of approximately $326,000 in other comprehensive 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, 2019, 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.

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.

(Expressed in Canadian Dollars)

9. FINANCIAL AND CAPITAL RISK MANAGEMENT – FINANCIAL INSTRUMENTS (continued)

Financial Instruments by Category

The Company's financial instruments consist of cash and cash equivalents and trade and other payables. 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 and trade and other payables 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.

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

	2019 ($)	2018 ($)
Assets at amortized cost		
Cash	1,390,162	2,601,215
Cash equivalents	-	2,579,084
	1,390,162	5,180,299
Liabilities at amortized cost		
Trade and other payables	842,382	594,648
	842,382	594,648

(Expressed in Canadian Dollars)

10. SEGMENTED INFORMATION

At September 30, 2019, the Company has three reportable operating segments: mineral exploration, hydroelectric project and corporate, and has operations in two geographical areas, Canada and Chile.

Operating segments

		Years ended September 30,		
		2019		2018
Net income (loss)				
Mineral exploration	$	(207,442)	$	(1,268,942)
Hydroelectric project		(94,892)		30,822
Corporate		(473,653)		(979,808)
	$	(775,987)	$	(2,217,928)

		September 30, 2019		September 30, 2018
Assets				
Mineral exploration	$	83,493,740	$	82,625,512
Hydroelectric project		8,250,000		8,250,801
Corporate		1,149,808		4,822,961
	$	92,893,548	$	95,699,274

Geographic segments

		Years ended September 30,		
		2019		2018
Net (loss) income				
Canada	$	(561,080)	$	(979,808)
Chile		(214,907)		(1,238,120)
	$	(775,987)	$	(2,217,928)

		September 30, 2019		September 30, 2018
Assets				
Canada	$	1,149,808	$	4,822,961
Chile		91,743,740		90,876,313
	$	92,893,548	$	95,699,274

(Expressed in Canadian Dollars)

11. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing activities

At September 30, 2019, net exploration costs included in accounts payable and accrued liabilities were $441,702 (2018: $307,059).

	Years ended September 30, 2019 ($)	2018 ($)
Cash received for interest	35,829	7,280

12. 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:

	2019 ($)	2018 ($)
Loss before income taxes	(626,378)	(959,579)
Statutory tax rate	26.97%	27.09%
Expected income tax recovery	(168,912)	(259,965)
Changes attributable to:		
Net adjustment for amortization and non-deductible amounts	(18,381)	46,320
Unrecognized benefit of non-capital losses	187,293	213,646
Adjustment of deferred income tax liability to actual	(149,609)	(1,258,349)
Total income tax expense	(149,609)	(1,258,349)

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

	2019 ($)	2018 ($)
Deferred tax liabilites: mineral properties & equipment	(8,800,783)	(8,880,898)
Deferred tax assets: non-capital losses net of valuation allowance	80,517	310,241
Net deferred tax liabilites	(8,720,266)	(8,570,657)

(Expressed in Canadian Dollars)

12. INCOME TAXES (continued)

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

	2019 ($)	2018 ($)
Non-capital losses	9,553,000	9,818,000
Mineral properties	998,913	998,913
Capital losses	2,411,861	2,411,861
Unrecognized deductible temporary differences	12,963,774	13,228,774

At September 30, 2019, the Company had non-capital operating losses of approximately $9,252,000 (2018: $8,619,000) and had resource related amounts available, subject to certain restrictions, for deduction against future taxable income in Canada. The operating losses expire as follows:

	($)
2026	278,000
2027	458,000
2028	997,000
2029	819,000
2030	793,000
2031	1,040,000
2032	630,000
2033	516,000
2034	607,000
2035	580,000
2036	484,000
2037	609,000
2038	808,000
2039	633,000
Total	9,252,000

The Company also has Chilean estimated net operating loss carry-forwards for tax purposes of approximately $301,000 (2018: $1,199,000). These losses carry-forward indefinitely.

13. COMMITMENTS AND CONTINGENCIES

a) In 2017, Compañía Minera Vizcachitas Holding ("CMVH"), a wholly-owned subsidiary of Los Andes received a notification from Chile's Environmental Superintendence ("SMA") for alleged infractions resulting from CMVH's failure to obtain an RCA (Chilean environmental license) for the drill campaign undertaken by CMVH in 2015-2016 and 2017. CMVH believes the notification to be without merit as it relies on the fact that CMVH required a license that Chilean regulations do not demand for mining exploration drilling campaigns under 20 drilling platforms, which is the case of the 2015-2016 drill campaign. CMVH's lawyers pursued the steps necessary to defend CMVH's interests and on December 29, 2017, the SMA issued a resolution accepting the plan proposed by CMVH. Pursuant to the plan, CMVH was required to incur expenditures totalling approximately $267,000 for vegetation enrichment, construction of stone walls, preparation and processing of environmental approval package and professional fees. As of September 30, 2019, CMVH had incurred the required expenditures.

b) CMVH has entered into a series of agreements for the lease of office and warehouse premises in Santiago and Putaendo, Chile under various lease agreements with terms up to August 31, 2021. The share of lease commitments for the remaining term of the contracts is approximately $272,416 (Note 2).

14. SUBSEQUENT EVENT

Subsequent to September 30, 2019, the Company entered into Royalty Purchase ("RPA") and Net Smelter Returns Royalty ("RA") Agreements, (together the "Agreements"), with RCF VI CAD LLC ("RCF"), a limited liability corporation in the State of Delaware.

Pursuant to the Agreements, the Company will receive US$8 million (approximately $10,500,000), as consideration for payments corresponding to a production royalty ("Royalty") from the sale of all locatable minerals produced from the SJ Concession that forms part of the Company's Vizcachitas Property. Of this amount, US$1,500,000 was received, on closing and registration of the documentation in Chile, and the remaining US$6.5 million is scheduled to be paid in four equal quarterly instalments commencing on March 31, 2020.

The obligations of the Company under the 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") pursuant to a guarantee and a mortgage registered in Chile in favour of RCF, subject to existing obligations of the Company and the Guarantor.

Pursuant to the RA, the Company will make payments to RCF corresponding to 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 SJ Concession and for other concessions covering the mineral resources of the Vizcachitas Property is 2% for open pit mining methods and 1% for underground mining methods (Note 4).

The Company will use the proceeds of this transaction to advance the pre-feasibility and the baseline for the environmental approval package of the Vizcachitas Property.