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LOS ANDES COPPER Ltd.

**LOS ANDES COPPER LTD.**
**Management Discussion & Analysis**
**For the Year Ended September 30, 2008**

All figures expressed in Canadian Dollars except where noted

The following discussion and analysis of the results of operations and financial position of Los Andes Copper Ltd. ("Los Andes") together with its subsidiaries (collectively, the "Company"), is prepared as of January 22, 2009 and should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto prepared as at September 30, 2008.

***Company Overview***

Los Andes is a Canadian mineral exploration and development company focused on the acquisition, exploration and development of advanced stage copper deposits in Latin America.

The Company's current focus is the Vizcachitas porphyry copper-molybdenum project, located 120 km north of Santiago, Region V, Chile. Based on 35,255 meters of drilling in 130 diamond drill holes, the project contains an indicated resource of 515 M tonnes grading 0.39% copper and 0.011% molybdenum, and an additional inferred resource of 572 M tonnes grading 0.34% Cu and 0.012% Mo at a 0.3% copper equivalent cut-off.

Effective January 1, 2007, the Company disposed of its former mineral properties in China and on February 8, 2007 completed the acquisition of the Vizcachitas property.

Expenses associated with the former Chinese operations in the year ended September 30, 2007 are classified as a loss from discontinued operations.

The Company's results of operations for the year ended September 30, 2007 have been restated to account for a change in the tax rate used in the measurement of the Company's future income tax liability on that date. The Company had originally recorded a future income tax provision of $2,201,443 in the year ended September 30, 2007, which has been restated to an income tax recovery of $1,276,926. The effect of this change is a reduction in the loss recorded in the year ended September 30, 2007 from $4,345,243 to $866,874. The Company also reclassified the $634,442 gain on the sale of a subsidiary as a component of discontinued operations. The reclassification on the gain on the sale of the subsidiary did not have an impact on the loss recorded in the year ended September 30, 2007.

***Overall Performance***

In the year ended September 30, 2008 ("fiscal 2008") the Company incurred a loss of $3,859,921.

The most significant item in the Company's statement of operations in fiscal 2008 is a future income tax expense of $1,907,152, recorded in compliance with Canadian generally accepted accounting principles ("Canadian GAAP") to account for the potential tax effect of the increase of the excess of the carrying cost of the Company's mineral properties over the properties' tax basis during the year. As of September 30, 2008, the future income tax expense does not represent an actual cash tax expense or an amount due by the Company to tax authorities in Canada or in Chile.

The Company recorded in fiscal 2008 stock-based compensation expense of $1,105,590 from share purchase options granted to the Company's directors, officers and consultants.

During fiscal 2008 the Company incurred acquisition costs of $1,001,037, purchased water rights for $4,252,021 and incurred deferred development costs of $5,319,481, for an aggregate investment of $10,572,539 in the Vizcachitas property.

During 2008 the Company conducted a phase two 15,000 metre diamond drilling program in Vizcachitas, which followed on the success of an initial 5,000 metre drilling program conducted in fiscal 2007.

In fiscal 2008, the Company completed two private placements and a brokered placement to raise gross proceeds of $15,500,000.

The Company's cash and cash equivalents balance and working capital at September 30, 2008 were $6,178,461 and $4,449,279 respectively.

***Selected Annual Information***

| | 12 months ended September 30, 2008 | 12 months ended September 30, 2007 | 12 months ended September 30, 2006 |
|---|---|---|---|
| Total revenues | $ - | $ - | $ - |
| Net income (loss) | (3,859,921) | (866,874) [1] | 1,134,585 |
| Basic and Diluted Earnings (loss) per share | (0.05) | (0.02) [2] | 0.08 |

| | At September 30, 2008 | At September 30, 2007 | At September 30, 2006 |
|---|---|---|---|
| Total assets | $40,789,069 | $24,636,327 | $4,475,231 |
| Total long-term liabilities | 5,237,000 | 2,181,101 [3] | - |
| Cash dividends declared | - | - | - |

[1] Restated from a net loss of $4,345,243 to account for a change in the tax rate used to measure a provision for future income taxes in the year ended September 30, 2007, in the amount of $3,478,369. The future income tax does not represent an amount owed by the Company.

[2] Restated from ($0.10) due to the reduction of $3,478,369 in losses in the year ended September 30, 2007 from adjustments to the future income tax provision in that year.

[3] Restated from $5,659,470 at September 30, 2007 to account for the $3,478,369 change in future income tax liability at that date.

Income in 2006 was recorded in connection with the Company's former Chinese properties and operations. The increase in assets in 2007 and 2008 is in connection with the acquisition of Vizcachitas and deferred exploration incurred on the property.

***Acquisition of Vizcachitas Property***

On February 8, 2007, Los Andes acquired from Global Copper Corp. ("Global") all of the issued and outstanding shares of Vizcachitas Limited. Vizcachitas Limited owns 399 of the 400 issued and outstanding shares in Compañía Minera Vizcachitas Holding ("CMV"), a company incorporated under the laws of Chile. The remaining share in CMV was purchased directly by Los Andes. CMV owns the following interests which comprise the Vizcachitas Property:

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

2. 30 mining rights (the “Mining Rights”), of which 27 are existing exploitation mining concessions encircling the SJ Concession and 3 are exploration mining concessions in process of constitution (exploration claims).

   During the Company's most recent financial year, three of the exploration claims comprising a portion of the Mining Rights expired. The expired claims were originally filed as protection of other claims forming part of the Mining Rights, and actually overlap those claims. Also during the year, a new exploration claim was staked; and

3. An option agreement to purchase 100% of five additional exploitation mining concessions (the “Additional Concessions” and together with the SJ Concessions and the Mining Rights, the “Property”), also encircling the SJ Concession. In the most recent financial year, one of the claims in the option agreement was overridden by one of CMV’s exploitation claims.

All the Concessions, with the exception of the SJ Concession, are subject to NSR royalties of 2% on any surface production and 1% on any underground production on the claims. In the case of the SJ Concessions, the Company’s portion of NSR royalties is 1.02% on surface mining and 0.51% on underground mining.

The Property is located in the province of San Felipe, Region V, Chile, an area of low elevation with excellent infrastructure, including water and power. AMEC described NI43-101 compliant mineral resources for the property in a technical report dated June 9, 2008. The resource calculation was based on 35,255 metres of drilling in 130 diamond drill holes. Results showed indicated resources of 515M tonnes grading 0.39% copper and 0.011% molybdenum, and an additional inferred resource of 572M tonnes grading 0.34% copper and 0.012% molybdenum at a 0.3% copper equivalent cut-off.

The Company owns an indirect 51% majority interest in San José SLM, a Chilean Sociedad Legal Minera ("SLM"). Chilean legal counsel have advised that a Chilean Sociedad Legal Minera, or SLM, is regulated by the Chilean Mining Code (the "Code"), according to which (i) the administrators of the SLM are appointed in shareholders meetings, and they have the power to administer the SLM, including entering into labour contracts, buying materials necessary for the exploration or exploitation of the mine or processing of the mine's products, paying debts and collecting credits of the SLM and selling ore extracted from the SLM's properties; (ii) all other matters not entrusted by the Code to the administrator are decided in shareholders' meetings, which are presided over by the shareholder with the highest number of shares; (iii) in most cases matters are decided by the majority of the shares, including the determination of the amount of contributions for expenses of maintenance and exploration or exploitation of the concessions (the "Expenses"); and (iv) the shareholders are required to contribute to the payment of the Expenses in proportion to the shares they hold in the SLM.

The Company understands a single Chilean company (“Minority Shareholder”) owns the remaining 49% minority interest in San José SLM. The Company has not yet determined how development of the Property will proceed and looks forward to further discussions with the shareholders and principals of the Minority Shareholder to a mutually beneficial plan of action.

The property rights outlined above contain the balance of the known mineralization, and the Company believes there is potential for expanding or adding to the existing resource on the Property. The area will also provide for critical waste stripping and development tenure for the resource identified to date. Work programs on the Property will, in part, focus on testing the potential of these areas to host extensions or additions to the existing mineralization, with a view to further enhancing the economics of the Property.

Consideration for the acquisition of the Vizcachitas property was comprised of US$10,400,000 in cash and the issuance to Global of 6,280,000 shares and 3,900,000 share purchase warrants in the capital of the Company. Each warrant entitles the holder to acquire one additional share of the Company for a period of three years to February 8, 2010, at an exercise price of $1.00 per share. In addition, Global was granted net smelter royalties of 2% on revenues generated from open pit operations and 1% on revenues generated from underground operations on certain of the claims comprising the Vizcachitas property.

During due diligence in respect of the Vizcachitas acquisition, the Company discovered an historical pledge (the "Pledge") which had been unknown to Global. The Pledge was recorded a number of years ago against five of the 51 San José SLM shares. Global confirmed to the Company their belief that no indebtedness is secured by the Pledge, and it was merely an oversight that the Pledge was never formally discharged. Global provided the Company with an indemnity in the amount of US$1 million indemnifying and saving the Company harmless from any liabilities, claims and expenses arising in connection with the Pledge for the two year period to February 8, 2009. There has been no claim of any kind with respect to the Pledge since the Company completed the acquisition. The Company believes that there will be no such claim in future and, if there were such a claim, it would be stature barred.

In connection with the Vizcachitas acquisition, the Company recorded a future income tax liability of $3,458,027, as required by Canadian GAAP to account for the potential tax effect resulting from the limited tax pools available to offset taxable income earned in the Company, relative to the carrying cost of the acquired asset on the Company's balance sheet. At the time the future income tax liability was recorded, an increase of $3,458,027 to the value of the acquired asset was also recorded by the Company.

On August 1, 2008, Teck Cominco Limited acquired all the shares of Global and, pursuant to a plan of arrangement, the 6,280,000 shares, 3,900,000 share purchase warrants and the net smelter royalties were transferred to Lumina Copper Corp., a company listed on the TSX Venture Exchange.

During the Company's most recent financial year, three of the exploration claims comprising a portion of the Mining Rights expired. The expired claims were originally filed as protection of other claims forming part of the Mining Rights, and actually overlap those claims. Also during the year, one of the claims in the option agreement was overridden by one of CMV's exploitation claims.

***Disposition of Subsidiary Corporation***

Los Andes, through its former wholly owned subsidiary, Tun Resources Inc. ("Tun") owned interests in three mineral properties located in the Zhen Yuan Mining District, China (together, the "Yunnan Yuntong Properties"): the Shangzhai exploration licence area and mining concession, which had been in production since 2001; the Bianfushan exploration licence area and mining concession; and the Jiazutian (formerly Lanintang) exploration licence area, both of which were in the exploration and development stage.

Tun entered into a Joint Venture Agreement with the Yunnan Province Dianxi Geological Engineering, Exploration Development Company on August 8, 1994 ("Dianxi"). The joint venture was called the Yunnan Yuntong Exploration Company Limited Joint Venture (the "Yunnan Yuntong JV"). Tun's initial capital investment was US$800,000, to earn a 60% interest in the Yunnan Yuntong JV and was later increased to US$1,400,000 to earn an 82% interest in the Yunnan Yuntong JV.

On August 29, 2006, the Yunnan Yuntong JV sold three of its non-producing, exploration mineral properties in China to a branch of the Chinese government for net sale proceeds (after taxes and finder's fees) of approximately $1,000,000. The Company continued to mine, develop and explore its remaining Chinese properties until January 1, 2007 at which time Los Andes entered into an agreement to sell all of the outstanding shares of Tun for consideration on closing of $1,000,000 and the assumption by the purchaser (the "Purchaser") of liabilities of Los Andes in the aggregate amount of $473,412. The Company recorded a gain of $634,442 on disposition of these properties which has been reclassified as a component of discontinued operations.

***Results of Operations***

**Year Ended September 30, 2008**

*Financial Review*

The Company incurred a net loss of $3,859,921 or $0.05 per share in fiscal 2008 (fiscal 2007: net loss of $866,874 or $0.02 per share).

The most significant expense in the period was a provision for income tax expense of $1,952,769 (2007: recovery of $1,276,926) recorded in the year in compliance with Canadian generally accepted accounting principles to account for the potential tax effect derived from the increase in the year of the excess of the carrying value over the tax basis of the Company's mineral properties. This provision and the original future income tax liability carried forward from fiscal 2008 represent an aggregate future income tax liability of $4,133,870 as at September 30, 2008. As stated elsewhere in this report, the future income tax liability does not represent an actual amount due by the Company at September 30, 2008 to tax authorities in Canada or Chile.

Also significant in fiscal 2008 was stock-based compensation expense of $1,105,590 (fiscal 2007: $903,130) in connection with the grant of 2,800,000 options to directors, officers and consultants of the Company.

Other significant expenses include consulting, salaries and management fees of $331,696 (fiscal 2007: $176,498), professional fees of $191,423 ($215,591 in fiscal 2007) and transfer agent and filing fees of $95,917 (fiscal 2007: $87,180).

Management fees and office expenses increased following the acquisition of Vizcachitas in February 2007, representing a full year of fees and expenses in fiscal 2008 but not in fiscal 2007. Shareholder communication fees increased due to enhanced shareholder communication activities, including trade show participation and production of investor materials. Transfer and agent fees remain at comparable levels to fiscal 2007 and professional fees, travel and promotional expenses were lower in fiscal 2008 than in fiscal 2007.

In fiscal 2008 the Company received or accrued interest income of $114,322 (fiscal 2007: $44,201) and recorded foreign exchange expense of $159,038 (fiscal 2007: expense of $63,127).

In the year, the Company incurred acquisition costs of $1,001,037 for option payments in respect of Vizcachitas and completed a payment of $2,103,667 for the acquisition of a 250 litres per second ("lps") water right, which is an entitlement to permanent, continuous, consumptive use of 250 lps of flow from the Aconcagua River located near Vizcachitas.

Under the terms of the agreement, the Company agreed to pay the vendor US$17,000 per lps, for a total of US$4,250,000, as follows:

- US$2,125,00 on execution of contract (completed)
- US$1,062,500 in January 2009, the first anniversary of the agreement
- US$1,062,500 in January 2010, the second anniversary of the agreement

The Company also incurred $5,319,481 in deferred exploration expenses, capitalized as mineral properties.

The breakdown of the expenses is as follows:

| | $ |
|---|---|
| Automobile and travel | 34,957 |
| Assaying | 121,313 |
| Camp rehabilitation, maintenance and security | 190,619 |
| Core handling and storage | 6,829 |
| Drilling | 2,500,511 |
| Equipment rental | 299,321 |
| Exploration administration | 101,554 |
| Food and accommodation | 204,825 |
| Geological consulting | 79,411 |
| Other | (28,352) |
| Property and surface rights, taxes and tenure fees | 80,650 |
| Studies and other consulting | 381,300 |
| Subcontractor | 998,896 |
| Supplies | 347,647 |
| | 5,319,481 |

*Deferred Exploration*

The following paragraphs summarize the nature of the exploration undertaken on Vizcachitas during fiscal 2008. All exploration was supervised by Roger Moss, Ph.D., P.Geo., President of the Company and qualified person for the project under NI 43-101.

Project Description

The Vizcachitas Property covers a porphyry copper-molybdenum deposit that offers potential for a low strip, open pit operation in an area of low elevation with excellent infrastructure, including water and power in central Chile. The Vizcachitas deposit occurs in the same metallogenic belt as the large copper-molybdenum porphyries Rio Blanco-Los Bronces, Los Pelambres-El Pachon and El Teniente. Based on 35,255 metres of drilling in 130 diamond drill holes, the project contains an indicated resource of 515 million tonnes grading 0.39% copper and 0.011% molybdenum and an inferred resource of 572 million tonnes grading 0.34% copper and 0.012% molybdenum at a 0.30% copper equivalent cut-off. Additional information about the Vizcachitas project is available on the Company's website at www.losandescopper.com.

During the year, the Company began a second phase of diamond drilling on the Vizcachitas property. The 15,000 metre program followed directly on the success of an initial 5,000 metre program that began in July, 2007. The aims of the second phase program were to continue to expand the known limits of the copper-molybdenum mineralization by step-out drilling, to upgrade inferred resources to indicated status by infill drilling and to define the zone of higher grade mineralization in the southwest of the drill area, discovered during phase one. Following completion of the second phase program, drilling continued in order to expand the known resources of the deposit until drilling was suspended in October.

During fiscal 2008, a total of 17,671.10 metres was drilled in 60 holes. Subsequent to the end of the period, a further 1,183.3m were drilled in four holes prior to the end of the drilling campaign. Highlights of the drilling are given in the following table:

| Hole ID | From (m) | to (m) | interval (m) | CuT (%) | Mo (%) | CuEq %* |
|---|---|---|---|---|---|---|
| **LAV-90** | 8.3 | 412 | 403.7 | 0.42 | 0.005 | na |
| including | 16 | 94 | 78 | 0.55 | 0.004 | na |
| including | 32 | 68 | 36 | 0.70 | 0.003 | na |
| and | 174 | 412 | 238 | 0.46 | 0.006 | na |
| including | 308 | 412 | 104 | 0.58 | 0.004 | na |

| | | | | | | |
|---|---|---|---|---|---|---|
| **LAV-91** | 8.8 | 362 | 353.2 | 0.52 | 0.011 | 0.59 |
| including | 64 | 362 | 298 | 0.58 | 0.012 | 0.66 |
| including | 68 | 192 | 124 | 0.65 | 0.019 | 0.78 |
| including | 68 | 122 | 54 | 0.71 | 0.012 | 0.79 |
| **LAV-94** | 12 | 500 | 488 | 0.39 | 0.006 | na |
| including | 44 | 476 | 432 | 0.41 | 0.006 | na |
| including | 44 | 142 | 98 | 0.50 | 0.008 | na |
| including | 46 | 74 | 28 | 0.70 | 0.010 | 0.77 |
| **LAV-98** | 110.5 | 255 | 144.5 | 0.44 | 0.009 | na |
| including | 110.5 | 180 | 69.5 | 0.54 | 0.01 | 0.61 |
| including | 110.5 | 148 | 37.5 | 0.67 | 0.011 | 0.74 |
| including | 110.5 | 130 | 19.5 | 0.77 | 0.01 | 0.84 |
| **LAV-99B** | 29.2 | 370 | 340.8 | 0.25 | 0.02 | 0.40 |
| including | 29.2 | 166 | 136.8 | 0.25 | 0.029 | 0.44 |
| Including | 29.2 | 142 | 112.2 | 0.25 | 0.03 | 0.45 |
| **LAV-108** | 42 | 260 | 218 | 0.57 | 0.009 | na |
| including | 42 | 88 | 46 | 0.70 | 0.006 | na |
| including | 42 | 58 | 16 | 0.88 | 0.010 | 0.95 |
| **LAV-112** | 36 | 350 | 314 | 0.44 | 0.013 | 0.52 |
| including | 36 | 322 | 286 | 0.47 | 0.01 | 0.54 |
| including | 40 | 172 | 132 | 0.56 | 0.013 | 0.65 |
| including | 96 | 112 | 16 | 0.72 | 0.024 | 0.88 |
| **LAV-123** | 36 | 270 | 234 | 0.49 | 0.010 | 0.56 |
| including | 258 | 270 | 12 | 0.73 | 0.006 | na |
| and | 36 | 108 | 72 | 0.56 | 0.012 | 0.64 |
| including | 44 | 82 | 38 | 0.60 | 0.009 | na |
| including | 46 | 62 | 16 | 0.66 | 0.010 | 0.73 |
| **LAV-124** | 194 | 568 | 374 | 0.42 | 0.019 | 0.55 |
| including | 238 | 376 | 138 | 0.60 | 0.016 | 0.71 |
| including | 238 | 326 | 88 | 0.65 | 0.016 | 0.76 |
| including | 264 | 298 | 34 | 0.71 | 0.015 | 0.81 |
| including | 286 | 298 | 12 | 0.77 | 0.013 | 0.86 |
| **LAV-126** | 63.15 | 258 | 194.85 | 0.41 | 0.020 | 0.54 |
| including | 63.15 | 114 | 50.85 | 0.55 | 0.030 | 0.75 |
| including | 94 | 112 | 18 | 0.67 | 0.035 | 0.90 |
| **LAV-131** | 56.8 | 266 | 209.2 | 0.68 | 0.014 | 0.77 |
| Including | 56.8 | 186 | 129.2 | 0.71 | 0.014 | 0.80 |
| Including | 56.8 | 102 | 45.2 | 0.83 | 0.016 | 0.94 |
| and | 226 | 252 | 26 | 0.95 | 0.020 | 1.08 |
| **LAV-121A** | 76 | 250 | 174 | 0.39 | 0.008 | Na |
| Including | 160 | 246 | 86 | 0.53 | 0.011 | 0.61 |
| Including | 160 | 202 | 42 | 0.60 | 0.007 | Na |
| Including | 192 | 202 | 10 | 0.73 | 0.006 | na |

(*Copper equivalent is calculated for Mo values greater than 0.01% using US$1.50/lb Cu and US$10.00/lb Mo according to the formula CuEq% =Cu% + (Mo% x 10.00/1.50) and is not adjusted for metallurgical recoveries or net smelter return which remain uncertain and are assumed to be 100%).

During the second quarter the Company announced an updated interim resource estimate for the Vizcachitas deposit. Robert Sim, P.Geo., a qualified person as defined by NI 43-101 is responsible for the mineral resource estimate.

The interim sulphide mineral resource estimate at a 0.3% CuEq.(*) cutoff is as follows:

**Indicated Resources**
515 million tonnes ("MT") grading 0.39% CuT and 0.011% Mo (0.46% CuEq *)
Contains 4.43 billion pounds ("lbs") copper and 125 million lbs molybdenum

**Inferred Resources**
572 MT grading 0.34% CuT and 0.012% Mo (0.41% CuEq *)
Contains 4.29 billion lbs copper and 151 million lbs molybdenum

Full details of the resource estimate can be found in the technical report dated June 9, 2008 and filed on Sedar on August 20, 2008.

AMEC is currently completing a preliminary economic assessment of the Vizcachitas project. Results of the study are expected in early 2009. During the coming year the project will continue to be advanced by the beginning of an environmental baseline study as well as metallurgical and geotechnical testing.

***Summary of Quarterly Results***

| | QUARTERS ENDED | | | |
|---|---|---|---|---|
| | **September 30, 2008 $** | **June 30, 2008 $** | **March 31, 2008 $** | **December 31, 2007 $** |
| Loss | (2,335,437) | (320,710) | (99,080) | (1,104,694) |
| Loss Per Share (1) | (0.03) | - | - | (0.02) |
| | **September 30, 2007 $** | **June 30, 2007 $** | **March 31, 2007 $** | **December 31, 2006 $** |
| Earnings (Loss) | 1,060,876 [2] | (928,508) | (237,111) | (762,131) |
| Earnings (Loss) Per Share (1) | 0.04 | (0.02) | (0.01) | (0.03) |

[1] Presented on an undiluted basis
[2] Adjusted from a loss of $2,417,493 to reflect an adjustment of $3,478,369 to the Company's future income tax provision.

### *Liquidity and Capital Resources*

As at September 30, 2008 the Company had cash and cash equivalents of $6,178,461 and working capital of $4,449,279, compared to cash of $1,272,361 and working capital of $939,205 at September 30, 2007.

In the year ended September 30, 2008, the Company closed two private placements and a brokered placement for gross proceeds of $15,500,000.

In connection with the private placements, the Company issued 31,000,000 units. For the two private placements 16,000,000 units were issued at a price of $0.50 per unit. Each unit consisted of one common share and one-half of one share purchase warrant; each warrant entitled the holder to acquire one additional common share of the Company at a price of $0.75 until November 24, 2008 (7,500,000 warrants) and January 12, 2009 (500,000 warrants). Subsequent to year end these warrants expired unexercised. The Company paid aggregate finders' fees of $340,025 in connection with these placements.

For the brokered placement, the Company issued 15,000,000 units at a price of $0.50 per unit. Each unit consisted of one common share and one share purchase warrant; each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.70 until August 21, 2009. A total of 8,830,000 units were sold pursuant to the brokered portion of the private placement, and 6,170,000 units were sold pursuant to the non-brokered portion of the private placement. In connection with the brokered portion of the private placement, Los Andes paid Agents' commissions totaling $286,975, a corporate finance fee of $20,000, and issued a total of 350,000 Agents' warrants. Each of the Agents' warrants entitles the holder to acquire one additional common share of the Company at a price of $0.55 until August 21, 2009. In connection with a portion of the non-brokered portion of the private placement, Los Andes paid aggregate finder's fees of $116,325.

The Company used cash of $9,369,011 in fiscal 2008 in investing activities, namely $5,324,581 for deferred exploration costs (including the effect of changes in accounts payable for deferred exploration in the period), $2,103,667 for the first payment towards the acquisition of significant water rights, $1,001,037 in property acquisition costs and acquisition of fixed assets of $29,644. Also included in investing activities is $910,082 for VAT tax credits which are not classified as current assets as they will be recoverable in the long-term only.

The $1,001,037 for property acquisitions in fiscal 2008 is for option payments pursuant to a September 21, 2005 agreement which provided the Company with an option to acquire a 100% interest in the Additional Concessions. The remaining payments under the original agreement were as follows:

| | | | |
|---|---|---|---|
| US$ | 700,000 | Due on | November 30, 2008 |
| | 700,000 | | May 31, 2009 |
| | 800,000 | | November 30, 2009 |
| US$ | 2,200,000 | | |

Subsequent to September 30, 2008, the Company renegotiated the terms described in the preceding paragraphs (see *Subsequent Events*).

The Company's long-term debt is comprised of a $4,133,870 future income tax liability recorded in compliance with Canadian GAAP to account for the potential tax effect derived from the excess carrying cost of the Company's mineral properties, as compared to the properties' tax basis. The future income tax liability does not represent an amount currently due by the Company to tax authorities in Canada or Chile. Also in long-term debt is the final payment due to the sellers of the water rights, in the amount of $1,103,130 (or US$1,062,500 as of September 30, 2008).

Los Andes relies on the issuance of share capital to fund operations. There can be no assurance that Los Andes will be able to obtain required financing in the future on acceptable terms to fund anticipated mineral development costs and operating losses in upcoming periods. General financial market conditions will have an impact on Los Andes' ability to raise funds in the future.

***Summary of contractual obligations as at September 30, 2008***
(Amounts in the following table are expressed in US dollars)

| | Total | Less than 1 year [1] | 1 to 3 Years [1] | 4 to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Option to acquire 100% interest in Additional Concessions [2] | 2,200,000 | 1,400,000 | 800,000 | - | - |
| Remaining payments in connection with acquisition of water rights | 2,125,000 | 1,062,500 | 1,062,500 | - | - |
| | $4,325,000 | $2,462,500 | $1,862,500 | $ - | $ - |

1 US$700,000 due on November 30, 2008, US$700,000 due on May 31, 2009 and US$800,000 due on November 30, 2009.

2 Terms renegotiated subsequent to September 30, 2008 (see Subsequent Events)

***Transactions with Related Parties***

During the year ended September 30, 2008, the Company paid or accrued $165,113 in management fees (2007: $79,513), $38,584 in directors' fees (2007: $nil), $54,113 in geological consulting fees (2007: $41,113) and $42,800 in legal fees (2007: $24,075) to companies related to directors and officers of the Company.

Included in the accounts payable and accrued liabilities balance at September 30, 2008 is $14,658 due to officers and directors of the Company (2007: $14,363).

Amounts due to and from related parties are non-interest bearing, unsecured and have no fixed terms of repayment. These transactions were in the normal course of operations and were measured at fair value as determined by management.

***Fourth Quarter***

During the quarter ended September 30, 2008 (Q4-2008) the Company did not incur acquisition costs; deferred explorations costs in the quarter were $1,040,127, broken down as follows:

| | $ |
|---|---|
| Automobile and travel | 6,285 |
| Assaying | 51,359 |
| Camp rehabilitation, maintenance and security | 44,932 |
| Core handling and storage | 514 |
| Drilling | 331,167 |
| Equipment rental | 75,950 |
| Exploration administration | 25,044 |
| Food and accommodation | 37,537 |
| Geological consulting | 13,650 |
| Property and surface rights, taxes and tenure fees | 27,230 |
| Studies and other consulting | 268,503 |
| Subcontractor | 184,044 |
| Supplies | 15,380 |
| | 1,081,595 |

In Q4-2008 the Company posted a loss of $2,335,437 or $0.03 per share. The most significant expense in the quarter was a provision for future income tax in the amount of $1,962,613 (a non-cash item), followed by professional fees of $94,970 (legal fees and annual accrual of audit fees), stock-based compensation expense of $79,318 for adjustments to the expense of other options granted in fiscal 2008) and consulting, salaries and management fees of $71,010.

### *Contingencies*

During 2008 the Municipality of Putaendo in Chile filed a claim against CMV for alleged illegal intervention of river beds that would have been made to the natural course of the Rocin river by CMV. The claim was accepted by the Chilean General Department of Waters ("DGA") who resolved on this matter subsequent to year end (Note 17). No amount has been recorded by the Company in respect of this matter as the amount, if any, is not determinable.

### *Subsequent Events*

Subsequent to September 30, 2008:

a) A total of 7,500,000 warrants expired unexercised. The warrants had an exercise price of $0.75 per share and a one-year term to November 24, 2008.

b) A further 500,000 warrants expired unexercised. The warrants had an exercise price of $0.75 per share and a one-year term to January 12, 2009.

c) The Company entered into an Agreement that provides for deferrals and adjustments to the remaining option payments described under *Acquisition of Vizcachitas Property*.

   The remaining payments of US$2,200,000 were originally scheduled as to US$700,000 due on November 30, 2008, US$700,000 due on May 31, 2009 and US$800,000 due on November 30, 2009.

   The Agreement provides for revised payments of US$2,350,000 as to US$500,000 due on December 8, 2008 (paid), US$400,000 due on May 31, 2009, US$400,000 due on November 30, 2009, US$400,000 due on May 31, 2010 and US$650,000 due on November 30, 2010.

d) In connection with the contingency described in the preceding section of this MD&A, the DGA ruled in favour of the Municipality of Putaendo and ordered CMV to correct the natural course of the river. CMV retained Chilean legal counsel and filed a reconsideration remedy before the DGA. Final decision by the DGA is pending.

e) A second claim for alleged illegal intervention of water rights was filed by the Municipality of Putaendo against CMV. CMV, through its Chilean legal counsel has filed an answer to the claim. The DGA decision on this second claim is pending.

### *Critical Accounting Estimates*

There were no changes to the Company's critical accounting estimates during the year ended September 30, 2008. The most significant estimates are related to the physical and economic lives of mineral assets, and their recoverability.

### ***Changes in Accounting Policies, Including Initial Adoption***

Effective October 1, 2007 the Company adopted the following new accounting standards:

*Section 1400 - Assessing Going Concern*
CICA Handbook Section 1400, as amended, changed the guidance related to management's responsibility to assess the ability of an entity to continue as a going concern. Management is required to make an assessment of the Company's ability to continue as a going concern, taking into account all information available for at least, but not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern. The adoption of this standard had no impact on the Company's presentation of its financial position or consolidated results of operations as at September 30, 2008 and the year then ended.

*Capital Disclosures - (Section 1535)*
This Section establishes standards for disclosing information about an entity's capital and how it is managed.

*Financial Instruments – Disclosures - (Section 3862)*
This Section requires additional disclosures to enable users of the Company's financial statements to evaluate the significance of financial instruments to the Company's financial position and performance. In addition, qualitative and quantitative disclosures are provided to enable users to evaluate the nature and extent of risks arising from the Company's financial instruments.

### ***Accounting Pronouncements***

*International Financial Reporting Standards ("IFRS")*
In 2006, The Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB's strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the change of the date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transitional date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company does not anticipate that the adoption of .IFRS will have a significant impact on the Company's financial statements.

*Goodwill and intangible assets*
In February 2008, the CICA issued Handbook section 3064 "Goodwill and intangible assets" which is required to be adopted for fiscal year-ends beginning on or after October 1, 2008. It establishes standards for the recognition, measurement, presentation and disclosure of Goodwill subsequent to its initial recognition and of intangible assets by profit orientated enterprises. The Company does not expect that the adoption of this new section will have any material impact on its financial statement.

### ***Evaluation of Disclosure Controls and Procedures***

Public companies are required to perform an evaluation of disclosure controls and procedures annually and to disclose management's conclusions about the effectiveness of these disclosure controls and procedures in its annual MD&A.

The Company's President and CFO are responsible for establishing and maintaining disclosure controls and procedures for the Company and have concluded that, as of the end of the period covered by this report, the disclosure controls and procedures of the Company were effective to ensure that the information required to be disclosed by the Company is reported in a timely and effective manner.

### *Internal Controls over Financial Reporting*

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Due to its limited size and resources and the nature of its operations, the Company faces inherent limitations with regards to internal controls in general, including internal controls over financial reporting. These limitations include a lack of segregation of duties and the potential for management override of controls.

There were no changes in the Company's internal control over financial reporting during the year ended September 30, 2008 that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

### *Other MD&A Requirements*

As of January 22, 2009, the Company has outstanding 93,599,266 common shares, 19,250,000 exercisable warrants (at prices ranging from $0.55 to $1.00 per share) and 4,850,000 exercisable stock options (at exercise prices ranging from $0.40 to $0.62).

Additional information is available on the Company's website at www.losandescopper.com. To view the public documents of the Corporation, please visit the Corporation's profile on the SEDAR website at www.sedar.com.

### Cautionary Statement on Forward Looking Information

This Report contains "forward looking statements". These forward looking statements include, but are not limited to, statements regarding the Company's strategic plans, property search and evaluation plans, estimated levels of expenditures, acquisition targets and commitments. Forward-looking statements express, as at the date of this Report, The Company's plans, estimates, forecasts, projections, or beliefs as to future events or results and the Company does not intend, and does not assume any obligation, to update these forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", or does not expect", is expected", "budget", "schedule" , "estimates", "intends", "anticipates", or "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken, "occur", or "be achieved". We caution that forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events may differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward – looking statements include, but are not limited to the success of the Company's acquisition criteria, the success in completing further financing and closing on any target acquisitions, currency fluctuations, the ability of the Company to conduct its business in Chile, risks inherent with the mining industry, unexpected regulatory changes, delays in the completion of critical activities and other risks inherent to the Company's activities.