



LOS ANDES COPPER Ltd.

LOS ANDES COPPER LTD. Management's Discussion and Analysis ("MD&A") For the Three Months Ended December 31, 2018

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 March 1, 2019 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended December 31, 2018 ("Q1-2019") and the Company's audited consolidated financial statements and related notes for the year ended September 30, 2018 ("Fiscal 2018").

The Company's financial statements are reported under International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS").

Company Overview

Los Andes is a Canadian exploration and development company focused on the acquisition, exploration and development of advanced stage copper deposits in Latin America. The Company owns 100% of the Vizcachitas copper, molybdenum and silver porphyry project, located 120 km north of Santiago, Region V, Chile.

The Vizcachitas copper resource is of 8.5 billion pounds indicated and 2.4 billion pounds inferred and is one of the largest undeveloped copper projects in South America not controlled by majors.

Los Andes is listed on the Toronto Venture Exchange under the ticker *LA*.

Los Andes also has ownership of 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 run-of-river hydroelectric power generation facility (the "Hydroelectric Facility") on the Rocin River.

Overall Performance

During Q1-2019, the Company posted earnings of \$84,656 or \$nil per share, compared to a loss of \$134,822 or \$nil per share in the quarter ended December 31, 2017 ("Q1-2018").

At December 31, 2018, the Company had a cash balance of \$4,186,152 (September 30, 2018: \$5,180,299) and working capital of \$3,730,076 (September 30, 2018: \$4,650,265).

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:

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");

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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 "Property".

All of the Property, with the exception of the SJ Concessions, is subject to NSR royalties of 2% on any surface production and 1% on any underground production. The SJ Concessions are subject to NSR royalties of 1.02% on surface mining and 0.51% on underground mining.

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. At December 31, 2018, TBML owns a total of 143,736,144 or approximately 52.9% of the common shares of the Company (see **Rocin River Hydroelectric Project**). TBC is the controlling shareholder of TBML, and TBC no longer has direct ownership of any of the Company's common shares.

Rocin River Hydroelectric 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 December 31, 2018, 1.90% of the issued and outstanding shares of the Rocin Subsidiary had been sold on arms-length transactions for proceeds of US\$250,000.

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, with the exception of the 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.

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Financial Review

The Company posted earnings of \$84,656 or \$nil per share in Q1-2019 (Q1-2018: net loss \$134,822 or \$nil per share).

The most significant general and administrative expenses incurred in the quarter were consulting, salaries and management fees of \$92,726 (Q1-2018: \$90,630), shareholder communications of \$11,737 (Q1-2018: \$37,628) and professional fees of \$6,996 (Q1-2018: \$20,964).

In respect of the hydroelectric project, the Company incurred \$1,579 in expenses in Q1-2019 (Q1-2018: recovery of expenses \$33,625).

In Q1-2019, the Company posted a foreign exchange gain of \$214,859 (Q1-2018: \$1,775) associated with the appreciation in Canadian dollars (the Company's reporting currency) of cash and cash equivalents held in U.S. dollars, and interest income of \$50 (Q1-2018: \$7,162).

Under other comprehensive loss, the Company recorded a foreign exchange translation allowance of \$87,056 (Q1-2018: \$1,304,925).

Vizcachitas Project Description

The Vizcachitas Property includes 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.

On February 18, 2014, the Company filed a PEA and an updated resource estimate on the Vizcachitas Property that resulted in an increase in indicated resources from the June 9, 2008 mineral resources estimate. The PEA can be accessed under the Company's www.sedar.com profile, and the PEA and additional information about the Vizcachitas project are available on the Company's website at www.losandescopper.com.

The updated estimate was based on a total of 146 drill holes and 40,383 metres drilled, including a total of 16 drill holes and 5,128 metres of drilling completed after the June 9, 2008 estimate.

At a 0.3 % copper equivalent (Cu Eq) cut-off, the Indicated Resources are 1,038 Mt at 0.434 % Cu Eq (0.373 % copper and 0.012 % molybdenum), containing an estimated 8.5 billion pounds of copper and 281 million pounds of molybdenum, and the Inferred Resources are 318 Mt at 0.405 % Cu Eq (0.345 % copper and 0.013 % molybdenum) containing an estimated 2.4 billion pounds of copper and 88 million pounds of molybdenum.

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The Mineral Resource estimates for different cut-off grades with an effective date of September 9, 2013 are shown in the tables set out below:

INDICATED

Cut-Off (Cu Eq %)	Tonnage Mt	Cu Eq %	Cu Grade %	Mo Grade %	Cu Mlb	Mo Mlb
0.20	1,317	0.396	0.341	0.011	9,913	318
0.25	1,191	0.414	0.356	0.012	9,353	305
0.30	1,038	0.434	0.373	0.012	8,539	281
0.35	824	0.462	0.396	0.013	7,201	240
0.40	566	0.501	0.431	0.014	5,374	179
0.45	368	0.543	0.467	0.015	3,788	125
0.50	244	0.588	0.509	0.016	2,515	79

INFERRED

Cut-Off (Cu Eq %)	Tonnage Mt	Cu Eq %	Cu Grade %	Mo Grade %	Cu Mlb	Mo Mlb
0.20	521	0.343	0.296	0.010	3,407	111
0.25	404	0.376	0.322	0.011	2,873	101
0.30	318	0.405	0.345	0.013	2,415	88
0.35	212	0.443	0.372	0.015	1,734	70
0.40	130	0.488	0.402	0.018	1,152	51
0.45	76	0.533	0.428	0.022	714	36
0.50	40	0.584	0.466	0.024	415	22

- Copper equivalent grade has been calculated using the following expression: $Cu\ Eq\ (\%) = CuT\ (\%) + 4.95 \times Mo\ (\%)$, using the metal prices: \$ 2.75 / lb. Cu and \$13.6 / lb. Mo.
- Small discrepancies may exist due to rounding errors.
- The quantities and grades of reported Inferred Mineral Resources are uncertain in nature and further exploration may not result in their upgrading to Indicated or Measured status.
- Mineral Resources are reported within a Whittle pit shell based on: Mine Cost - 2.25 USD/t, Process Cost - 6.94 USD/t, Copper Price - 3.00 USD/lb, Molybdenum Price - 13.6 USD/lb. Conc. Copper Sales Cost - 0.5537 USD/lb., Conc. Molybdenum Sales Cost - 1.60 USD/lb., Recovery Copper - 90 %, Recovery Molybdenum - 60 %, Slope Angles - 42° to 47°.

PEA Highlights

The PEA evaluated four mining scenarios feeding flotation facilities with a throughput of 44 ktpd, 88 ktpd, 176 ktpd and 88 ktpd with a step up in production to a final throughput of 176 ktpd. The 176 ktpd case was selected to be the base case as it produced the highest net present values (NPV).

The results are presented with the inclusion of the Hydroelectric Facility as described in and as of the date of the Filing Statement filed on SEDAR on November 29, 2013.

The base case has a life of mine of 28 years, total capital expenditures of \$3.61 billion, and considered flat projected copper prices of \$2.75/lb and molybdenum prices of \$13.64/lb.

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On a pre-tax basis, the base case results in an NPV of \$746 million, internal rate of return (IRR) of 11.4%, and an estimated payback period from initial commercial operations (Payback Period) of 5.9 years. On an unlevered after-tax basis, the base case results in an NPV of \$274 million, IRR of 9.5%, and a Payback Period of 6.0 years.

Note: The PEA is considered preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

A National Instrument 43-101 ("NI 43-101")-compliant Technical Report on the Vizcachitas Copper Molybdenum Porphyry Project is available on www.sedar.com and on the Company's website and was authorized by the following independent Qualified Persons:

- John Wells BSc, MBA, FSAIMM.
- Manuel Hernández, BSc, FAusIMM.
- Porfirio Cabaleiro, BSc, MAIG.
- Román Flores, BSc, Registered Member of Chilean Mining Commission.
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Antony J. Amberg, M.Sc., CGeol., a qualified person as defined by NI 43-101, supervised the preparation of the technical information in this MD&A.

	Total costs to September 30, 2017	Costs incurred in year ended Sept. 30, 2018	Total costs to Sept. 30, 2018	Costs incurred in quarter ended December 31, 2018	Total costs to December 31, 2018
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	33,228	2,385,291
Deferred exploration					
Automobile and travel	380,460	76,013	456,473	11,176	467,649
Assaying	379,018	249,208	628,226	4,607	632,833
Camp rehabilitation, maintenance and security	1,921,841	239,512	2,161,353	79,392	2,240,745
Core handling and storage	34,836	(1,922)	32,914	-	32,914
Drilling	5,381,016	(25,929)	5,355,087	17,270	5,372,357
Equipment and equipment rental	616,368	15,426	631,794	(711)	631,083
Exploration administration	2,673,967	684,079	3,358,046	277,452	3,635,498
Food and accommodation	338,293	27,794	366,087	3,721	369,808
Geological consulting	1,300,968	521,102	1,822,070	106,029	1,928,099
Other	76,710	8,953	85,663	7,522	93,185
Property & surface rights, taxes & tenure fees	1,293,640	171,503	1,465,143	12,992	1,478,135
Road repairs	34,105	-	34,105	2,921	37,026
Studies and other consulting	2,033,770	516,591	2,550,361	289,810	2,840,171
Subcontractors	1,269,366	-	1,269,366	-	1,269,366
Supplies	635,443	28,979	664,422	12,215	676,637
Sustainable development	30,424	(923)	29,501	-	29,501
	18,400,225	2,510,386	20,910,611	824,396	21,735,007
Exchange rate differences	(1,604,753)	38,429	(1,566,324)	54,995	(1,511,329)
	\$ 77,730,766	\$ 4,473,595	\$ 82,204,361	\$ 912,619	\$ 83,116,980

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Summary of Quarterly Results

	QUARTERS ENDED			
	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018
	\$	\$	\$	\$
Net earnings (loss)	84,656	(1,633,784)	(264,113)	(185,209)
Earnings (loss) per share ⁽¹⁾	-	(0.01)	-	-

	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017
	\$	\$	\$	\$
Net loss	(134,822)	(1,739,980)	(195,606)	(254,630)
Loss per share ⁽¹⁾	-	-	-	-

¹Presented on an undiluted basis

Liquidity and Capital Resources

As at December 31, 2018 the Company had cash of \$4,186,152 and working capital of \$3,730,076, compared to cash of \$5,180,299 and working capital of \$4,650,265 at September 30, 2018.

The Company relies on equity placements to fund operations and its exploration program and from time to time has also borrowed funds to support working capital requirements.

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.

Transactions with Related Parties

As at December 31, 2018, the Company's related parties consist of companies controlled by the Company's President and Chief Executive Officer ("CEO"), the Company's Chairman, the Company's Chief Financial Officer ("CFO") and a Company director.

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

The Company entered into the following transactions with related parties:

- i. During Q1-2019, the Company incurred management, consulting and geological fees of \$87,726 (Q1-2018: \$85,630) for services payable to companies controlled by related parties.
- ii. During Q1-2019 the Company incurred directors' fees of \$5,000 (Q1-2018: \$5,000).
- iii. During Q1-2019, the Company incurred geological fees of \$29,840 (Q1-2018: \$28,707) and salaries of \$29,882 (Q1-2018: \$28,893) payable to a company controlled by the Company's President and CEO, and to the Company's President and CEO respectively.
- iv. Included in trade and other payables as at December 31, 2018 is \$151,200 owing to related parties (September 30, 2018: \$132,300).
- v. Amounts due from and to related parties are unsecured, non-interest bearing and due on demand.

These transactions occurred in the normal course of operations and were measured at fair value as determined by management.

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 totaling approximately \$267,000 for vegetation enrichment, construction of stone walls, preparation and processing of environmental approval package and professional fees. As of December 31, 2018, CMVH had incurred approximately \$224,000 of the required expenditures, and expects to incur the remaining \$43,000 in 2019.
- b) CMVH has entered into a series of agreements for the lease of office premises in Santiago, Chile to August 31, 2021. The share of lease commitments for the remaining term of the contract is approximately \$215,260.
- c) CMVH has entered into an agreement for the lease of office space in Putaendo, Chile to July 31, 2019. The share of lease commitments for the remaining term of the contract is approximately \$4,120.

Critical Accounting Estimates

The Company's significant accounting policies are summarized in Note 3 of its audited consolidated financial statements for the year ended September 30, 2018. The preparation of consolidated financial statements in accordance with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the consolidated financial statements.

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The Company regularly reviews its estimates; however, actual amounts could differ from the estimates used and, accordingly, materially affect the results of operations.

Examples of significant estimates include:

- Carrying values of mineral right interests;
- Carrying values of equipment and depreciation rates for equipment;
- Valuation of deferred income taxes and allowances;
- Assumptions used to assess impairment of mineral right interests and equipment;
- Valuation of share-based payments.

Examples of significant judgments, apart from those involving estimates, include:

- The accounting policies, including impairment, for mineral right interests and equipment;
- Classification of financial instruments;
- Determination of functional currency.

Other MD&A Requirements

As of March 1, 2019, the Company has outstanding 271,658,136 common shares, 1,425,000 stock options with an exercise price of \$0.50 per share and 13,400,000 warrants with a weighted average exercise price of \$0.50.

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 MD&A contains certain forward-looking information and statements as defined in applicable securities laws (collectively referred to as "forward-looking statements"). These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions is intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These statements speak only as of the date of this MD&A. These forward-looking statements include but are not limited to, statements concerning:

- our strategies and objectives;
- prices and price volatility for copper and other commodities and of materials expected to be used in our operations;
- the demand for and supply of copper and other commodities and materials that we plan to produce and sell;
- our financial resources;
- interest and other expenses;
- domestic and foreign laws affecting our operations;
- our tax position and the tax rates applicable to us;
- decisions regarding the timing and costs of construction and production with respect to, and the issuance of, the necessary permits and other authorizations required for any proposed projects;
- our planned future production levels;

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- potential impact of production and transportation disruptions;
- our planned capital expenditures and estimates of costs related to environmental protection;
- our future capital and production costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations in the operation and closure of our operations;
- our financial and operating objectives;
- our environmental, health and safety initiatives;
- the outcome of legal proceedings and other disputes in which we may be or become involved; and
- general business and economic conditions.

Inherent in forward-looking statements are risks and uncertainties beyond our ability to predict or control, including risks that may affect our operating or capital plans; risks generally encountered in the permitting and development of mineral and hydroelectric projects such as unusual or unexpected geological formations, unanticipated metallurgical difficulties, delays associated with permit appeals, ground control problems, adverse weather conditions, process upsets and equipment malfunctions; risks associated with labour disturbances and availability of skilled labour and management; fluctuations in the market prices of power and our principal commodities, which are cyclical and subject to substantial price fluctuations; risks created through competition for hydroelectric and mining projects and properties; risks associated with lack of access to markets; risks associated with mine plan estimates; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with environmental compliance and changes in environmental legislation and regulation; risks associated with our dependence on third parties for the provision of critical services; risks associated with non-performance by contractual counterparties; title risks; social and political risks associated with operations in foreign countries; risks of changes in laws affecting our operations or their interpretation, including foreign exchange controls; and risks associated with tax reassessments and legal proceedings.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- interest rates;
- changes in commodity and power prices;
- acts of foreign governments and the outcome of legal proceedings;
- the supply and demand for, deliveries of, and the level and volatility of prices of copper and commodities and products expected to be used in our operations;
- the timing of the receipt of permits and other regulatory and governmental approvals;
- changes in credit market conditions and conditions in financial markets generally;
- the availability of funding on reasonable terms;
- our ability to procure equipment and supplies in sufficient quantities and on a timely basis;
- the availability of qualified employees and contractors for our operations;
- our ability to attract and retain skilled staff;
- the impact of changes in foreign exchange rates and capital repatriation on our costs and results;
- engineering and construction timetables and capital costs for our projects;
- costs of closure of operations;
- market competition;
- the accuracy of our estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based;
- tax benefits and tax rates;
- the resolution of environmental and other proceedings or disputes;
- the future supply of reasonably priced power;
- our ability to obtain, comply with and renew permits in a timely manner; and

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- our ongoing relations with our employees and entities with which we do business.

We caution you that the foregoing list of important factors and assumptions is not exhaustive. Other events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, our forward-looking statements. Except as required by law, we undertake no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise.