



**LOS ANDES COPPER LTD.  
Management's Discussion and Analysis ("MD&A")  
For the Year Ended September 30, 2016**

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 27, 2017 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended September 30, 2016 ("fiscal 2016") and September 30, 2015 ("fiscal 2015").

The financial information presented herein is expressed in Canadian dollars, except where noted.

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 mineral exploration and development company focused on the acquisition, exploration and development of advanced stage copper deposits in Latin America.

The Company is the owner of the Vizcachitas porphyry copper-molybdenum project, located 120 km north of Santiago, Region V, Chile. Based on 40,383 meters of drilling in 146 diamond drill holes, the project contains an indicated resource of 1,038 M tonnes grading 0.373% copper and 0.012% molybdenum, and an additional inferred resource of 318 M tonnes grading 0.345% Cu and 0.013% Mo at a 0.3% copper equivalent cut-off. Please refer to **Project Description** for further details on the project.

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. The Company is party to an agreement to develop and finance the Hydroelectric Facility, which is expected to have an installed capacity of 28 to 30 MW

***Overall Performance***

In fiscal 2016 the Company incurred a loss of \$1,203,394 or \$0.01 per share, compared to a loss of \$3,328,138 or \$0.02 per share in fiscal 2015.

During fiscal 2016, the Company incurred deferred development costs of \$2,052,692 (2015: \$704,481).

The Company's cash and cash equivalents and working capital deficiency at September 30, 2016 were \$9,663 and \$1,643,396 respectively, compared to cash of \$1,162,515 and working capital of \$981,773 at September 30, 2015.

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**Selected Annual Information**

	Year ended September 30, 2016 (IFRS)	Year ended September 30, 2015 (IFRS)	Year ended September 30, 2014 (IFRS)
Total revenue	\$-	\$ -	\$ -
Net loss	(1,203,934)	(3,328,138)	(1,751,849)
Basic and diluted loss per share	(0.01)	(0.02)	(0.01)

	At September 30, 2016	At September 30, 2015	At September 30, 2014
Total assets	\$81,892,012	\$79,909,518	\$77,337,696
Total long-term liabilities	5,843,546	5,338,981	2,868,621
Cash dividends declared	-	-	-

**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 Concessions");
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. As at September 30, 2016, TBML owns a total of 113,136,144 or approximately 51.9% of the common shares of the Company (see **Rocin River Hydroelectric Project** and **Liquidity and Capital Resources**). TBC is the controlling shareholder of TBML, and TBC no longer has direct ownership of any of the Company's common shares.

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### ***Rocin River Hydroelectric Project***

On January 22, 2015, Los Andes received approval from the TSX-V for the acquisition by the Company from TBML 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 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 June 2015, 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 has in turn incorporated a subsidiary (the "Rocin Subsidiary") to own, develop, build and operate the Hydroelectric Facility. As of September 30, 2016, 1.90% of the issued and outstanding shares of the Rocin Subsidiary had been sold to various parties for proceeds of US\$250,000.

Icafal is the investment subsidiary of Icafal S.A., one of the leading engineering and construction conglomerates in Chile ([www.icafal.cl](http://www.icafal.cl)). Icafal S.A. has been in operation for more than 30 years, has 2,800 employees and annual revenues in excess of US\$200 million. Icafal has vast experience in the design and construction of infrastructure, water management and hydroelectric facilities, including the construction of run-of-river hydroelectric plants of a similar configuration as the planned Hydroelectric Facility.

The main terms of the Agreement are:

1. Rocin agreed to incorporate the Rocin Subsidiary to own, develop, build and operate the Hydroelectric Facility and transfer its Rocin River water rights and associated studies to the Rocin Subsidiary;
2. Icafal agreed to make an investment of US\$7.5 million (the "Total Investment") in shares of the Rocin Subsidiary;
3. US\$2.0 million of the Total Investment is currently being used to finance the pre-construction development of the Hydroelectric Facility;
4. The remaining US\$5.5 million will be used to partially finance construction, and will be invested by Icafal once the Rocin Subsidiary has obtained all required permits and construction and other material contracts are in place;
5. Icafal will be entitled to a 36.3% interest in the Rocin Subsidiary after it has made the Total Investment;
6. The Rocin Subsidiary and Icafal have agreed to enter into a fixed price contract for the initial development of the Hydroelectric Facility.

A number of power projects in Chile, in particular large-scale hydro and thermal plants, have been suspended in recent years, mainly due to resistance from local communities and environmental groups and difficulties in securing environmental approvals. The Chilean government's strategy for the development of the power sector is to prioritize the development of renewable energies, including small to mid-size run-of-river hydroelectric plants such as the Hydroelectric Facility.

The Company estimates that development and construction of the Hydroelectric Facility will take approximately 3 to 4 years to complete. Once in operation, the Hydroelectric Facility is expected to generate operating cash flow sufficient to cover the Company's working capital needs and a portion of the exploration

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and feasibility work for the Vizcachitas project. The Hydroelectric Facility is also expected to ultimately provide a portion of the power requirements for the Company's mining operations.

**Financial Review**

The Company incurred a net loss of \$1,203,934 or \$0.01 per share in fiscal 2016 (fiscal 2015: net loss of \$3,328,138 or \$0.02 per share).

The Company incurred \$481,121 in general and administrative expenses in fiscal 2016 (fiscal 2015: \$625,318), of which the most significant expenses included consulting, salaries and management fees of \$373,824 (2015: \$338,238), professional fees of \$36,523 (2015: \$78,169) and transfer agent, filing and regulatory fees of \$22,882 (2015: \$49,013).

Also in fiscal 2016, the Company incurred \$224,158 (2015: \$270,326) in expenses associated with the hydro-electric project, including \$119,328 in studies (2015: \$112,397), \$55,371 in professional fees (2015: \$122,872) and \$49,312 in project supplies and expenses (2015: \$34,914).

In fiscal 2016 the Company recorded deferred income tax expense of \$504,565 (2015: \$2,470,360) in connection with adjustments to the Company's deferred tax liability, which results from the difference between the carrying value in the financial statements and the tax basis of unproven mineral right interests.

Under other comprehensive loss, the Company recorded a gain in respect of a foreign exchange translation allowance of \$899,114 in fiscal 2016 (2015: gain of \$584,192).

The Company incurred \$2,052,692 in deferred exploration expenses, capitalized as unproven mineral right interests (2015: \$704,481).

The breakdown of deferred exploration expenses incurred in fiscal 2016 and 2015 is as follows:

	\$	\$
Automobile and travel	67,638	20,424
Assaying	47,717	-
Camp rehabilitation, maintenance and security	382,139	179,214
Drilling	531,485	-
Exploration administration	378,304	262,152
Equipment rental	77,958	-
Geological consulting	336,190	110,796
Other	86,135	8,923
Property and surface rights, taxes and tenure fees	135,306	119,996
Studies and other consulting	9,820	2,976
	<u>2,052,692</u>	<u>704,481</u>

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### ***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, 2015, 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 from the Company's website and under the Company's [www.sedar.com](http://www.sedar.com) profile. Additional information about the Vizcachitas project is available on the Company's website at [www.losandescopper.com](http://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.

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**

<b>Cut-Off (Cu Eq %)</b>	<b>Tonnage Mt</b>	<b>Cu Eq %</b>	<b>Cu Grade %</b>	<b>Mo Grade %</b>	<b>Cu Mlb</b>	<b>Mo Mlb</b>
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
<b>0.30</b>	<b>1,038</b>	<b>0.434</b>	<b>0.373</b>	<b>0.012</b>	<b>8,539</b>	<b>281</b>
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

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**INFERRED**

<b>Cut-Off (Cu Eq %)</b>	<b>Tonnage Mt</b>	<b>Cu Eq %</b>	<b>Cu Grade %</b>	<b>Mo Grade %</b>	<b>Cu Mlb</b>	<b>Mo Mlb</b>
0.20	521	0.343	0.296	0.010	3,407	111
0.25	404	0.376	0.322	0.011	2,873	101
<b>0.30</b>	<b>318</b>	<b>0.405</b>	<b>0.345</b>	<b>0.013</b>	<b>2,415</b>	<b>88</b>
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.

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.**

An updated National Instrument 43-101 ("NI 43-101") compliant Technical Report on the Vizcachitas Copper Molybdenum Porphyry Project has been filed on [www.sedar.com](http://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.

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- Porfirio Cabaleiro, BSc, MAIG.
- Román Flores, BSc, Registered Member of Chilean Mining Commission.

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.

### 2015/2016 Drill Program

From October 2015 to March 2016, Los Andes undertook a drill program to confirm a new geological model and to demonstrate the extent of the central core mineralisation. Historical drilling had been carried out on the Vizcachitas project in campaigns in 1993, 1996/1997 and 2007/2008. However, the higher grade central core had only been drilled in in the 1990's and with generally shallower drill holes, therefore not properly reflecting the potential of this core area.

The historical drilling was generally drilled through the supergene mineralisation and then then only a short distance in the primary mineralisation. This means that there are various drill holes, especially in the central core where the drill holes finished in grades above 0.5 % Cu or in geological units which indicate that the drill hole is still in the upper part of the system. To better understand the project, the Los Andes geologists re-logged all of the 146 drill holes located within the property. The re-logging was led by Gonzalo Saldias, a geologist well recognised in Chilean porphyry systems. This detailed review showed that the historical logging and geological model had not properly identified the importance of the higher grade early diorite porphyry and hydrothermal breccias.

The relogging showed that these higher grade geological units extend over a distance of 1,400 metres north-south and 700 metres east-west. The mapping shows that these breccias have grades increasing with depth and demonstrates the potential for higher grades below the current drilling. A first stage of this campaign has been drilled, with eight diamond drill holes.

A drill-hole location plan and schematic geological plan is available on the Company's website: [www.losandescopper.com](http://www.losandescopper.com)

Highlights of the 2015-2016 drill program:

- Relogging of the all the drill core identified the importance of the higher grade early diorite porphyry and hydrothermal breccias. The current drilling program has confirmed the new geological model.
- The central higher grade core extends over an area of at least 1,400 metres north-south and 700 metres east-west.
- The project is still open to the east, west, north and at depth.
- The presence of silver mineralisation in the range of 0.8 g/t to 2 g/t is confirmed.
- The drilling intersected long sequences of higher Cu grade mineralization with significant Mo and Ag credits:

V2015-01      64.0 m @ 0.601 % Cu, 258 ppm Mo, 1.2 g/t Ag from 322.0 m downhole

V2015-02      52.0 m @ 0.602 % Cu, 170 ppm Mo, 1.8 g/t Ag from 142.0 m downhole

V2015-03      39.1 m @ 0.743 % Cu, 145 ppm Mo, 1.9 g/t Ag from 44.1 m downhole

V2015-05      120.0 m @ 0.537 % Cu, 169 ppm Mo, 1.4 g/t Ag from 72.0 m downhole

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V2015-05 52.1 m @ 0.812 % Cu, 190 ppm Mo, 2.0 g/t Ag from 492.2 m downhole

V2015-08 502.0 m @ 0.631 % Cu, 209 ppm Mo and 1.3 g/t Ag from 130 m downhole

Including:

54.0 m @ 1.023 % Cu, 128 ppm Mo and 1.4 g/t Ag from 130 m downhole.

396.3 m @ 0.566 % Cu, 233 ppm Mo and 1.2 g/t Ag from 235.8 m downhole.

Drill Hole Location:

A total of eight drill holes were drilled during the 2015-2016 drill program. Two drill holes were abandoned due to geological conditions.

The table below shows the updated coordinates for the holes drilled during the 2015-2016 drill program.

Hole Number	Easting	Northing	Elev (metres)	Azimuth (degrees)	Dip (degrees)	Final Depth (metres)
V2015-01	365,790.547	6,413,734.952	2,014.562	110	-65	476.35
V2015-02	365,785.491	6,413,377.461	1,993.479	290	-75	459.80
V2015-03	365,932.686	6,413,378.737	1,991.294	290	-75	535.00
V2015-04	365,681.589	6,413,878.480	2,039.558	110	-60	656.00
V2015-05	366,185.488	6,413,278.377	2,035.107	290	-60	638.00
V2015-06b	366,041.031	6,413,854.781	2,103.790	110	-75	67.00
V2015-07	366,238.793	6,413,137.243	2,022.044	290	-70	52.00
V2015-08	366,158.747	6,413,542.415	2,153.583	290	-75	725.50

All coordinates are in UTM WGS84. The updated drill hole coordinates resulted from a resurvey after completion of the drilling program.

Summary of Drill Holes:

Drill Hole V2015-01

This hole was drilled in the northern part of the central core. The purpose of this hole was to support whether the high grade mineralisation associated with the diorite porphyry extended 200 metres to the west from the historical drill holes

The top of bedrock was located at 68.70 metres and the drill hole intersected the diorite porphyry with potassic alteration at a depth of 216 metres and continued within this unit to the end of the hole at 476 metres. The average grade with the diorite porphyry was 0.467 % Cu, 285 ppm Mo and 1.0 g/t Ag over a length of 260.40 metres, including 0.601 % Cu, 258 ppm Mo and 1.2 g/t Ag over a length of 64.00 metres.

The drill hole supported the continuity of the higher grade diorite porphyry to the west and demonstrated that the mineralisation is open at depth.



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Hole Number	Depth From (m)	Depth To (m)	Length (m)	Cu %	Mo ppm	Ag g/t	CuEq %
V2015-01	68.7	476.4	407.7	0.411	204	0.9	0.473
including	216.0	476.4	260.4	0.467	285	1.0	0.549
and	322.0	386.0	64.0	0.601	258	1.2	0.679

\* Copper equivalent grade has been calculated using the following expression:  $Cu\ Eq\ (\%) = CuT\ (\%) + 2.5 \times Mo\ (\%) + 110.55 \times Ag\ (g/t)$ , using the metal prices: \$ 2.2 / lb. Cu, \$5.5 / lb. Mo and \$15.2 / Oz. Ag. All thicknesses from intersections from drill holes are down-hole drilled thicknesses. True widths cannot be determined from the information available.

**Drill Hole V2015-02**

This hole was drilled on the western edge of central core. The aim of this hole was to drill to the west of the known mineralisation, seeking to intersect the lower grade granodiorite intrusive which defines the western limit of the project.

The drill hole did not intersect the granodiorite intrusive but drilled the andesite host rock with potassic alteration from a depth of 60.10 metres to a depth of 288.00 metres where it intersected a tonalite porphyry which continued to the end the hole at 459.80 metres.

Within the andesite, from a depth of 142.00 metres, the average grade was 0.60 % Cu, 170 ppm Mo and 1.84 g/t over 52.00 metres, associated with stronger alteration. The average grade for the whole drill hole was 0.35 % Cu, 107 ppm Mo and 1.0 g/t over a length of 399.65 metres.

While the drill hole did not reach the western limit of the project, it showed that the mineralised system extended further westward than the proposed model and demonstrated the core of the project has significant sections with grade of greater than 0.6 % Cu.

Hole Number	Depth From (m)	Depth To (m)	Length (m)	Cu %	Mo ppm	Ag g/t	CuEq %
V2015-02	60.2	459.8	399.7	0.351	107	1.0	0.389
including	142.0	194.0	52.0	0.602	170	1.8	0.665
and	140.0	356.0	216.0	0.400	127	1.1	0.444

\* Copper equivalent grade has been calculated using the following expression:  $Cu\ Eq\ (\%) = CuT\ (\%) + 2.5 \times Mo\ (\%) + 110.55 \times Ag\ (g/t)$ , using the metal prices: \$ 2.2 / lb. Cu, \$5.5 / lb. Mo and \$15.2 / Oz. Ag. All thicknesses from intersections from drill holes are down-hole drilled thicknesses. True widths cannot be determined from the information available.

**Drill Hole V2015-03**

This hole was drilled in middle of central core, 140 metres to the east of V2015-02. The aim of the hole was to test the depth extension of the mineralisation identified in the shorter historical drill holes which finished in good mineralisation at a depth of approximately 200 metres.

The drill holes intersected andesitic bedrock with supergene mineralisation at a depth of 44.1 metres. The supergene mineralisation continued to approximately 80 metres and the grade over this sequence was 0.743 % Cu, 146 ppm Mo and 1.9 g/t Ag over 39.10 metres.

From a depth of 141.10 metres, the drill hole intersected a sequence of ingenious breccias, hydrothermal breccias and a diorite porphyry to a depth of 444.8 metres. The higher parts of the sequence are identified by the quartz sericite alteration and high pyrite to chalcopyrite ratio. With depth, the potassic alteration increases and the pyrite to chalcopyrite ratio decreases although never below 1:1. This would indicate the drill hole is still in the higher part of the porphyry system and there is potential for higher grades at depth. The grade over this sequence is 0.404 % Cu, 241 ppm Mo and 1.1 g/t Ag over a length of 303.7 metres.

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At a depth of 444.80 metres the drill hole intersected an andesite with potassic alteration and is notable for the low copper grades and the higher molybdenum grade. The grades are 0.172 %Cu, 332 ppm Mo and 0.4 g/t Ag over a length of 90.20 metres. This andesitic sequence is interpreted as being the potassic central of the porphyry system.

Hole Number	Depth From (m)	Depth To (m)	Length (m)	Cu %	Mo ppm	Ag g/t	CuEq %
V2015-03	44.1	444.8	400.7	0.436	235	1.2	0.508
including	44.1	83.2	39.1	0.743	145	1.9	0.800
including	83.2	141.1	54.9	0.420	277	1.3	0.503
including	141.1	444.8	303.7	0.404	241	1.1	0.476
	444.8	535.0	90.2	0.173	332	0.4	0.260

\* Copper equivalent grade has been calculated using the following expression:  $Cu\ Eq\ (\%) = CuT\ (\%) + 2.5 \times Mo\ (\%) + 110.55 \times Ag\ (g/t)$ , using the metal prices: \$ 2.2 / lb. Cu, \$5.5 / lb. Mo and \$15.2 / Oz. Ag. All thicknesses from intersections from drill holes are down-hole drilled thicknesses. True widths cannot be determined from the information available.

**Drill Hole V2015-04**

This hole was drilled in the northern extent of the central core, 180 metres to the north-west of drill hole V2015-01, to test the northern extension of the mineralisation identified in the first drill hole.

The drill hole intersected the diorite intrusive bedrock at a depth of 64.90 metres and continued in the same type of rock to a depth of 656.00 metres, except for a short 15 metres sequence of tonalite porphyry. A leached cap extended from 64.9 metres to 186.0 metres.

From a depth of 186.0 metres to a depth of 656.0 metres, a length of 470.0 metres, the average grade was 0.350 % Cu and 152 ppm Mo with 0.8 g/t Ag. This included 44.0 metres with an average grade of 0.448 % Cu, 96 ppm Mo and 1.1 g/t Ag.

While this hole did not intersect the higher grade diorite porphyry identified in historical drill hole V-39, it has shown that moderate grade mineralisation extends further north than previously demonstrated in the 2014 block model. The grades in this hole are generally higher than those reflected in the 2014 block model and the mineralisation is still open at depth.

Hole Number	Depth From (m)	Depth To (m)	Length (m)	Cu %	Mo ppm	Ag g/t	CuEq %
V2015-04	186.0	656.0	470.0	0.350	152	0.8	0.397
including	250.0	294.0	44.0	0.448	96	1.1	0.484
including	582.0	621.7	39.7	0.509	228	1.0	0.576

\* Copper equivalent grade has been calculated using the following expression:  $Cu\ Eq\ (\%) = CuT\ (\%) + 2.5 \times Mo\ (\%) + 110.55 \times Ag\ (g/t)$ , using the metal prices: \$ 2.2 / lb. Cu, \$5.5 / lb. Mo and \$15.2 / Oz. Ag. All thicknesses from intersections from drill holes are down-hole drilled thicknesses. True widths cannot be determined from the information available.

**Drill Hole V2015-05**

This hole was drilled in the eastern part of the central core, 280 metres to the south-east of V2015-03.

The purpose of this hole was to support the northern extension of the hydrothermal breccias identified in the re-logging of the historical drill holes to the south.

The top of bedrock was located at 36 metres with the drill hole intersecting a sequence of andesitic host rock, cut by diorite porphyry and hydrothermal breccias. The leached zone extended to a depth of 72 metres

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before entering the supergene mineralisation. From 72.0 metres to a depth of 192.0 metres, a length of 120.0 metres, the average grade was 0.537% Cu, 169 ppm Mo and 1.4 g/t Ag.

The drill hole intersected a hydrothermal breccia from 492.2 metres to 544.3 metres, a total length of 52.1 metres, with an average grade of 0.812 % Cu, 190 ppm Mo and 2.0 g/t Ag. This confirms the extension of the higher grade breccias from the south.

Hole Number	Depth From (m)	Depth To (m)	Length (m)	Cu %	Mo ppm	Ag g/t	CuEq %
V2015-05	72.0	638.0	566.0	0.425	216	1.2	0.492
including	72.0	192.0	120.0	0.537	169	1.4	0.595
including	492.2	544.3	52.1	0.812	190	2.0	0.882

\* Copper equivalent grade has been calculated using the following expression: Cu Eq (%) = CuT (%) + 2.5 x Mo (%) + 110.55 x Ag (g/t), using the metal prices: \$ 2.2 / lb. Cu, \$5.5 / lb. Mo and \$15.2 / Oz. Ag. All thicknesses from intersections from drill holes are down-hole drilled thicknesses. True widths cannot be determined from the information available.

**Drill Hole V2015-06**

This hole was drilled in the north east extent of the central core, 270 metres to the north-east of drill hole V2015-01, between two outcropping late stage diatremes. The new geological model indicates the potential for porphyry style mineralisation in this area. If proven this would open up a large area within the 2014 block model that is currently identified as waste rock.

The drill hole intersected a post mineral dacite dyke at a depth of 3.0 metres and was stopped at a depth of 67 metres. The drill hole has not been assayed.

**Drill Hole V2015-07**

This hole was drilled to 150 metres south of drill hole V2015-05 to test central core of the project area.

The drill hole could not pass through the gravels and was abandoned at a depth of 52.00 metres.

**Drill Hole V2015-05**

This hole was drilled in the eastern part of the central core, 280 metres to the south-east of V2015-03. The purpose of this hole was to support the northern extension of the hydrothermal breccias identified in the re-logging of the historical drill holes to the south. The top of bedrock was located at 36 metres with the drill hole intersecting a sequence of andesitic host rock, cut by dioritic porphyry and hydrothermal breccias. The leached zone extended to a depth of 72 metres before entering the supergene mineralisation. From 72.0 metres to a depth of 192.0 metres, a length of 120.0 metres, the average grade was 0.537% Cu, 169 ppm Mo and 1.4 g/t Ag. The drill hole intersected a hydrothermal breccia from 492.2 metres to 544.3 metres, a total length of 52.1 metres, with an average grade of 0.812 % Cu, 190 ppm Mo and 2.0 g/t Ag. This confirms the extension of the higher grade breccias from the south.

Depth From (m)	Depth To (m)	Length (m)	Cu %	Mo ppm	Ag g/t
72.0	638.0	566.0	0.425	216	1.2
including					
72.0	192.0	120.0	0.537	169	1.4
including					
492.2	544.3	52.1	0.812	190	2.0

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*All thicknesses from intersections from drill holes are down-hole drilled thicknesses True widths cannot be determined from the information available.*

**Drill Hole V2015-08**

This hole was drilled in the eastern part of the central core, 270 metres to the north of V2015-05. The aim of the hole was to show the depth extension of the mineralisation beneath the historical drill holes drilled in this area. From a depth of 3.0 metres to a depth of 61.5 metres the hole intersected a post mineralisation dacitic dyke. The drill hole then entered the andesitic host rock that has been intruded by small tourmaline and hydrothermal breccias. The leached zone extended to 130.0 metres. From a depth of 130.0 metres to 184.0 metres, a total length of 54.0 metres, the average grade was 1.023 % Cu, 128 ppm Mo and 1.4 g/t Ag. Also within a diorite intrusive, from 198.8 metres to 241.0 metres, a total length of 42.2 metres, the average grade was 0.905 % Cu, 134 ppm Mo and 1.9 g/t Ag. These results clearly show the higher-grade potential in the central core. The overall assay results from a depth of 130.0 metres to a depth of 379.0 metres, the end of the sequence that has been assayed, had a total length of 249.0 metres with an average grade of 0.736 % Cu, 178 ppm Mo and 1.4 g/t Ag. The assay results from 379.0 metres to a depth of 725.50 metres are still pending and will be reported when available as this portion of the hole was drilled approximately 2 weeks after the upper portion.

Depth From (m)	Depth To (m)	Length (m)	Cu %	Mo ppm	Ag g/t
130.0	379.0	249.0	0.736	178	1.4
including					
130.0	184.0	54.0	1.023	128	1.4
including					
198.8	241.0	42.2	0.905	134	1.9

*All thicknesses from intersections from drill holes are down-hole drilled thicknesses True widths cannot be determined from the information available.*

Quality assurance and quality control procedures included the systematic insertion of duplicate and standard samples in to the sample stream. Drill core samples were sawn in half, labelled, placed in sealed bags and were shipped directly to the preparatory laboratory of ALS Minerals in Coquimbo, Chile. All geochemical analyses were performed by ALS Minerals in Lima Peru. All samples were assayed using the method ME-MS61, a four-acid digestion with an ICP-MS finish. Copper samples with grades above 0.6 % Cu were re-analysed using ALS method Cu-OG62, a four-acid digestion with AAS finish.

**Summary of Quarterly Results**

	<b>QUARTERS ENDED</b>			
	<b>Sept. 30,</b>	<b>June 30,</b>	<b>March 31,</b>	<b>Dec. 31,</b>
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net loss	(657,533)	(150,308)	(212,428)	(183,665)
Loss per share <sup>(1)</sup>	-	-	-	-

  

	<b>Sept. 30,</b>	<b>June 30,</b>	<b>March 31,</b>	<b>Dec. 31,</b>
	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net (loss) earnings	(2,875,976)	(211,969)	364	(240,557)
Loss per share <sup>(1)</sup>	(0.02)	-	-	-

<sup>1</sup>Presented on an undiluted basis

**Liquidity and Capital Resources**

As at September 30, 2016 the Company had cash and cash equivalents of \$9,663 and a working capital deficiency of \$1,643,396, compared to cash and cash equivalents of \$1,162,515 and working capital of \$981,773 at September 30, 2015.

The Company relied on a combination of debt and an equity placement to fund operations and its exploration program.

Borrowings incurred in fiscal 2016 included:

- a) On February 1, 2016, Los Andes received an unsecured US\$200,000 working capital loan from TBML, subject to an interest rate of 0.5% per month compounded annually not in advance, both before and after maturity or default. On July 7, 2016, the Company made a partial repayment of US\$15,000 in respect of this loan. At September 30, 2016, the TBML loan and accrued interest amounted to \$253,120. The TBML loan was repaid subsequent to year end.
- b) On May 20, 2016, Compañía Minera Vizcachitas Holding ("CMVH"), a wholly-owned subsidiary of Los Andes, received a loan of 2,695.89 Chilean Unidades de Fomento (approximately \$131,300 on the date of grant of the loan) from an arms-length party. The loan was originally due on the thirtieth day after May 20, 2016 and the maturity date was automatically extended in subsequent periods of thirty days each, unless the lender notified CMVH otherwise, with notice to be provided at least ten days prior to the next loan maturity date. The loan was subject to an annual interest rate of 8% on the total amounts outstanding, payable at the time of repayment of the loan principal. Additional penalty charges applied if the loan was not paid within the prescribed time frame. At September 30, 2016, this loan and accrued interest amounted to \$142,347. The loan was repaid subsequent to year end.

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- c) On July 1, 2016, CMVH received a loan of 1,300 Chilean Unidades de Fomento (approximately \$49,786 on the date of grant of the loan) from an arms-length party. The loan was due on the sixtieth day after July 1, 2016 and the maturity date was automatically extended in subsequent periods of sixty days each, unless the lender notified CMVH otherwise, with notice to be provided at least ten days prior to the next loan maturity date. The loan was subject to an annual interest rate of 7% on the total amounts outstanding, payable at the time of repayment of the loan principal. Additional penalty charges applied if the loan was not paid within the prescribed time frame. At September 30, 2016, this loan and accrued interest amounted to \$68,098. The loan was repaid subsequent to year end.
- d) On September 15, 2016, CMVH received a loan of US\$7,000 (approximately \$9,088 on the date of grant of the loan) from a Company director. The loan was due on thirtieth day after September 15, 2016 and the maturity date was automatically extended in subsequent periods of sixty days each, unless the lender notified CMVH otherwise, with notice to be provided at least ten days prior to the next loan maturity date. The loan was subject to an annual interest rate of 8% on the total amounts outstanding, payable at the time of repayment of the loan principal. Additional penalty charges applied if the loan was not paid within the prescribed time frame. At September 30, 2016, this loan and accrued interest amounted to \$9,317. The loan was repaid subsequent to year end.

On November 26, 2015, Los Andes closed the second tranche of a financing of \$305,569 in total proceeds from a non-brokered private placement. A total of 1,388,950 shares were issued at a price of \$0.22 per share, of which 1,333,950 shares were issued to TBML.

On September 29, 2015, Los Andes closed the first tranche of a financing of \$1,469,462 in total proceeds, including \$1,324,080 in gross proceeds from a non-brokered private placement and \$145,382 pursuant to shares for debt settlement agreements with an insider shareholder and four directors of the Company. All shares were issued at a price of \$0.22 per share. A total of 6,018,545 shares were issued to TBML, in accordance with the terms of the private placement, and a total of 660,827 shares were issued to Zeitler Holdings Corp. ("ZHC", the management company of the Chairman of Los Andes) and four directors of Los Andes in full and final settlement of amounts owing to each of ZHC and the four directors. In accordance with the settlement agreements, \$60,332 of fees owing to the Los Andes directors and \$85,050 owing to ZHC were settled through the issue of the 660,827 settlement shares.

On January 27, 2015, Los Andes closed a financing of \$2,102,587 in total proceeds, including \$1,450,000 in gross proceeds from a non-brokered private placement and \$652,587 pursuant to shares for debt settlement agreements with two insider shareholders of the Company. All shares were issued at a price of \$0.22 per share. A total of 6,590,909 shares were issued to TBML, in accordance with the terms of the private placement, and a total of 2,966,306 shares were issued to TBML and ZHC in full and final settlement of amounts owing to each of TBML and ZHC. In accordance with the settlement agreements, \$608,487 of interest and principal owing to TBML pursuant to loans made in fiscal 2014 by TBML to Los Andes, and \$44,100 owing to ZHC were settled through the issue of the 2,966,306 settlement shares.

In fiscal 2016, the Company incurred \$2,052,692 (2015: \$407,481) in deferred exploration costs (including the effect of changes in accounts payable for deferred exploration in the period). Also included in investing activities is \$212,024 for VAT tax credits (2015: \$121,142), a component of unproven mineral right interests.

### ***Transactions with Related Parties***

As at September 30, 2016, the Company's related parties consist of companies controlled by the Company's President and Chief Executive Office ("CEO"), the Company's Chairman, a Company director, the Company's Chief Financial Officer ("CFO") and the Company's former Corporate Secretary.

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	Nature of Transaction
Karlsson Corporation	Geological Consulting
Kasheema International Ltd.	Management
Zeitler Holdings Corp	Management
Delphis Financial Strategies Inc	Management
Michael J. Kuta Law Corporation	Legal Services

The Company entered into the following transactions with related parties:

- i. During the year ended September 30, 2016, the Company incurred management and consulting fees of \$352,324 (2015: \$311,238) for services payable to companies controlled by the Company's Chairman, President and CEO, CFO and a former director.
- ii. During the year ended September 30, 2016, the Company incurred directors' fees of \$21,500 (2015: \$27,000).
- iii. During the year ended September 30, 2016, the Company incurred legal service fees of \$nil (2015: \$44,940) payable to a company controlled by the Company's Corporate Secretary.
- iv. During the year ended September 30, 2016, the Company incurred geological fees of \$119,092 (2015: \$41,971) payable to a company controlled by the Company's President and CEO.
- v. Included in trade and other payables as at September 30, 2016 is \$362,892 owing to related parties (September 30, 2015: \$70,630).
- vi. 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.

### **Fourth Quarter**

During the quarter ended September 30, 2016 ("Q4-2016") the Company posted a loss of \$657,533 or \$nil per share.

The most significant expense incurred in Q4-2016 was a deferred income tax expense of \$504,565, in connection with the annual adjustment to the Company's deferred tax liability. Excluding the deferred income tax expense, the Company incurred expenses of \$152,968.

The most significant general and administrative expenses in the quarter was consulting, salaries and management fees of \$92,144. In respect of the hydroelectric project, the Company's significant expenses included studies of \$40,897 and professional fees of \$15,490. The Company also include interest expense of \$8,404 in Q4-2016 and a foreign exchange gain of \$3,944 in the quarter.

### **Commitments and contingencies**

One of the Company's Chilean subsidiaries has entered into a lease agreement for the lease of office premises in Santiago, Chile. The commencement date of the lease was July 1, 2012, for an initial two year term, which has been extended to June 30, 2017. The share of basic rent commitments for the remaining term of the contract is approximately \$37,914.

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### **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, 2016. 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.

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 January 27, 2017, the Company has outstanding 244,858,136 common shares, 1,425,000 stock options with an exercise price of \$0.50 per share and 26,800,000 warrants with an exercise price of \$0.45 per share.

Additional information is available on the Company's website at [www.losandescopper.com](http://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](http://www.sedar.com).

### **Subsequent Events**

Subsequent to September 30, 2016:

- a) On December 8, 2016, Los Andes closed the first tranche of a non-brokered private placement raising \$8,040,000. The Company issued 26,800,000 units (the "Units") priced at \$0.30 per Unit. Each Unit consists of one common share of the Company (a "Unit Share") and one 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 \$0.45 per Warrant Share for a period of 3 years. The Unit Shares, Warrants and Warrant Shares are subject to a hold period expiring on April 9, 2017.
- b) The Company repaid the principal and accrued interest owed on the loans described under **Liquidity and Capital Resources**.

### **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



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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;
- 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;

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- 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
- 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.