



# LOS ANDES COPPER Ltd.

## **LOS ANDES COPPER LTD. Management's Discussion and Analysis ("MD&A") For the Three and Nine Months Ended June 30, 2021**

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 August 27, 2021 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended June 30, 2021 ("Q3-2021") and the Company's audited consolidated financial statements and related notes for the year ended September 30, 2020 ("fiscal 2020").

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 as 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 comprised of 11.2 billion pounds measured and indicated and 5.9 billion pounds inferred. It 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.

Effective August 26, 2020, the Company completed a share consolidation on a 10:1 basis. All historical figures in this MD&A and the consolidated financial statements have been re-stated to reflect this consolidation.

On June 1, 2021 (the "Closing Date"), the Company entered into an agreement with Queen's Road Capital Investment Ltd. ("QRC"), whereby QRC invested US\$5,000,000 in the Company by the way of convertible debenture (the "Convertible Debenture"). The Convertible Debenture has a five-year term, carries an eight percent coupon and is convertible into common shares in the capital of the Company at a share price of \$10.82. The interest is payable quarterly, five percent in cash and three percent in shares, at the 20-day volume weighted average price ("VWAP") prior to the interest payment date. The proceeds from this investment will be allocated towards the completion of the Vizcachitas project pre-feasibility study.

In conjunction with the investment, Chairman and CEO of Queen's Road Capital, Warren Gilman was appointed to the board of directors of the Company as a Non-Executive Director.

The Company also restructured its Board of Directors and created an Environmental, Social and Governance ("ESG") Committee. The Company appointed Corinne Boone as a non-executive director and chair of the ESG

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committee, effective immediately.

### **Overall Performance**

During the nine months ended June 30, 2021, the Company had a net loss of \$1,404,789 or \$0.05 per share, compared to a loss of \$992,121 or \$0.04 per share during the nine months ended June 30, 2020. During the nine months ended June 30, 2021, the Company received US\$1,625,000 (\$2,238,125) pursuant to the initial RPA, \$4,990,282 of cash pursuant to the Second Royalty Purchase Agreement and paid \$3,118,926 of cash pursuant to the Existing Royalty Purchase Agreement for net proceeds of \$1,871,356 and US\$5,000,000 (\$6,059,996) pursuant to the convertible debenture.

At June 30, 2021, the Company has a cash balance of \$9,920,425 (September 30, 2020 - \$3,992,856) and working capital of \$9,437,666 (September 30, 2020 - \$5,449,663).

### **The Vizcachitas Property**

In 2007, the Company acquired all of the issued and outstanding shares of Vizcachitas Limited which at the time owned, a majority of the claims making up the Vizcachitas Property. Vizcachitas Limited owned 51% of the shares of San José SLM which owned the San José mining concessions (the "SJ Concession") and an additional 35 mining rights and concessions (the "Initial Properties") that comprised part of the Vizcachitas Property. In 2010, the Company completed the consolidation of the Vizcachitas Property through the acquisition from Turnbrook Corporation ("TBC") of all of the issued and outstanding securities of Gemma Properties Group Limited ("Gemma"), who indirectly owned 49% of the issued and outstanding shares of the San Jose SLM. With this transaction, the entire resource contained in the Vizcachitas Property came under unified ownership.

At June 30, 2021, the Company owns 52 exploitation mining concessions covering 10,771 hectares and 172 exploration claims covering a combined total of 48,300 hectares (including the Initial Properties) and is obligated to Net Smelter Returns ("NSR") royalty payments calculated on the basis of a production royalty from minerals produced at the Initial Properties of 2% on any surface production and 1% on any underground production.

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 June 30, 2021, TBML owns a total of 14,373,614 or approximately 52.9% of the common shares of the Company. TBC is the controlling shareholder of TBML, and TBC no longer has direct ownership of any of the Company's common shares.

### **Royalty Purchase Agreement**

On December 3, 2019, the Company entered into a Royalty Purchase Agreement (the "RPA") and a Net Smelter Returns Royalty Agreement (the "RA") with RCF VI CAD LLC ("RCF"), a limited liability corporation in the State of Delaware. Pursuant to the Agreements, the Company received US\$8 million as consideration for future payments calculated on the basis of a production royalty ("Royalty") from minerals produced from the SJ Concession that forms part of the Company's Vizcachitas Property. The purchase price was received as follows:

- US\$500,000 (\$658,475) on December 13, 2019;
- US\$1,000,000 (\$1,168,590) on January 7, 2020;
- US\$1,625,000 (\$2,303,991) on March 30, 2020;
- US\$812,500 (\$1,103,757) on June 30, 2020;
- US\$812,500 (\$1,089,791) on July 31, 2020;
- US\$1,625,000 (\$2,158,895) on September 30, 2020; and
- US\$1,625,000 (\$2,238,125) on December 31, 2020.

The proceeds of \$10,785,520 net of \$80,024 in finder's fees and \$309,335 in transaction expenses reimbursed to RCF have been accounted for as a recovery of costs incurred on the Vizcachitas Property.

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The Company will use the proceeds as described in the RPA budget, which includes the advancement of the pre-feasibility study and the baseline for the environmental approval package of the Vizcachitas Property. No material change can be made to the use of proceeds without the prior written consent of RCF.

As long as RCF (or its associates or affiliates) holds all or any part of the Royalty, or holds, directly or indirectly (including through TBML), common shares or securities convertible into common shares representing not less than 10% of the Company's issued and outstanding common shares (on a partially diluted basis), RCF has a right of first offer to provide future royalty or stream financing in relation to new claims that may subsequently form part of the Vizcachitas Property or in respect of claims currently forming part of the Vizcachitas Property where the Company or any of its affiliates has bought back all or part of a currently existing royalty, subject to the terms as described.

Pursuant to the RA, the Company will make payments to RCF on the basis of an NSR of 0.49% for underground production and 0.98% for open pit production on the SJ Concession. Following this transaction, the overall NSR level of the Initial Properties, including the SJ Concession, covering the mineral resources of the Vizcachitas Property is 2% for open pit mining methods and 1% for underground mining methods.

The obligations of the Company under the RA are guaranteed by the Company's subsidiary Sociedad Legal Minera San Jose Uno De Lo Vicuna, El Tartaro Y Piguchen De Putaendo (the "Guarantor"), with the guarantee being secured by a mortgage and charge over and against mining rights and mineral properties (as defined) and any related proceeds, governed by the laws of Chile and granted by the Guarantor in favour of RCF, subject to existing obligations of the Company and the Guarantor.

#### Existing Royalty Purchase Agreement

On May 15, 2020, the Company entered into a Contract of Promise of Sale (the "Existing Royalty Purchase Agreement" or "ERPA") with a group of individuals in Chile to purchase the existing royalty applied to the sale of all locatable minerals produced from certain concessions that form part of the Initial Properties for a purchase price ranging from US\$6,800,000 to US\$7,600,000. The purchase price is payable as follows:

- US\$1,000,000 (\$1,363,360) paid on May 15, 2020; and at the option of the Company:
  - US\$5,800,000 by May 15, 2021 for a purchase price of US\$6,800,000; or
  - US\$2,500,000 (3,118,926) by May 15, 2021 and US\$3,600,000 by May 15, 2022 for a total purchase price of US\$7,100,000; or
  - US\$2,500,000 by May 15, 2021, US\$2,300,000 by May 15, 2022 and US\$1,800,000 by November 15, 2022 for a total purchase price of US\$7,600,000.

#### Second Royalty Purchase Agreement

On June 25, 2020, the Company entered into a Royalty Purchase Agreement ("RPA 2") with RCF and Vizcachitas Limited ("VL") and VL entered into a Net Smelter Returns Royalty Agreement ("RA 2") with RCF. Pursuant to RPA 2, the Company will receive US\$9,000,000 as consideration for future payments calculated on the basis of a royalty of 2.00% NSR for open pit operations and a 1.00% NSR for underground operations from minerals produced from certain concessions that form part of the Initial Properties ("Royalty 2"). The Company can receive up to an additional US\$5 million in the event that RCF sells Royalty 2 prior to commencement of commercial production of the Vizcachitas Property. The purchase price is receivable as follows:

- US\$1,000,000 (\$1,363,360) received on June 25, 2020;
- US\$4,000,000 (4,990,282) on or before the 15<sup>th</sup> business day prior to the first anniversary of the ERPA; and
- US\$4,000,000 on or before the 15<sup>th</sup> business day prior to the second anniversary of the ERPA.

The Company received US\$4,000,000 pursuant to the RPA2 with RCF and paid US\$2,500,000 pursuant to the ERPA for a net receipt of US\$1,500,000 (\$1,871,356) on April 23, 2021.

The Company will direct RCF to pay US\$2.5 million and US\$3.6 million of the second and third purchase

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price payments, respectively, into trust for payment to the specified payees on the second and third anniversary dates of the ERPA.

In the event that RCF sells Royalty 2 (other than by a sale or transfer to an affiliate of RCF) prior to RCF making the second and/or third purchase price payments, the due dates for the payments will be accelerated to the closing date of the RCF sale. The ERPA also stipulates that the due dates for any outstanding payments will be accelerated so that they are also due 15 business days after the closing date of the RCF sale.

In the event of an RCF sale prior to the commencement of commercial production of the Vizcachitas Project by VL or an affiliate, RCF will pay a contingent royalty purchase price as follows:

- if the resale price is equal to or less than US\$9 million – US \$Nil; or
- if the resale price is greater than US\$9 million – the resale price less US\$9 million plus a 10% annual return on each purchase price payment, accruing from the date of payment.

Provided that the amount paid will not exceed US\$5 million and no amount is payable if the RCF resale follows the commencement of commercial production.

The Company will use the resale proceeds to make the payments required to complete the purchase of the royalty pursuant to the ERPA. Any excess proceeds from the US\$9 million purchase price will go towards the development of the mineral properties (as defined) in consultation with RCF. No material change can be made to the use of proceeds without the prior written consent of RCF.

The Company will cancel the royalty in the ERPA within 60 days following the date the royalty is fully or partially purchased pursuant to the ERPA, and Royalty 2 will be the only existing royalty over the mineral properties.

The right of first offer to provide future royalty or stream financing as described in the RPA above applies to RPA 2.

Pursuant to RA 2, VL will make payments to RCF on the basis of an NSR of 1% from the sale or other disposition of all locatable minerals produced from the properties by underground production and 2% from surface production. VL is not required to pay the royalty until such time as the amount otherwise payable under the royalty exceeds the positive difference, if any, between US\$5 million and any contingent royalty price paid by RCF.

If the mining operations of the Company and its affiliates commence in, or predominantly shift to, a different area of the project than that identified in the June 13, 2019 Preliminary Economic Assessment of the Vizcachitas Project, RCF has the option to:

- sell Royalty 2 to VL for an amount equal to four times the US\$9 million purchase price less the aggregate amount of royalty payments received by RCF as of the date of the change of production focus; or
- if RCF has not yet received US\$36 million, swap Royalty 2 for a new royalty consistent with the terms of RPA 2 over the newly proposed development areas at a valuation equal to the valuation of Royalty 2 (having regard to royalty payments made to such date).

The obligations of VL under RA 2 are guaranteed by the Company and CMVH (the "Guarantors"), with the guarantee being secured by a mortgage and charge over and against mining rights and mineral properties (as defined) and any related proceeds, governed by the laws of Chile and granted by CMVH in favour of RCF, subject to existing obligations of the Company and the Guarantor.

### **Drilling Permits**

On April 27, 2020, the Company received environmental approval from the Regional Environmental Committee (Comision de Evaluacion Ambiental) for drilling to be carried out at the Vizcachitas project over the next four years. The approval contemplates up to 350 drilling holes to be completed on up to 124 platforms.

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During the year ended September 30, 2020, the Court of Appeals of Valparaiso, the region where the Vizcachitas property is located, granted a motion against the Servicio de Evaluación Ambiental (Environmental Evaluation Service, "SEA") in which the Court instructs the SEA to conduct a public consultation process before finalizing the evaluation process of the environmental permit received by the Company on April 27, 2020. Though the Company is not party to this dispute, the ruling may impact the timing of the upcoming drilling program if the SEA moves to conduct public consultations as instructed by the Court of Appeals and/or appeals the ruling before the Supreme Court.

In December 2020, the public participation process ("PPP") for the permitting of the drilling campaign was successfully finalized. SEA together with the Company held several in-person presentations throughout the different communities of Putaendo. The SEA reviewed and compiled the comments and questions raised during the PPP and they were addressed by the Company.

On April 30, 2021, the Company received unanimous approval from the Regional Environmental Committee (Comision de Evaluacion Ambiental) for drilling to be carried out at the Company's Vizcachitas Project. This approval allows the Company to drill up to 350 holes on up to 124 platforms over the next four years, if required. The Company will now be able to carry out the drilling to complete the PFS. The proposed workplan includes infill drilling within the PFS open pit, drilling to extend the higher-grade mineralisation to the north of the Preliminary Economic Assessment pit, and to test the prospective geophysical targets identified in 2020.

### ***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 3,750,000 Los Andes shares, valued at a share price of \$2.20, 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 June 30, the Company held 100% of the issued and outstanding shares of the Rocin Subsidiary.

In 2017, Rocin and Icafal terminated the Agreement, and all studies and work performed by Icafal or by third parties retained by Icafal to the termination date were transferred to Rocin. These studies and work were transferred at no cost to Rocin, except for 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.

### ***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 June 5, 2019, the Company filed an updated Preliminary Economic Assessment (PEA) and a new resource estimate on the Vizcachitas Project. This PEA included all the drilling results from the 2015-2017 drilling campaigns and the results of this study showed a significant improvement in both the mineral resources and the project economics when compared to the 2014 PEA.

The PEA was prepared by Tetra Tech Chile S.A. The PEA can be accessed under the Company's [www.sedar.com](http://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](http://www.losandescopper.com).

The PEA considered an open pit mine and concentrator plant that produces copper and molybdenum concentrates. The PEA evaluated three cases with mill throughputs of 55 ktpd, 110 ktpd and 200 ktpd. The 110 ktpd case has been recommended to advance into pre-feasibility. This case not only delivers the best

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economic results, with an After-Tax NPV 8% of US\$ 1.8 billion, an IRR of 20.77% and a payback period of 3.4 years, but also optimizes the mining and technical aspects for a mineral deposit of the size of Vizcachitas.

The PEA demonstrated that the 110 ktpd case project has an After-Tax NPV 8% of US\$ 1.8 billion and IRR of 20.77% at US\$ 3.00/lb Copper. A Payback period of 3.4 years from initial operations; 5.4 years from initial construction 45-year mine life. The C1 Cash Cost (net of by-product credits) of US\$ 1.36/lb for first 8 years of operation; US\$ 1.58/lb for LOM. The mineral resources increased to 1,284 million tonnes of Measured and Indicated Resources with a 0.45% CuEq grade and 0.40% Cu grade (at 0.25% Cu cut-off grade). The Measured Resources are 46% of the projected mill feed for the first 10 years of operation for the recommended case.

The highlights from the PEA are summarised in the table below.

Key Economic Indicators				
Description	Unit	55 ktpd	110 ktpd	200 ktpd
After -Tax Net Present Value - 8%	kUSD	931,120	1,797,425	2,198,359
After-Tax IRR	%	16.90%	20.77%	17.37%
Initial Capex	kUSD	1,300,034	1,874,797	2,823,469
C1 Cash Cost w/Mo-Ag Credits (First 8 years operation)(*)	USD/lb	1.30	1.36	1.44
Payback Period from operation (*)	Years	4.3	3.4	4.4
Payback Period from construction (**)	Years	6.3	5.4	6.4

(\*) Referred to the first year of mill production

(\*\*) Referred to the beginning of construction

Payback period calculated with nominal cash flows

The Vizcachitas Project is a mineralized copper-molybdenum porphyry system associated with a complex of hydrothermal breccias and porphyries within Miocene volcanic rocks. Five different drilling campaigns have been undertaken on the property from 1993 to date. A total of 165 diamond drill holes have been drilled, with a total of 52,256 m. The drilling carried out in 2015–2016 and 2017 confirmed the new geological models and showed the importance of the early diorite porphyry and hydrothermal breccias in controlling the higher-grade mineralization of the deposit. The new geological model also defined a near surface higher-grade supergene enriched mineralization outlining an area of 400 by 400 metres where all the drill holes have average supergene grades of greater than 0.5% Cu.

The mineral resources are contained within an open pit shell to demonstrate the prospects of eventual economic extraction. Only blocks within the Whittle pit shell are included in the mineral resources. The mineral resources are reported below.

Measured									
Cut-Off (Cu %)	Tonnage (Mt)	Cu (%)	Mo (ppm)	Ag (ppm)	CuEq (%)	Cu (Mlb)	Mo (Mlb)	Ag (Moz)	CuEq (Mlb)
0.15	282.33	0.415	116.3	1.22	0.464	2,583	72	11.1	2,888
0.20	270.80	0.426	118.4	1.24	0.475	2,543	71	10.8	2,836
0.25	254.40	0.439	119.2	1.26	0.489	2,462	67	10.3	2,743
0.30	221.85	0.463	118.2	1.30	0.513	2,264	58	9.3	2,509
0.35	180.95	0.495	117.4	1.35	0.546	1,975	47	7.9	2,178
0.40	140.40	0.531	117.0	1.42	0.582	1,644	36	6.4	1,801
0.45	101.73	0.574	115.9	1.50	0.625	1,287	26	4.9	1,402

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Indicated									
Cut-Off (Cu %)	Tonnage (Mt)	Cu (%)	Mo (ppm)	Ag (ppm)	CuEq (%)	Cu (Mlb)	Mo (Mlb)	Ag (Moz)	CuEq (Mlb)
0.15	1,430.59	0.332	133.4	0.91	0.384	10,471	421	41.9	12,111
0.20	1,239.16	0.357	140.6	0.96	0.412	9,753	384	38.2	11,255
0.25	1,029.67	0.385	146.9	1.00	0.442	8,740	333	33.1	10,034
0.30	784.35	0.421	154.5	1.04	0.481	7,280	267	26.2	8,317
0.35	549.21	0.463	159.9	1.09	0.526	5,606	194	19.2	6,369
0.40	359.56	0.513	159.3	1.14	0.575	4,066	126	13.2	4,558
0.45	249.22	0.555	156.5	1.20	0.617	3,049	86	9.6	3,390
Inferred									
Cut-Off (Cu %)	Tonnage (Mt)	Cu (%)	Mo (ppm)	Ag (ppm)	CuEq (%)	Cu (Mlb)	Mo (Mlb)	Ag (Moz)	CuEq (Mlb)
0.15	1,635.15	0.264	111.4	0.76	0.308	9,517	402	40.0	11,103
0.20	1,252.87	0.294	118.3	0.82	0.340	8,121	327	33.0	9,391
0.25	788.82	0.337	127.0	0.88	0.386	5,861	221	22.3	6,713
0.30	486.94	0.381	135.6	0.96	0.434	4,090	146	15.0	4,659
0.35	255.39	0.436	144.1	1.03	0.493	2,455	81	8.5	2,776
0.40	135.60	0.497	138.5	1.11	0.553	1,486	41	4.8	1,653
0.45	70.89	0.567	140.6	1.31	0.625	886	22	3.0	977

Measured + Indicated									
Cut-Off (Cu %)	Tonnage (Mt)	Cu (%)	Mo (ppm)	Ag (ppm)	CuEq (%)	Cu (Mlb)	Mo (Mlb)	Ag (Moz)	CuEq (Mlb)
0.15	1,712.92	0.346	130.6	0.96	0.397	13,054	493	53.0	14,999
0.20	1,509.96	0.369	136.6	1.01	0.423	12,296	455	49.0	14,091
0.25	1,284.06	0.396	141.4	1.05	0.451	11,202	400	43.4	12,777
0.30	1,006.20	0.430	146.5	1.10	0.488	9,544	325	35.5	10,826
0.35	730.16	0.471	149.4	1.15	0.531	7,581	241	27.1	8,547
0.40	499.96	0.518	147.4	1.22	0.577	5,710	162	19.6	6,359
0.45	350.95	0.561	144.7	1.29	0.619	4,336	112	14.5	4,792

**Notes**

- Copper equivalent grade has been calculated using the following expression:  $CuEq (\%) = Cu (\%) + 3.33 \times Mo (\%) + 82.6389 \times Ag (\%)$ , using the metal prices: 3.00 USD/lb Cu, 10.00 USD/lb Mo and 17.00 USD/oz Ag. No allowance for metallurgical recoveries has been considered
- 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 that are not Mineral Reserves do not have demonstrated economic viability

The Vizcachitas Project has been the subject of several metallurgical test programmes to determine the process flow sheet and expected recoveries. The main conclusions of the test work programmes are that the results of the flotation tests showed both high grade copper concentrates and high recoveries of both copper and molybdenum are achievable. The results suggest that the rougher flotation recoveries are not significantly

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impacted by the P80 on the range analyzed and, on this basis, a coarser primary grind P80 of 240 µm is proposed. The results of the cleaner flotation tests indicated that three cleaner stages should be considered to achieve a high final concentrate grade. Based on the flotation tests, overall recoveries of 91% copper and 75% molybdenum can be expected.

As part of the PEA long-term mine plan study was conducted, which shows the production scenarios defined for the concentrator for each of the mill throughput cases. The mine plans are strategic and aimed at optimizing the cut-off grade profiles to obtain the best economic value. The analysis considered a wide array of mine capacity possibilities and the adjustment of stockpile cut-off grades.

The following table summarizes the material moved for each case, including mill feed, waste and the re-handling of stockpiles.

Case	Mine life (Years)	Mill feed (Mt)	Waste (Mt)	W/O (Ratio)	Total incl. rehandling (Mt)
55 ktpd	59	1,109	1,102	0.99	2,626
110 ktpd	45	1,665	2,170	1.31	4,263
200 ktpd	30	1,939	2,654	1.37	5,056

Capital cost estimates for the PEA were comprised of the following: direct cost of construction and assembly, indirect costs of project, contingency estimation based on direct cost, plus indirect cost, sustaining capital, deferred capital. After incorporating the recommended contingency, the capital cost estimate is considered to have a level of accuracy of +/-35%.

The following table summarizes the initial, sustaining and deferred capital requirements of the Vizcachitas Project for the different development cases.

#### Capital Cost Summary (Nominal values)

Direct Costs	Initial			Sustaining and Deferred		
	55 ktpd	110 ktpd	200 ktpd	55 ktpd	110 ktpd	200 ktpd
Diversion Rocin River	52,912	52,912	52,912	2,500	2,500	2,500
Access	29,731	29,731	23,557			
Concentrate Transport	29,932	29,932	29,932			
Pipeline Rocin-Chalaco			73,749			
General Facilities	32,746	35,000	40,754			
Operations Platform	29,820	35,145	76,680			
Mine	184,363	277,465	359,328	624,333	1,025,196	1,218,390
Plant	228,440	439,016	687,999			
Tailing Management Facilities	152,290	173,057	230,639		98,250	
Water Reclaim System	2,926	3,653	4,430			
Water Supply System	35,844	47,382	62,132			
Power Supply System	88,125	124,539	168,597			
<b>Total Direct Costs</b>	<b>867,129</b>	<b>1,247,831</b>	<b>1,810,708</b>	<b>626,833</b>	<b>1,125,946</b>	<b>1,220,890</b>
<b>Total Indirect Costs</b>	<b>164,299</b>	<b>242,672</b>	<b>361,191</b>			
<b>Contingency</b>	<b>268,605</b>	<b>384,294</b>	<b>651,570</b>			
<b>Total Capital Cost</b>	<b>1,300,034</b>	<b>1,874,797</b>	<b>2,823,469</b>			

For the PEA the operating costs were estimated for the operating areas of Mining, Process Plant, Infrastructure and Administration. Costs were reported under subheadings related to the function of each of the areas identified. The operating cost estimates are based on long term power prices of US\$ 45 /MWh and US\$ 1.00 /l for diesel fuel. Based on the assumption listed in the PEA, the operating costs are considered to have an accuracy of ± 35%. All unitary operating costs are expressed in processed tonnes.



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The following tables summarize the average unit operating cost by area for the Life-of-Mine (LOM).

Description	Case 55 ktpd	Case 110 ktpd	Case 200 ktpd
Mine (*)	3.59	4.40	4.72
Plant	5.11	4.92	4.70
Infrastructure	0.18	0.18	0.18
Administration	0.18	0.19	0.19
<b>Total (USD/t)</b>	<b>9.06</b>	<b>9.70</b>	<b>9.79</b>

(\*) Mine costs include the strip ratio for the LOM

The PEA C-1 cash costs were calculated using the economic model cash flow forecast values including total operating costs, mining royalty and third party NSR cost, treatment costs, refining costs and transportation costs and revenue from molybdenum and silver.

To calculate the cash cost per pound of copper, total expenses (operating cost, NSR / royalty, and TCs, RCs, and transportation) less total revenue from molybdenum and silver were divided by the number of pounds of copper to be sold over the life of mine. The average life of mine cash cost is shown below.

Description	Unit	55 ktpd	110 ktpd	200 ktpd
Operating Costs	kUSD	10,097,016	15,268,600	17,469,645
NSR	kUSD	434,760	620,835	696,754
Royalty	kUSD	641,679	790,004	819,253
TC/RC	kUSD	1,958,779	2,785,373	3,123,334
Transportation	kUSD	727,768	1,034,882	1,160,448
<b>Total Cash Cost w/o Credits</b>	<b>kUSD</b>	<b>13,860,001</b>	<b>20,499,695</b>	<b>23,269,434</b>
Molybdenum and Silver Credit	kUSD	2,068,426	3,071,756	3,473,998
<b>Total Cash Cost w/ Credits</b>	<b>kUSD</b>	<b>11,791,575</b>	<b>17,427,938</b>	<b>19,795,437</b>
Total Copper to be Sold	Mlb	7,742,210	11,009,381	12,345,195
<b>Life of Mine Cash Cost</b>				
<b>Average Cu Cash Cost w/o Mo-Ag Credit</b>	<b>USD/lb</b>	<b>1.79</b>	<b>1.86</b>	<b>1.88</b>
<b>Average Cu Cash Cost w/ Mo-Ag Credit</b>	<b>USD/lb</b>	<b>1.52</b>	<b>1.58</b>	<b>1.60</b>

The PEA was authored by independent Qualified Persons and prepared in accordance with NI 43-101. The authors of the PEA were:

- Severino Modena, Tetra Tech, Member of Chilean Mining Commission
- José Luis Fuenzalida, Tetra Tech, Member of Chilean Mining Commission
- Mario Riveros, Tetra Tech, 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.

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	Total costs to September 30, 2019 \$	Costs Incurred (recovered) in year ended September 30, 2020 \$	Total costs to September 30, 2020 \$	Costs incurred (recovered) in nine months ended June 30, 2021 \$	Total Costs to June 30, 2021 \$
<b>VIZCACHITAS</b>					
Acquisition costs	54,562,243	-	54,562,243	-	54,562,243
Water rights	5,945,768	-	5,945,768	-	5,945,768
VAT tax credits	2,478,948	110,459	2,589,407	127,038	2,716,445
Deferred exploration					
Automobile and travel	553,262	71,735	624,997	21,254	646,251
Assaying	684,887	21,600	706,487	17,715	724,202
Camp rehabilitation, maintenance and security	2,592,675	466,228	3,058,903	309,177	3,368,080
Core handling and storage	32,914	-	32,914	-	32,914
Drilling	5,374,998	-	5,374,998	-	5,374,998
Equipment and equipment rental	639,606	2,564	642,170	-	642,170
Exploration administration	4,632,446	1,652,511	6,284,957	1,259,168	7,544,125
Food and accommodation	380,954	3,084	384,038	897	384,935
Geological consulting	2,215,524	161,803	2,377,327	112,280	2,489,607
Other	99,082	79,453	178,535	22,231	200,766
Property & surface rights, taxes & tenure fees	1,671,626	191,477	1,863,103	221,676	2,084,779
Road repairs	47,556	-	47,556	-	47,556
Studies and other consulting	3,168,284	1,428,952	4,597,236	480,725	5,077,961
Subcontractors	1,269,366	-	1,269,366	-	1,269,366
Supplies	753,004	93,338	846,342	59,744	906,086
Sustainable development	29,501	-	29,501	-	29,501
<b>Total Deferred exploration</b>	<b>24,145,685</b>	<b>4,172,745</b>	<b>28,318,430</b>	<b>2,504,867</b>	<b>30,823,297</b>
Royalty agreement – SJ					
Concession	-	(10,364,213)	(10,364,213)	(31,948)	(10,396,161)
RPA2	-	-	-	(1,871,356)	(1,871,356)
Exchange rate differences	(4,000,238)	(2,246,672)	(6,246,910)	(261,991)	(6,508,901)
	<b>83,132,406</b>	<b>(8,327,681)</b>	<b>74,804,725</b>	<b>466,610</b>	<b>75,271,335</b>

**Financial Review****Three months ended June 30, 2021**

The Company incurred a net loss of \$495,258 or \$0.02 per share in Q3-2021 (Q3-2020: net loss of \$411,510 or \$0.02 per share). The Company incurred \$375,216 in general and administrative expenses in Q3-2021 (2020 - \$333,858), of which the most significant expenses included consulting, salaries and management fees of \$121,892 (2020 - \$96,510), shareholder communication of \$62,585 (2020 - \$30,299) and professional fees of \$57,948 (2020 - \$143,284). The increase in shareholder communication was due to the Company engaging the services of a consultant to prepare marketing material and corporate presentations to increase awareness of the Company and its activities.

During the three months ended June 30, 2021, the Company recorded expenses of \$2,691 incurred in connection with the Hydroelectric Project (2020 - expenses of \$2,504).

Under other comprehensive loss, the Company recorded a loss in respect of a foreign exchange translation allowance of \$1,402,306 in Q3-2021 (2020 - gain of \$151,015).

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The increase in loss for the quarter ended June 30, 2021, was primarily due to an increase in shareholder communications and consulting, salaries, management and directors' fees, partially offset by decreased professional fees, share-based compensation and depreciation. During the quarter ended June 30, 2021, the Company recorded foreign exchange losses of \$88,610 compared to a loss of \$75,148 during the quarter ended June 30, 2020.

#### Nine months ended June 30, 2021

During the nine months ended June 30, 2021, the Company incurred a net loss of \$1,404,789 or \$0.05 per share compared to a loss of \$992,121 or \$0.04 per share during the nine months ended June 30, 2020. During the nine months ended June 30, 2021, the Company incurred \$946,283 in general and administrative expenses (2020 - \$946,011), of which the most significant expenses included consulting, salaries and management fees of \$328,009 (2020 - \$337,149), shareholder communication of \$188,154 (2020 - \$86,713) and professional fees of \$137,504 (2020 - \$285,611). The increase in shareholder communication was due to the Company engaging the services of a consultant to prepare marketing material and corporate presentations to increase awareness of the Company and its activities.

During the nine months ended June 30, 2021, the Company recorded expenses of \$4,563 incurred in connection with the Hydroelectric Project (2020 - expenses of \$5,318).

Under other comprehensive loss, the Company recorded a loss in respect of a foreign exchange translation allowance of \$30,930 for the nine months ended June 30, 2021 (2020 - loss of \$2,778,722).

The Company incurred \$2,504,867 in deferred exploration expenses, capitalized as unproven mineral right interests (2020 - \$3,121,604).

The increase in loss for the nine months ended June 30, 2021, was primarily due to an increase in shareholder communications and foreign exchange, partially offset by decreased professional fees, share-based compensation, consulting, salaries, management and director fees. During the nine months ended June 30, 2021, the Company recorded foreign exchange losses of \$425,202 compared to a loss of \$40,792 during the nine months ended June 30, 2020.

### SUMMARY OF QUARTERLY RESULTS

The following table sets out financial information for the past eight quarters:

	Three Months Ended (\$)			
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Net loss	(495,258)	(512,768)	(396,763)	(894,943)
Basic and diluted loss per share*	(0.02)	(0.02)	(0.01)	(0.03)

	Three Months Ended (\$)			
	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Net loss	(411,510)	(283,047)	(297,564)	(276,379)
Basic and diluted loss per share*	(0.02)	(0.01)	(0.01)	(0.01)

\* No exercise or conversion is assumed during the periods in which a loss is incurred, as the effect is anti-dilutive.

### Liquidity and Capital Resources

As at June 30, 2021, the Company had cash and cash equivalents of \$9,920,425 and working capital of \$9,437,666 compared to cash and cash equivalents of \$3,992,856 and working capital of \$5,449,663 at September 30, 2020.

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.

During the nine months ended June 30, 2021, the Company received US\$1,625,000 (\$2,238,125) pursuant to the initial RPA, \$4,990,282 of cash pursuant to the Second Royalty Purchase Agreement and paid \$3,118,926 of cash pursuant to the Existing Royalty Purchase Agreement for net proceeds of \$1,871,356 and

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US5,000,000 (\$6,059,996) pursuant to the convertible debenture.

**Transactions with Related Parties**

As at June 30, 2021, the Company's related parties consist of companies controlled by the Company's President and Chief Executive Officer ("CEO"), the Company's current Chief Financial Officer ("CFO") and a Company director.

	Nature of Transaction
Sociedad Cartografica Limitada	Geological Consulting
Mineral Consulting Services Ltd.	Consulting
Kasheema International Ltd.	Management
Malaspina Consultants Inc.	Accounting (Consulting fees)

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

	Three months ended June 30		Nine months ended June 30	
	2021	2020	2021	2020
	\$	\$		
Management & Consulting fees and salaries	103,673	87,427	318,700	320,566
Geological fees	54,949	62,108	170,954	182,179
Directors' fees	22,278	9,083	31,278	16,583
	180,900	158,618	520,932	519,328

Included in trade and other payables as at June 30, 2021 is \$38,474 (September 30, 2020 - \$32,728) owing to related parties. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

The remuneration of members of key management during the three and nine months ended June 30, 2021, and 2020 is as follows:

	Three months ended June 30		Nine months ended June 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Management & Consulting fees and salaries	168,405	158,618	508,437	519,328
	168,405	158,618	508,437	519,328

**Accounting Policies**

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended September 30, 2020.

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### **Outstanding Share Data**

Authorized: Unlimited common shares without par value

All share information is reported as of August 27, 2021, in the following table:

<b>Type of Security</b>	<b>Number</b>
Issued and outstanding common shares	27,165,843
Exercisable Stock options with a weighted average exercise price of \$5.00	138,000
Warrants with a weighted average exercise price of \$5.00	1,340,000
Deferred share units	1,325
<b>Total</b>	<b>28,645,168</b>

### **Forward-looking Information**

The Company's condensed interim consolidated financial statements for the three and nine months ended June 30, 2021, and this accompanying MD&A, contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators. It is important to note that, unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations up to the date of the MD&A.

Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms acceptable to the Company and the ability of third-party service providers to deliver services in a timely manner. Some of these risks and uncertainties are identified under the heading "Risks and Uncertainties" as disclosed elsewhere in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements.

Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise except as required by securities law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

### **Risks and Uncertainties**

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize

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risks, but the Company is not fully insured against all risks, nor are all such risks insurable.

Financial risks include commodity prices and interest rates all of which are beyond the Company's control. Additional financial risks are the Company's ability to raise capital and to repay indebtedness it incurs.

Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

The Company has no significant source of operating cash flow and no revenues from operations. External financing, primarily through the issuance of common shares is the main source of funding for the Company. Although the Company has been successful in raising the necessary funds in the past, there can be no assurance that it will be able to do so in the future.

***Disclosure of Controls and Procedures***

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim consolidated financial statements for the three and nine months ended June 30, 2021, and this accompanying MD&A (together, the "Interim Filings").

In contrast to the full certificate under NI 52-109 the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with its filings on SEDAR at [www.sedar.com](http://www.sedar.com).

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).