

LOS ANDES COPPER LTD.

Reports Pre-Feasibility Study Results and Maiden P&P Reserves

EVENT

This morning, Los Andes reported results from a Pre-Feasibility Study (PFS) completed at its 100%-owned Vizcachitas copper-molybdenum-silver project in Chile.

BOTTOM LINE

Modest Positive – At a \$3.68/lb copper price deck, the PFS returned an after-tax NPV_{8%} on Vizcachitas of \$2.8 BB and an IRR of 24%.

FOCUS POINTS

- PFS Highlights** – The project is designed as a 136 ktpd (ore) drill-blast-load-haul open-pit mine with a three-stage crushing plant, including a high-pressure grinding roll (HPGR) circuit, producing ~335 MMlb Cu/year over a mine-life of 26-years, and importantly, utilizing the dry stack method for tailings deposition. Initial CAPEX is estimated at \$2.4 BB with C1 cash costs, net by-products and AISC estimated at \$1.25/lb and \$2.35/lb, respectively.
- Maiden Reserve Estimate, Resource Increase** – M&I and Inferred resources now stand at 13.0 BBlb @ 0.38% Cu and 13.7 BBlb @ 0.34% Cu, an increase of 16% and 130%, respectively, in terms of contained metal. The maiden P&P reserve estimate was released with the PFS, coming in at 9.6 BBlb @ 0.36% Cu.
- Maintaining Spec. Buy Rating and Price Target** – Vizcachitas is one of the largest copper projects in South America that has yet to announce either a JV-partnership, or strategic investment from a large-tier mining company. With M&A running red hot in the copper sector, significant corporate interest in Los Andes is a given at this point in our view. Incorporating the PFS results we are maintaining our Speculative Buy rating and C\$29.00/share price target on Los Andes.

Recommendation:

Speculative BUY

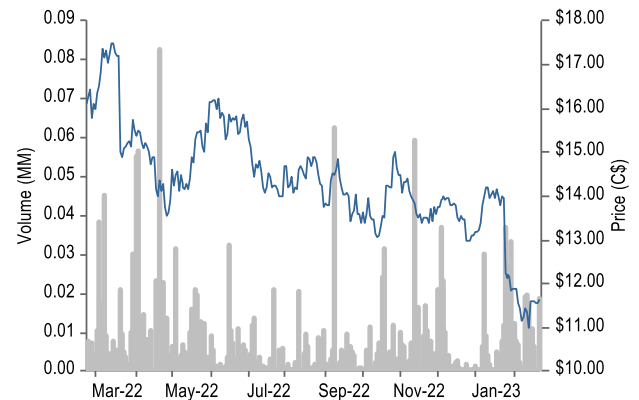
Symbol/Exchange: LA-TSXv
Sector: Metals & Mining
All dollar values in US\$ unless otherwise noted.
Current price: C\$11.88
One-year target: C\$29.00
Return to target: 144.1%
Cash on hand*: \$13.1 MM

Financial Summary:

Shares O/S (MM)*	28.1	52-week range	C\$11.00 - C\$17.73		
Market cap (MM\$)	C\$334	30D avg. vol. (000)	10.8		
Market float (MM\$)	C\$155	Fiscal year-end	30-Sep		
Vizcachitas - 100%	MMt	%Cu	MMlb Cu	%CuEq	MMlb CuEq
Proven	302	0.41%	2,714	0.46%	3,031
Probable	918	0.34%	6,908	0.39%	7,858
Proven & Probable	1,220	0.36%	9,623	0.41%	10,889
Measured	273	0.43%	2,605	0.48%	2,900
Indicated	1,268	0.37%	10,416	0.43%	11,901
Measured & Indicated	1,541	0.38%	13,021	0.44%	14,801
Inferred	1,823	0.34%	13,747	0.38%	15,444
Total Resource	3,364	0.36%	26,768	0.41%	30,245

Source: Company Reports and Cantor Fitzgerald Estimates

*adjusted for post quarter transactions



Company profile: Los Andes Copper owns 100% of the massive Vizcachitas copper-molybdenum-silver open pit (and likely underground) project in Chile. Vizcachitas is the fourth largest copper project in South America not currently owned by a major mining company.

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See disclosure and a description of our recommendation structure at the end of this report.

REPORTS PFS RESULTS AND MAIDEN P&P RESERVES

This morning, Los Andes reported results from a Pre-Feasibility Study (PFS) completed at its 100%-owned Vizcachitas copper-molybdenum-silver open-pit project in Chile. Overall, we have a favourable view of the results, with the 2023 PFS reconciling positively to the 2019 Preliminary Economic Assessment (PEA) across most, although not all, key metrics. According to the PFS results this morning, Vizcachitas is being designed as a 136 ktpd (ore, with a 2.33:1 strip ratio) drill-blast-load-haul open-pit mine with a three-stage crushing plant, including a high-pressure grinding roll (HPGR) circuit, producing ~335 MMlb Cu/year in a concentrate over a mine-life of 26-years, and importantly, utilizing the dry stack method for tailings deposition. Initial CAPEX is estimated at \$2.4 BB, sustaining CAPEX over the life-of-mine (LOM) including closure costs total \$1.8 BB, with C1 cash costs, net by-products and AISC estimated at \$1.25/lb and \$2.35/lb, respectively. The PFS was prepared by the reputable engineering firm Tetra Tech Sudamérica, and at a base case copper price deck of \$3.68/lb Cu, the Vizcachitas project returned an after-tax NPV_{8%} of \$2.8 BB and an IRR of 24%. A comparison of the 2023 PFS results relative to the 2019 PEA are summarized in Exhibit 1 below.

Exhibit 1. 2023 PFS vs. 2019 PEA

Metric	Unit	2019 PEA	2023 PFS
Copper Price	(\$/lb)	\$3.00	\$3.68
Throughput	(ktpd)	110	136
Strip Ratio	(waste:ore)	1.1	2.3
Initial CAPEX	(BB\$)	\$1.87	\$2.44
Sustaining CAPEX	(BB\$)	\$1.13	\$1.76
Mine Life	(years)	43	26
Average Annual Production	(MMlb Cu)	225	337
Mining Costs	(\$/t mined)	\$1.57	\$1.51
Plant + Infrastructure Costs	(\$/t milled)	\$5.10	\$5.10
Admin Costs	(\$/t milled)	\$0.19	\$0.30
C1 Cash Costs, net	(\$/lb)	\$1.86	\$1.25
All-in Sustaining Costs, net	(\$/lb)	\$1.97	\$2.35
After-tax NPV _{8%}	(BB\$)	\$1.80	\$2.78
After-tax IRR	(%)	21	24
Payback Period	(years)	3.4	2.5

Source: Cantor Fitzgerald

SOCIAL AND ENVIRONMENTAL INITIATIVES

The use of dry stack tailings (vs. conventional thickened tailings deposition in the PEA) is expected to reduce Vizcachitas' water consumption by ~50%. Moreover, it is also expected to reduce the project's footprint by ~500 hectares as the tailings impoundment can now be situated in a single valley. Locally, the Vizcachitas property is generally arid, and more recently, has been negatively impacted by drought. Los Andes is well aware of the many social issues in South America related to the mining industry's water consumption (often competing with agriculture in the same area) and has signed a letter of intent (announced September 20, 2022) to secure desalinated water supply from the coast via pipeline, as opposed to continental water from the project site itself. Another addition/improvement in the 2023 PFS is the use of HPGR in the tertiary stage

of the crushing circuit, which is expected to reduce power consumption by ~25% vs. the semi-autogenous grinding (SAG) tertiary circuit utilized in the 2019 PEA.

Exhibit 2. Updated Resource and Maiden Proven & Probable Reserve

Updated (February 2023 PFS)									
Resource Category	Tonnes (MMt)	Grades (% ppm, %)				Contained Metal (MMlb, MMoz)			
		Cu	Mo	Ag	CuEq	Cu	Mo	Ag	CuEq
Proven	302	0.41	135	1.2	0.46	2,714	90	12	3,031
Probable	918	0.34	136	1.1	0.39	6,908	275	32	7,858
P&P	1,220	0.36	136	1.1	0.41	9,623	365	44	10,889
Measured	273	0.43	139	1.3	0.48	2,605	84	11	2,900
Indicated	1,268	0.37	158	1.0	0.43	10,416	442	43	11,901
M&I	1,541	0.38	155	1.1	0.44	13,021	526	54	14,801
Inferred	1,823	0.34	123.0	0.90	0.38	13,747	495	55	15,444
Total	3,364	0.36	137.7	0.99	0.41	26,768	1,021	109	30,245

(0.18% Cu cut-off for P&P, 0.25% Cu cut-off for M&I+Inf.)

Previous (June 2019 PEA)									
Resource Category	Tonnes (MMt)	Grades (% ppm, %)				Contained Metal (MMlb, MMoz)			
		Cu	Mo	Ag	CuEq	Cu	Mo	Ag	CuEq
Measured	254	0.44	119	1.3	0.49	2,462	67	10	2,743
Indicated	1,030	0.39	147	1.0	0.44	8,740	333	33	10,034
M&I	1,284	0.40	141	1.1	0.45	11,202	400	43	12,777
Inferred	789	0.34	127	0.9	0.39	5,861	221	22	6,713
Total	2,073	0.38	135.9	0.99	0.43	17,063	621	65	19,490

(0.25% Cu cut-off)

Source: Cantor Fitzgerald, Los Andes Copper

RESOURCE UPDATE, MAIDEN P&P RESERVE

M&I and Inferred resources now stand at 13.0 BBlb @ 0.38% Cu and 13.7 BBlb @ 0.34% Cu, an increase of 16% and 130%, respectively, in terms of contained metal from the previous estimate, last updated as part of the 2019 PEA. The maiden P&P reserve estimate was released with the PFS this morning, coming in at 9.6 BBlb @ 0.36% Cu, constrained by a pit-shell using a \$3.50/lb copper price deck and pit slope angles ranging from 44° to 52°. The updated resource statement and maiden P&P reserve estimate are reflected in Exhibit 2 and incorporate 58,628 m of exploration drilling completed in 168 holes, vs. the previous resource that was based on 52,256 m of exploration drilling completed in 165 holes.

JV-PARTNERSHIP AND/OR STRATEGIC STAKE LIKELY

Vizcachitas is one of the largest copper projects in South America that has yet to announce either a JV-partnership or strategic investment from a large-tier mining company. The project is Tier One across almost all metrics, and with M&A running red hot in the copper sector, significant corporate interest in Los Andes Copper is a given at this point in our view.

Exhibit 3. Los Andes Equally Blended Target NAVPS Approach

Figures in C\$	Weight	Multiple	
Target P/NAV7.5%, 50/50 JV-interest sale	50%	1.00x	\$39.77
Target P/NAV7.5%, 100%-interest, fully diluted	50%	1.00x	\$18.44
		Target, rounded:	\$29.00

Source: Cantor Fitzgerald

MAINTAINING SPEC. BUY RATING, PRICE TARGET

With the added clarity on the mine plan, and updated costs, grades, recoveries, etc. provided with the PFS results this morning, we are lowering the discount rate applied to Vizcachitas from 10.0% to 7.5% in our numbers going forward. Our \$3.25/lb long-term copper price deck is unchanged. We continue to ascribe a 50% probability of Los Andes attracting a 50%-joint venture partner on similar terms as Sierra Gorda and Mantoverde, adjusting for the initial capital investment required to put Vizcachitas into production. Based on a target multiple of 1.0x NAVPS (unchanged) on this 50/50 blended approach (Exhibit 3) and incorporating the 2023 PFS mine plan metrics into our DCF-based NPV_{7.5%} and production profile for Vizcachitas, we reiterate our Speculative Buy rating on Los Andes and C\$29.00/share price target. With all the hallmarks of a Tier One copper project, exploration catalysts on the immediate horizon, a likely JV-partnership agreement waiting in the wings, and against the backdrop of strengthening copper prices, we believe the time is now for institutional investors to begin accumulating shares in Los Andes Copper.

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The analyst responsible for this report *has not* visited the material operations of Los Andes Copper Ltd. No payment or reimbursement was received for related travel costs.

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HOLD: The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

SELL: The stock is overpriced relative to the company's fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

TENDER: We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

UNDER REVIEW: We are temporarily placing our recommendation under review until further information is disclosed.

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