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LOS ANDES COPPER LTD.

(formerly GHG RESOURCES LIMITED)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND SIX MONTHS ENDED MARCH 31, 2007

NOT AUDITED OR REVIEWED BY THE COMPANY'S EXTERNAL AUDITORS

LOS ANDES COPPER LTD. (formerly GHG RESOURCES LIMITED)
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 2007	September 30, 2006
ASSETS		
Current		
Cash	\$ 893,269	\$ 4,173,910
Advances and receivables	1,012,225	81,225
Inventories	-	71,099
Prepaid expenses	7,659	3,385
	<u>1,913,153</u>	<u>4,329,619</u>
VAT tax credits	32,517	-
Due from related parties	-	45,029
Mineral properties (Note 5)	16,963,480	23,329
Plant and equipment	<u>-</u>	<u>77,254</u>
	<u>\$ 18,909,150</u>	<u>\$ 4,475,231</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 145,689	\$ 1,381,828
Promissory notes payable	-	19,487
Due to related parties	-	173,242
	<u>145,689</u>	<u>1,574,557</u>
Asset retirement obligation	<u>-</u>	<u>33,385</u>
	145,689	1,607,942
Shareholders' equity		
Capital stock (Note 8)	25,382,187	8,609,088
Contributed surplus	229,908	229,908
Deficit	(6,804,314)	(5,805,072)
Accumulated other comprehensive income	<u>(44,320)</u>	<u>(166,635)</u>
	<u>18,763,461</u>	<u>2,867,289</u>
	<u>\$ 18,909,150</u>	<u>\$ 4,475,231</u>

Subsequent events (Note 9)

On behalf of the Board:

"John Nugent"

Director

"Francis O'Kelly"

Director

The accompanying notes are an integral part of these consolidated financial statements.

LOS ANDES COPPER LTD. (formerly GHG RESOURCES LIMITED)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Six Months Ended March 31, 2007	Six Months Ended March 31, 2006
SALES	\$ -	\$ 195,359	\$ -	\$ 195,359
COST OF SALES	-	260,325	640,564	292,983
	-	(64,966)	(640,564)	(97,624)
EXPENSES				
Amortization	-	315	5,895	630
Consulting, salaries and management fees	26,036	15,000	98,171	30,000
Interest on promissory notes payable	-	296	303	598
Office and administration	3,715	18,742	17,658	32,143
Professional fees	135,676	15,383	145,965	16,282
Shareholder communications	3,600	-	3,600	-
Transfer agent, filing and regulatory fees	79,677	9,822	81,750	12,106
Travel, promotion and entertainment	15,049	-	40,058	12,402
	263,753	59,558	393,400	104,161
Loss before other items	(263,753)	(124,524)	(1,033,964)	(201,785)
OTHER ITEMS				
Gain on sale of mineral properties	23,395	-	23,395	-
Gain on settlement of debt	-	4,413	-	4,413
Foreign exchange gain (expense)	(3,981)	-	(3,981)	-
Interest Income	7,228	-	15,308	-
Loss for the period	(237,111)	(120,111)	(999,242)	(197,372)
Other comprehensive income (loss)	-	-	-	-
Comprehensive loss	\$ (237,111)	\$ (120,111)	\$ (999,242)	\$ (197,372)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.01)
Weighted average number of common shares outstanding	39,849,011	11,223,663	31,214,089	11,223,633

The accompanying notes are an integral part of these consolidated financial statements.

LOS ANDES COPPER LTD. (formerly GHG RESOURCES LIMITED)
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Six Months Ended March 31, 2007	Six Months Ended March 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (237,111)	\$ (120,111)	\$ (999,242)	\$ (197,372)
Items not affecting cash:				
Amortization	-	315	5,895	630
Accrued interest on promissory notes payable	-	296	-	598
Gain on disposition of mineral properties	(23,395)	24,876	(23,395)	51,645
Accrued expenses from related parties	-	24,876	-	51,645
Change in non-cash working capital items (net of effects of acquisition of subsidiary):				
Advances and receivables	(598,677)	18,195	(931,000)	2,586
Inventories	23,972	-	71,099	-
Prepaid expenses	53,491	-	(4,274)	-
Accounts payable and accrued liabilities	(52,523)	12,772	(765,985)	(91,224)
Promissory notes payable	(19,790)	-	(19,487)	-
Due to related parties	(64,451)	-	(173,242)	-
Net cash used in operating activities	(918,484)	(63,657)	(2,839,631)	(233,137)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares for cash	11,955,100	71,500	12,105,100	71,500
Obligation to issue shares	-	(60,600)	-	-
Net cash provided by financing activities	11,955,100	10,900	12,105,100	71,500
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiary, net of \$4,568 cash acquired	(11,780,346)	-	(12,244,156)	-
Deferred exploration costs	(80,170)	5,627	(80,170)	3,997
Net cash used in investing activities	(11,860,516)	5,627	(12,324,326)	3,997
Effect of foreign exchange rates on cash	(149,796)	3,245	(221,784)	(94,647)
Decrease in cash for the period	(973,696)	(43,885)	(3,280,641)	(252,287)
Cash, beginning of period	1,866,965	81,118	4,173,910	289,520
Cash, end of period	\$ 893,269	\$ 37,233	\$ 893,269	\$ 37,233

The accompanying notes are an integral part of these consolidated financial statements.

LOS ANDES COPPER LTD. (formerly GHG RESOURCES LIMITED)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

	Common shares					
	No. of shares	Amount (\$)	Deficit (\$)	Contributed Surplus (\$)	Accumulated Other Comprehensive Income (\$)	Shareholders' Equity (\$)
Balance – Sept. 30, 2005	10,673,633	6,908,207	(6,939,657)	186,847	(126,518)	28,879
Issuance of shares –						
Private placements, net of issue costs	10,550,000	1,459,000	-	-	-	1,459,000
Finders' fees	750,000	112,500	-	-	-	112,500
Exercise of warrants	543,250	73,623	-	-	-	73,623
Exercise of stock options	250,000	25,000	-	-	-	25,000
Options granted	-	-	-	73,819	-	73,819
Transfer of value on exercise of stock options	-	30,758	-	(30,758)	-	-
Foreign exchange gains or losses on translation of self-sustaining operations	-	-	-	-	(40,117)	(40,117)
Net earnings for the year	-	-	1,134,585	-	-	1,134,585
Balance – Sept. 30, 2006	22,766,883	8,609,088	(5,805,072)	229,908	(166,635)	2,867,289
Issuance of shares -						
Private placement, net of issue costs	20,000,000	11,170,569	-	-	-	11,170,569
Finders' fees	1,382,383	829,430	-	-	-	829,430
Acquisition of mineral properties inclusive of finders' fees	7,780,000	4,668,000	-	-	-	4,668,000
Exercise of warrants	720,000	105,100	-	-	-	105,100
Foreign exchange gains or losses on translation of self-sustaining operations	-	-	-	-	122,315	122,315
Net loss for the period	-	-	(999,242)	-	-	(999,242)
Balance – March 31, 2007	52,649,266	25,382,187	(6,804,314)	229,908	(44,320)	18,763,461

The accompanying notes are an integral part of these consolidated financial statements.

1. OPERATIONS

Los Andes Copper Ltd. ("the Company") was incorporated under the laws of British Columbia. Its principal business activities are the identification, acquisition, exploration and development of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The Company's shares trade on the TSX Venture Exchange ("TSX-V").

During the period, the Company acquired all of the issued and outstanding shares of Vizcachitas Limited. At March 31, 2007, Vizcachitas Limited owned all but one of the issued and outstanding shares in Compañía Minera Vizcachitas Holding ("CMV"). The remaining share of CMV was transferred to the Company subsequent to quarter end. CMV owns certain interests which comprise the Vizcachitas Property in Chile. Also during the period, the Company disposed of its wholly-owned subsidiary, Tun Resources Inc. ("Tun") and its joint venture interest in the Yunnan Yuntong Exploration Company Ltd. ("YYE"), a company established in the People's Republic of China.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles for interim financial statements and therefore do not include all of the information and notes required for annual financial statements. Management has included other information that it believes is necessary to understand the Company's new operations. These statements follow the same accounting policies and methods of application as the most recent annual financial statements, except as described in Note 3. Accordingly, they should be read in conjunction with the Company's audited financial statements for the year ended September 30, 2006.

These consolidated financial statements include the accounts of the Company and its subsidiaries, Vizcachitas Limited and Compañía Minera Vizcachitas Holding, which were acquired on February 8, 2007 (Note 4). All significant intercompany transactions and balances have been eliminated.

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in the current period.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Mineral interests

Following the acquisition of the Vizcachitas project, the Company will follow the method of accounting for its mineral interests whereby all costs related to acquisition, exploration and development are capitalized by project. These costs will be amortized against revenue from future production or written off if the interest is abandoned or sold. On the commencement of commercial production, net costs will be charged to operations using the unit of production method by project based upon estimated recoverable reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

The amounts shown for mineral interests represent costs incurred to date and do not necessarily reflect present or future values. Management will review the carrying values of mineral interest on a project by project basis at least annually to determine if they have become impaired. If impairment is determined to exist, the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized for mineral properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Property option agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Because options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

Asset retirement obligations

The Company recognizes a liability for an asset retirement obligation when it is determinable and calculates the liability based upon discounted future payments to be made. A corresponding amount is added to the carrying amount of the related long-lived asset, and this amount is subsequently allocated to expense over its expected life. Adjustment will also be made in subsequent periods to changes in asset retirement obligations due to changes in estimates. As at March 31, 2007, the Company does not have any asset retirement obligations.

Retirement of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant, when the carrying amount of the assets exceeds their estimated undiscounted net cash flow from use or their fair value, at which time the estimated amount of the impairment is charged to earnings.

Stock-based compensation

The Company follows the applicable accounting standard for stock-based compensation under which the fair value method is used for the accounting of stock options granted, and compensation expense is recognized over the options' vesting period.

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Foreign currency translation

The Company's functional currency is the Canadian dollar. The Vizcachitas subsidiary operations are regarded as being integrated with the parent company and therefore the temporal method of translation has been applied. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities are translated at the exchange rate in effect at the time of the transaction. Revenues and expenses are also translated at rates in effect at the time of the transaction. Gains and losses on translation are included in the results from operations. The Tun subsidiary was regarded to be self-sustaining and was translated into Canadian dollar equivalents using the current rate method, whereby gains and losses arising from exchange translation were included in shareholders' equity as accumulated other comprehensive income.

Earnings/loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings/loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic earnings/loss per share is calculated using the weighted-average number of common shares outstanding during the year.

In the Company's case, diluted loss per share is the same as basic earnings/loss per share since the effect of dilutive items would be anti-dilutive.

3 ADOPTION OF NEW ACCOUNTING STANDARDS

Accounting Changes

Effective October 1, 2006, the Company adopted the revised CICA Section 1506 "Accounting Changes", which requires that (a) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and (c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard.

Financial Instruments

Effective October 1, 2006, the Company adopted the new accounting standards and related amendments to other standards on financial instruments issued by the CICA. There was no effect in the Company's financial statements on adoption of these standards.

3 ADOPTION OF NEW ACCOUNTING STANDARDS (cont'd...)

Financial Instruments – Recognition and Measurement (Section 3855): The standard prescribes when a financial asset, financial liability and non-financial derivative is to be recognized on the Balance Sheet and whether fair value or cost-based measures should be used to measure the recorded amounts. It also specifies how financial instruments gains or losses should be presented. Fair value is determined directly by reference to published price quotations in the active market where the securities are traded. Changes in the fair value of these instruments are reflected in income and included in shareholders' equity on the Balance Sheet. The Company has determined that at March 31, 2007, it has no financial instruments or derivatives, including embedded derivatives.

Hedges (Section 3865): The standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing Accounting Guideline 13 (acG-13) "Hedging Relationships" and Section 1650 "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. At March 31, 2007, the Company had no hedging relationships.

Comprehensive Income (Section 1530): The standard requires the presentation of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses related to self-sustaining operations, all of which are not included in the calculation of net earnings until realized. Comprehensive income is being disclosed as a component in the Company's Statement of Shareholders' Equity.

4. ACQUISITION OF VIZCACHITAS LIMITED

On February 8, 2007, the Company acquired from Global Copper Corp ("Global") all of the issued and outstanding shares of Vizcachitas Limited. Vizcachitas Limited owns all of the issued and outstanding shares in Compañía Minera Vizcachitas Holding ("CMV"), a company incorporated under the laws of Chile. CMV owns the following interests which comprise the Vizcachitas Property:

1. 51% of the shares of Sociedad Legal Minera San José Uno de Lo Vicuña, El Tártaro y Piguchén de Putaendo ("San José SLM"), a Chilean Sociedad Legal Minera, which is the owner of the San José mining concessions (the "SJ Concessions");
2. 32 mining rights (the "Mining Rights"), of which 8 are existing exploitation mining concessions encircling the SJ Concession, 19 are exploitation mining concessions in process of constitution (exploitation claims) encircling the SJ Concession and 5 are exploration mining concessions in process of constitution (exploration claims) protecting the SJ Concession; and
3. an option agreement to purchase 100% of six additional exploitation mining concessions (the "Additional Concessions" and together with the SJ Concessions and the Mining Rights, the "Property"), also encircling the SJ Concession.

The SJ Concessions are subject to NSR royalties of which the Company's portion is a 1.02% NSR royalty on surface mining and a 0.51% NSR royalty on underground mining. The Additional Concessions are subject to a NSR royalty of 1% on any surface production and 2% on any underground production on the claims.

The Property is located in the province of San Felipe, Region V, Chile, an area of low elevation with excellent infrastructure, including water and power. A.C.A. Howe International Limited described NI43-101 compliant mineral

4. ACQUISITION OF VIZCACHITAS LIMITED (cont'd...)

resources for the Property in a technical report dated June 29, 2006 (updated February 2007) . The resource calculation was based on 68 drill holes for a total of 18,300 metres. Results showed an indicated resource of 144 million tonnes grading 0.52% copper and 0.015% molybdenum and an inferred resource of 211 million tonnes grading 0.46% copper and 0.016% molybdenum at a 0.40% copper cutoff.

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

The Company understands a single Chilean company ("Minority Shareholder") owns the remaining minority 49% of San José SLM. The Company has not yet determined how development of the Property will proceed and looks forward to discussions with the shareholders and principals of the Minority Shareholder to determine if a mutually beneficial plan of action may be developed.

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

Consideration for the acquisition of the Vizcachitas property was comprised of US\$10,400,000 in cash and the issuance to Global of 6,280,000 shares and 3,900,000 share purchase warrants in the capital of the Company. Each warrant will enable Global to acquire one additional share of the Company for a period of three years to February 8, 2011, at an exercise price of \$1.00 per share. In addition, Global was granted net smelter royalties of 2% on revenues generated from open pit operations and 1% on revenues generated from underground operations on certain of the claims comprising the Vizcachitas property.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

4. ACQUISITION OF VIZCACHITAS LIMITED (cont'd...)

The Company accounted for this acquisition using the purchase method. The following table summarizes the purchase price allocation based on final allocation of the fair values of the assets acquired and liabilities assumed.

Net assets acquired	\$
Cash	4,568
Value added tax credits	32,274
Accounts payable and accrued liabilities	(3,428)
Mineral property	16,883,310
Total net assets acquired	<u>16,916,724</u>
Consideration	
Cash (US\$10,400,000)	12,248,724
Shares and warrants issued to vendor	3,768,000
Finders' fees	900,000
	<u>16,916,724</u>

5. MINERAL PROPERTIES

As at March 31, 2007, all of the Company's mineral properties are located in the Region V, Chile.

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge title to its properties is in good standing.

	Vizcachitas	Yunnan Yuntong	Total
Balance, September 30, 2006	\$ -	\$ 23,329	\$ 23,329
Additions during period:			
Acquisition costs	<u>16,883,310</u>	-	<u>16,883,310</u>
Deferred exploration			
Automobile and travel	1,697	-	1,697
Camp maintenance & security	17,122	-	17,122
Exploration administration	9,068	-	9,068
Geological consulting	7,800	-	7,800
Other	287	-	287
Property rights, taxes and tenure fees	44,196	-	44,196
	<u>80,170</u>	-	<u>80,170</u>
	16,963,480	23,329	16,986,809
Disposition of mineral property (Note 6)	-	(23,329)	(23,329)
Balance, March 31, 2007	<u>\$ 16,963,480</u>	<u>\$ -</u>	<u>\$16,963,480</u>

6. DISPOSITION OF MINERAL PROPERTIES

The Company entered into an agreement dated January 1, 2007 to sell all of the outstanding shares of Tun, through which the Company owned certain joint venture interests in two mineral properties located in the Zhen Yuan Mining District, China. Consideration on closing was \$1,000,000 and the assumption by the purchaser of liabilities of the Company in the aggregate amount of \$473,412. The \$1,000,000 payment will be made in three installments as to \$100,000 on April 20, 2007 (received), \$400,000 on May 31, 2007 (received) and \$500,000 on July 31, 2007. The Company recorded a gain of \$23,395 on disposition of these properties.

7. RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2007, the Company paid \$8,025 in legal fees to a company with a director in common and paid \$12,160 in salaries to former directors of the Company. Included in the accounts payable and accrued liabilities balance at March 31, 2007 is \$526 due to related parties.

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

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized – unlimited common shares without par value.

During the six months ended March 31, 2007, the Company:

- (a) Completed a non-brokered private placement comprising of 20,000,000 units at a price of \$0.60 per unit for gross proceeds of \$12,000,000. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one additional common share of Los Andes at a price of \$1.00 per share for a period of one year to February 8, 2008. Following the issuance of the securities, if at any time following the expiration of the four month period, the closing price of Los Andes' shares is at least \$1.25 per share for 10 consecutive trading days, Los Andes shall have the right to notify the purchasers that the expiry date for the exercise of the warrants will be shortened to 30 days. A finder's fee was payable in units in connection with the private placement, for a total of 1,382,383 units at a cost of \$829,430. The units issued as finders' fees have the same terms and conditions as those sold in the private placement. The proceeds for the private placement were used to finance the purchase of the Vizcachitas property (Note 4).
- (b) Completed the acquisition from Global of all of Global's interest in the Vizcachitas property. As consideration for the acquisition, Los Andes paid \$12,248,724 (US\$10,400,000) and issued to Global 6,280,000 shares and 3,900,000 share purchase warrants in the capital of Los Andes. Each warrant is exercisable for a period of three years to February 8, 2010 and entitles Global to acquire one additional share of Los Andes at a price of \$1.00 per share. A finder's fee of 1,500,000 common shares at a cost of \$900,000 was paid by Los Andes in connection with the acquisition.

The securities issued as referenced in (a) and (b) are subject to a four-month hold period expiring June 8, 2007.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

- (c) Issued 720,000 shares on exercise of warrants, at exercise prices ranging from \$0.13 to \$0.20 per share, for proceeds of \$105,100.

During the year ended September 30, 2006, the Company:

- (a) Completed a non-brokered private placement consisting of 10,000,000 units issued at \$0.15 each for gross proceeds of \$1,500,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.20 per share for a period of one year to July 5, 2007. In connection with the private placement, the Company issued 750,000 shares with a value of \$112,500 as finder's fees.
- (b) Completed a non-brokered private placement consisting of 550,000 units issued at a price of \$0.13 each for gross proceeds of \$71,500. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.15 per share for a period of one year to January 10, 2007.

Stock options

Under its stock option plan, the Company is authorized to grant stock options, upon receiving regulatory approval, to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Generally under the plan, stock options vest on grant and have no more than a five year term. The exercise price of the options will be determined by the board of directors but will not be less than the closing price of the Company's common shares on the day preceding the day on which the directors grant such options, less any discount permitted by the TSX Venture Exchange to a minimum of \$0.10 per share.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, September 30, 2005	420,000	\$ 0.38
Granted	600,000	0.10
Exercised	<u>(250,000)</u>	0.10
Outstanding, September 30 and March 31, 2007	<u>770,000</u>	<u>\$ 0.25</u>
Exercisable, September 30 and March 31, 2007	<u>770,000</u>	<u>\$ 0.25</u>

At March 31, 2007, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
420,000	\$0.38	May 29, 2009
350,000	\$0.10	September 1, 2010

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8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2005	1,263,250	\$ 0.21
Issued	10,550,000	0.20
Exercised	(543,250)	0.14
Expired	(600,000)	0.30
Balance, September 30, 2006	10,670,000	0.20
Issued	25,282,383	1.00
Exercised	(720,000)	0.15
Balance, March 31, 2007	35,232,383	0.77

At March 31, 2007, the following warrants were outstanding:

Number of Shares	Exercise Price	Expiry Date
9,950,000	\$0.20	July 5, 2007
21,382,383	\$1.00	February 7, 2009
3,900,000	\$1.00	February 7, 2010
35,232,383		

9. SUBSEQUENT EVENTS

Subsequent to March 31, 2007:

- a) An aggregate of 5,000,000 warrants at an exercise price of \$0.20 per share were exercised, for proceeds to the Company of \$1,000,000.
- b) An aggregate of 770,000 stock options issued to former directors of the Company expired unexercised.
- c) An aggregate of 2,000,000 stock options were issued to directors, officers and consultants of the Company. The options have an exercise price of \$0.60 per share, vested on granting and have a five year term to May 10, 2012.
- d) Frank O'Kelly was named a director of the Company, replacing Michael Kuta who resigned as a director. Mr. Kuta will continue to serve as the Company's Corporate Secretary and Legal Counsel.