



**LOS ANDES COPPER** Ltd.

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# **LOS ANDES COPPER LTD.**

(formerly GHG RESOURCES LIMITED)

## **CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED JUNE 30, 2007**

*NOT AUDITED OR REVIEWED BY THE COMPANY'S EXTERNAL AUDITORS*

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

	June 30, 2007	September 30, 2006
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 1,877,508	\$ 4,173,910
Advances and receivables	518,840	81,225
Inventories	-	71,099
Prepaid expenses	4,250	3,385
	2,400,598	4,329,619
<b>VAT tax credits</b>	41,308	-
<b>Due from related parties</b>	-	45,029
<b>Mineral properties (Note 5)</b>	17,632,989	23,329
<b>Plant and equipment</b>	-	77,254
	\$ 20,074,895	\$ 4,475,231
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 52,320	\$ 1,381,828
Promissory notes payable	-	19,487
Due to related parties	-	173,242
	52,320	1,574,557
<b>Asset retirement obligation</b>	-	33,385
	52,320	1,607,942
<b>Shareholders' equity</b>		
Capital stock (Note 8)	26,792,187	8,609,088
Contributed surplus (Note 8)	1,007,530	229,908
Deficit	(7,732,822)	(5,805,072)
Accumulated other comprehensive income	(44,320)	(166,635)
	20,022,575	2,867,289
	\$ 20,074,895	\$ 4,475,231

**Subsequent events (Note 9)**

**On behalf of the Board:**

*"Klaus Zeitler"*

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 June 30, 2007	Three Months Ended June 30, 2006	Nine Months Ended June 30, 2007	Nine Months Ended June 30, 2006
<b>SALES</b>	\$ -	\$ 485,813	\$ -	\$ 680,491
<b>COST OF SALES</b>	-	406,996	640,564	707,110
	-	78,817	(640,564)	(26,619)
<b>EXPENSES</b>				
Amortization	-	315	5,895	945
Consulting, salaries and management fees	64,662	22,940	162,833	45,440
Interest on promissory notes payable	-	299	303	898
Office and administration	3,678	26,549	21,336	58,420
Professional fees	22,259	5,836	168,224	22,119
Shareholder communications	13,602	-	17,202	-
Transfer agent, filing and regulatory fees	4,704	10,560	86,454	22,666
Travel, promotion and entertainment	98	11,273	40,156	23,675
	109,003	77,772	502,403	174,163
<b>Loss before other items</b>	(109,003)	1,045	(1,142,967)	(200,782)
<b>OTHER ITEMS</b>				
Foreign exchange expense	(52,209)	-	(56,190)	-
Gain on sale of mineral properties	-	-	23,395	-
Gain on settlement of debt	-	-	-	4,413
Interest income	10,326	1,189	25,634	1,231
Stock-based compensation expense	(777,622)	-	(777,622)	-
<b>Earnings (loss) for the period</b>	(928,508)	2,234	(1,927,750)	(195,138)
<b>Other comprehensive income (loss)</b>	-	-	-	-
<b>Comprehensive income (loss)</b>	\$ (928,508)	\$ 2,234	\$ (1,927,750)	\$ (195,138)
<b>Basic and diluted earnings (loss) per share</b>	\$ (0.02)	\$ -	\$ (0.05)	\$ (0.02)
<b>Weighted average number of shares outstanding</b>	55,766,848	12,016,883	39,398,342	12,016,883

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 June 30, 2007	Three Months Ended June 30, 2006	Nine Months Ended June 30, 2007	Nine Months Ended June 30, 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Earnings (loss) for the period	\$ (928,508)	\$ 2,234	\$ (1,927,750)	\$ (195,138)
Items not affecting cash:				
Accrued expenses from related parties	-	(10,798)	-	(31,422)
Accrued interest on promissory notes payable	-	299	-	899
Amortization	-	315	5,895	945
Gain on disposition of mineral properties	-	-	(23,395)	-
Stock-based compensation	777,622	-	777,622	-
Change in non-cash working capital items:				
Advances and receivables	493,385	(24,100)	(780,615)	(76,865)
Prepaid expenses	3,409	-	(865)	-
VAT tax credits	(8,791)	-	(41,308)	-
Accounts payable and accrued liabilities	(93,369)	(48,760)	(856,096)	(180,694)
Net cash provided by (used in) operating activities	243,748	(80,810)	(2,846,512)	(482,275)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issue of shares for cash	1,410,000	136,981	13,515,100	208,481
Obligation to issue shares	-	525,000	-	525,000
Net cash provided by financing activities	1,410,000	661,981	13,515,100	733,481
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of mineral properties	(552,626)	-	(12,767,937)	-
Deferred exploration costs	(116,883)	-	(197,053)	-
Investments	-	10,398	-	9,398
Net cash provided by (used in) investing activities	(669,509)	10,398	(12,964,990)	9,398
<b>Effect of foreign exchange rates on cash</b>	-	15,969	-	94,647
<b>Change in cash for the period</b>	984,239	607,538	(2,296,402)	355,251
<b>Cash, beginning of period</b>	893,269	37,233	4,173,910	289,520
<b>Cash, end of period</b>	\$ 1,877,508	\$ 644,771	\$ 1,877,508	\$ 644,771

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	7,770,000	1,515,100	-	-	-	1,515,100
Options granted	-	-	-	777,622	-	777,622
Foreign exchange gains or losses on translation of self- sustaining operations	-	-	-	-	122,315	122,315
Net loss for the period	-	-	(1,927,750)	-	-	(1,927,750)
Balance – June 30, 2007	59,699,266	26,792,187	(7,732,822)	1,007,530	(44,320)	20,022,575

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

**LOS ANDES COPPER LTD. (formerly GHG RESOURCES LIMITED)**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2007

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**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").

Effective January 1, 2007, the Company disposed of its former 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.

On February 8, 2007, the Company acquired 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"). CMV owns certain interests which comprise the Vizcachitas Property in Region V, Chile.

**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 follows 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 interests 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 June 30, 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 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.

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

**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 periods where losses are recorded, 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.

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 June 30, 2007, it has no financial instruments or derivatives, including embedded derivatives.

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

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 June 30, 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 Concessions, 19 are exploitation mining concessions in process of constitution (exploitation claims) encircling the SJ Concessions and 5 are exploration mining concessions in process of constitution (exploration claims) protecting the SJ Concessions; 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 Concessions.

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 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 an 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

**LOS ANDES COPPER LTD. (formerly GHG RESOURCES LIMITED)**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2007

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

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.

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>

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**LOS ANDES COPPER LTD. (formerly GHG RESOURCES LIMITED)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**5. MINERAL PROPERTIES**

As at June 30, 2007, all of the Company's mineral properties are located in 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.

	<b>Vizcachitas</b>	<b>Yunnan Yuntong</b>	<b>Total</b>
Balance, September 30, 2006	\$ -	\$ 23,329	\$ 23,329
Additions during period:			
Acquisition costs	17,435,935	-	17,435,935
Deferred exploration			
Automobile and travel	5,698	-	5,698
Camp maintenance & security	23,730	-	23,730
Core handling & storage	10,466	-	10,466
Equipment rental	4,398	-	4,398
Exploration administration	28,245	-	28,245
Geological consulting	19,488	-	19,488
Other	16,890	-	16,890
Property & surface rights, taxes & tenure fees	55,904	-	55,904
Studies and other consulting	21,978	-	21,978
Supplies	10,257	-	10,257
	197,054	-	197,054
	17,632,989	23,329	17,656,318
Disposition of mineral property (Note 6)	-	(23,329)	(23,329)-
Balance, June 30, 2007	\$ 17,632,989	\$ -	\$ 17,632,989

**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 (the "Purchaser") of liabilities of the Company in the aggregate amount of \$473,412. The \$1,000,000 payment was to be made in three instalments, \$100,000 on April 20, 2007 (received), \$400,000 on May 31, 2007 (received) and \$500,000 on July 31, 2007 (partially received). A total of \$300,000 remains outstanding. The Company and the Purchaser have agreed that the final \$300,000 will be paid on September 30, 2007, together with interest on the outstanding balance at a rate of 1% per month. The Company recorded a gain of \$23,395 on disposition of these properties.

**7. RELATED PARTY TRANSACTIONS**

During the quarter ended June 30, 2007, the Company paid \$46,663 in management fees, \$10,888 in geological consulting fees and \$8,025 in legal fees to companies related to directors and officers of the Company. Included in the accounts payable and accrued liabilities balance at June 30, 2007 is \$13,195 due to officers and directors of the

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

**LOS ANDES COPPER LTD. (formerly GHG RESOURCES LIMITED)**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2007

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**8. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

Authorized – unlimited common shares without par value.

During the nine months ended June 30, 2007, the Company:

- (a) Completed a non-brokered private placement comprised 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 has 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.
- (c) Issued 7,770,000 shares on exercise of warrants, at exercise prices ranging from \$0.13 to \$0.20 per share, for proceeds of \$1,515,100.

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.

**Contributed Surplus**

Contributed surplus arises from stock-based compensation expense for stock purchase options granted to directors, officers and consultants, in compliance with current accounting standards. The following assumptions were used for the Black-Scholes option valuation of 2,000,000 options granted during the quarter ended June 30, 2007:

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Risk-free interest rate	4.17%
Expected life of options	5 years
Annualized volatility	76.63%
Dividend rate	0.00%

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**LOS ANDES COPPER LTD. (formerly GHG RESOURCES LIMITED)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

During the quarter ended June 30, 2007, the Company recorded a stock-based compensation expense of \$777,622 offset to contributed surplus, for grants in the aggregate amount of 2,000,000 options to directors, officers and a consultant of the Company.

**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, 2006	770,000	\$ 0.25
Granted	2,000,000	0.60
Expired	<u>(770,000)</u>	0.25
Balance, June 30, 2007	<u>2,000,000</u>	<u>0.60</u>
Exercisable, June 30, 2007	<u>2,000,000</u>	<u>\$ 0.60</u>

At June 30, 2007, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
2,000,000	\$0.60	May 10, 2012

**LOS ANDES COPPER LTD. (formerly GHG RESOURCES LIMITED)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**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	<u>(600,000)</u>	0.30
Balance, September 30, 2006	10,670,000	0.20
Issued	25,282,383	1.00
Exercised	<u>(7,770,000)</u>	0.19
Balance, June 30, 2007	<u>28,182,383</u>	1.00

At June 30, 2007, the following warrants were outstanding:

Number of Shares	Exercise Price	Expiry Date
2,900,000	\$0.20	July 5, 2007
21,382,383	\$1.00	February 7, 2009
<u>3,900,000</u>	\$1.00	February 7, 2010
<u>28,182,383</u>		

**9. SUBSEQUENT EVENTS**

Subsequent to June 30, 2007:

- a) An aggregate of 2,900,000 warrants at an exercise price of \$0.20 per share were exercised, for proceeds to the Company of \$580,000.
- b) An aggregate of 50,000 stock options were issued to a consultant of the Company. The options have an exercise price of \$0.40 per share, vested on granting and have a five year term to August 28, 2012.