



LOS ANDES COPPER Ltd.

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LOS ANDES COPPER LTD.

**CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008**

NOT AUDITED OR REVIEWED BY THE COMPANY'S EXTERNAL AUDITORS

LOS ANDES COPPER LTD.
CONSOLIDATED BALANCE SHEETS
UNAUDITED

	March 31, 2008	September 30, 2007
ASSETS		
Current		
Cash and cash equivalents	\$ 3,020,857	\$ 1,272,361
Receivables	22,181	311,772
Prepaid expenses	22,021	21,338
	<u>3,065,059</u>	<u>1,605,471</u>
VAT tax credits	890,104	249,673
Plant and equipment	25,459	-
Mineral properties (Note 4)	28,156,446	22,781,183
	<u>\$ 32,137,068</u>	<u>\$ 24,636,327</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 796,642	\$ 666,266
Future income tax liability	5,659,470	5,659,470
	<u>6,456,112</u>	<u>6,325,736</u>
Shareholders' equity		
Capital stock (Note 7)	35,032,163	27,372,188
Value assigned to stock options (Note 7)	2,047,202	1,133,038
Deficit	(11,354,089)	(10,150,315)
Accumulated other comprehensive income	(44,320)	(44,320)
	<u>25,680,956</u>	<u>18,310,591</u>
	<u>\$ 32,137,068</u>	<u>\$ 24,636,327</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 9)

On behalf of the Board:

"Donald Siemens"

Director

"Francis O'Kelly"

Director

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

LOS ANDES COPPER LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
UNAUDITED

	Three months ended March 31, 2008	Three months ended March 31, 2007	Six months ended March 31, 2008	Six months ended March 31, 2007
EXPENSES				
Amortization	1,550	-	4,185	315
Consulting, salaries and management fees	71,302	26,036	189,891	62,312
Interest on promissory notes	-	-	-	303
Office and administration	4,710	3,715	7,549	15,740
Professional fees	37,696	135,676	70,773	145,965
Shareholder communications	15,304	3,600	37,021	3,600
Stock-based compensation expense	-	-	914,164	-
Transfer agent, filing and regulatory fees	18,327	79,677	57,110	81,750
Travel, promotion and entertainment	14,092	15,049	14,092	34,592
Loss before other items and discontinued operations	(162,981)	(263,753)	(1,294,785)	(344,577)
OTHER ITEMS				
Gain on sale of mineral properties	-	23,395	-	23,395
Foreign exchange gain (expense)	19,434	(3,981)	15,015	(4,250)
Interest income	44,467	7,228	75,996	15,308
Loss from continuing operations	(99,080)	(237,111)	(1,203,774)	(310,124)
Loss from discontinued operations, net of tax	-	-	-	(689,118)
Loss and comprehensive loss	\$ (99,080)	\$ (237,111)	\$ (1,203,774)	\$ (999,242)
Basic loss per share	\$ -	\$ (0.01)	\$ 0.02	\$ (0.03)
Diluted loss per share	\$ -	\$ (0.01)	\$ 0.02	\$ (0.03)
Weighted average number of shares outstanding - basic	70,533,332	11,223,663	68,061,015	31,214,089
Weighted average number of shares outstanding - diluted	70,533,332	11,223,663	68,061,015	31,214,089

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

LOS ANDES COPPER LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	Three months ended March 31, 2008	Three months ended March 31, 2007	Six months ended March 31, 2008	Six months ended March 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period from continuing operations	\$ (99,080)	\$ (237,111)	\$ (1,203,774)	\$ (310,124)
Items not affecting cash:				
Amortization	1,550	-	4,185	315
Gain on sale of mineral properties	-	(23,395)		(23,395)
Stock-based compensation	-	-	914,164	-
Change in non-cash working capital items:				
Receivables	(7,925)	(11,896)	289,591	(6,943)
Prepaid expenses	(3,260)	53,491	(683)	(6,509)
VAT tax credits	(337,458)	(32,517)	(640,431)	(32,517)
Accounts payable and accrued liabilities	17,058	304,788	22,578	70,716
Net cash used in operating activities	(429,115)	53,360	(614,370)	(308,457)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares for cash, net proceeds	465,000	11,955,100	7,659,975	12,105 100
Net cash provided by financing activities	465,000	11,955,100	7,659,975	12,105 100
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of mineral properties	-	(11,751,500)	(488,186)	(12,215 310)
Acquisition of water rights	(2,103,667)	-	(2,103,667)	
Deferred exploration costs	(1,152,349)	(80,170)	(2 675 612)	(80,170)
Acquisition of plant and equipment	-	-	(29,644)	-
Net cash used in investing activities	(3,256 016)	(11,831,670)	(5,297,109)	(12,295,480)
Cash flows from continuing operations	(3,220,131)	176,790	1,748,496	(498,837)
Cash flows from discontinued operations	-	(1,150,486)	-	(2,781,804)
Change in cash for the period	(3,220,131)	(973,696)	1,748,496	(3,280 641)
Cash and cash equivalents, beginning of period	6,240,988	1,866,965	1,272,361	4,173,910
Cash and cash equivalents, end of period	\$ 3,020,857	\$ 893,269	\$ 3,020,857	\$ 893,269

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

LOS ANDES COPPER LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
UNAUDITED

	Common shares					
	No. of shares	Amount (\$)	Deficit (\$)	Value Assigned to Stock Options (\$)	Accumulated Other Comprehensive Income/(Loss) (\$)	Shareholders' Equity (\$)
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	20,000,000	12,000,000	-	-	-	12,000,000
Finders' fees on private placement	1,382,383	-	-	-	-	-
Acquisition of mineral properties	6,280,000	4,668,000	-	-	-	4,668,000
Finders' fees on acquisition of mineral property	1,500,000	-	-	-	-	-
Exercise of warrants	10,670,000	2,095,100	-	-	-	2,095,100
Options granted	-	-	-	903,130	-	903,130
Foreign exchange gains or losses on translation of self- sustaining operations	-	-	-	-	122,315	122,314
Net loss for the year	-	-	(4,345,243)	-	-	(4,345,242)
Balance – September 30, 2007	62,599,266	27,372,188	(10,150,315)	1,133,038	(44,320)	18,310,591
Issuance of shares -						
Private placement	16,000,000	8,000,000	-	-	-	8,000,000
Finders' fees on private placement	-	(340,025)	-	-	-	(340,025)
Options granted	-	-	-	914,164	-	914,164
Net loss for the period	-	-	(1,203,774)	-	-	(1,203,774)
Balance – March 31, 2008	78,599,266	35,032,163	(11,354,089)	2,047,202	(44,320)	25,680,956

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

1. NATURE AND CONTINUANCE OF 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 399 of the 400 issued and outstanding shares in Compañía Minera Vizcachitas Holding ("CMV"). The remaining share in CMV is owned by the Company. CMV owns certain interests which comprise the Vizcachitas Property in Region V, Chile.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent on completing public equity financings, or generating profitable operations in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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 3). All significant inter-company transactions and balances have been eliminated.

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 operating periods. Actual results could differ from these estimates.

Tax credits

Expenses incurred by the Company in Chile, including deferred exploration expenses, are subject to a Chilean Value Added Tax ("VAT"). The VAT is not refundable to the Company, but can be used in the future to offset amounts due to the Chilean Revenue Service by the Company resulting from VAT charged to clients on future sales.

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

Mineral interests

Following the acquisition of the Vizcachitas Property, 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. 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 and 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.

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.

Foreign currency translation

Integrated Operations - 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.

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

Self-Sustaining Operations - The Company's former subsidiary, Tun, was regarded to be self-sustaining and was therefore 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.

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 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.

Future 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 year that substantive enactment or 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.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. 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 399 of the 400 issued and outstanding shares in Compañía Minera Vizcachitas Holding ("CMV"), a company incorporated under the laws of Chile. The remaining share in CMV is owned by the Company. 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

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

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.

All the Concessions, with the exception of the SJ Concession, are subject to NSR royalties of 2% on any surface production and 1% on any underground production on the claims. In the case of the SJ Concessions, the Company's portion of NSR royalties is 1.02% on surface mining and 0.51% on underground mining.

San José SLM is a Chilean Sociedad Legal Minera ("SLM") and the Company owns an indirect 51% majority interest in San Jose SLM. 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 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 49% minority interest in San José SLM.

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 enables Global to acquire one additional share of the Company for a period of three years to February 8, 2010, 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	20,341,337
Future income tax liability	(3,458,027)
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
Finder's fees	900,000
	<u>16,916,724</u>

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4. MINERAL PROPERTIES

In connection with the acquisition, the Company recorded a future income tax liability of \$3,458,027, as required by generally accepted accounting principles, due to the limited tax pools available to offset taxable income earned in the Company, relative to the carrying cost of the acquired asset on the Company's balance sheet. At the time the future income tax liability was recorded, an increase of \$3,458,027 to the value of the acquired asset was also recorded by the Company.

As at March 31, 2008, 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.

	Total costs to December 31, 2007	Costs incurred in quarter ended March 31, 2008	Total costs to March 31, 2008
VIZCACHITAS			
Acquisition costs	\$ 21,382,148	\$ -	\$ 21,382,148
Water rights	-	2,103,667	2,103,667
Deferred exploration			
Automobile and travel	26,789	11,772	38,561
Assaying	47,559	13,975	61,534
Camp rehabilitation, maintenance & security	142,132	34,012	176,144
Core handling & storage	19,705	1,450	21,155
Drilling	1,602,923	708,026	2,310,949
Equipment and equipment rental	200,117	90,660	290,777
Exploration administration	84,082	34,955	119,037
Food & accommodation	112,990	52,145	165,135
Geological consulting	60,438	16,063	76,501
Other	8,232	102	8,334
Property & surface rights, taxes & tenure fees	47,823	50,883	98,706
Studies and other consulting	40,947	57,704	98,651
Subcontractors	512,337	307,664	820,001
Supplies	253,758	131,388	385,146
	<u>3,159,832</u>	<u>1,510,799</u>	<u>4,670,631</u>
Total mineral properties	\$ 24,541,980	\$ 3,614,466	\$ 28,156,446

As per an agreement dated September 21, 2005, the Company is committed to making the payments outlined below in connection with an option to acquire a 100% interest in the Additional Concessions:

US\$ 500,000	May 31, 2008
700,000	November 30, 2008
700,000	May 31, 2009
<u>800,000</u>	November 30, 2009
<u>US\$ 2,700,000</u>	

4. MINERAL PROPERTIES (cont'd...)

Prior to the sale of Tun, the Company, through Tun, owned interests in three mineral properties located in the Zhen Yuan Mining District, China (together, the “Yunnan Yuntong Properties”): the Shangzhai exploration licence area and mining concession and the Bianfushan exploration licence area and mining concession, which had been in production; and the Jiazutian (formerly Lannitang) exploration licence area, which was in the exploration and development stage. The Company’s interests in its Chinese mineral properties were held through the Yunnan Yuntong JV, a Chinese joint venture company.

On August 29, 2006, the Company signed a Contract of Transferring Exploration Properties with Simao Municipal Bureau of Land and Resources in Yunnan Province (“Simao”) to transfer the title of the above three mineral properties to Simao for gross proceeds of RMB 25 million. After transferring the title to Simao, the Company still kept the mining rights for Shangzhai and Bianfushan, which allowed the Company to mine gold on the two properties until the mining rights expiry in June 2011. However, the Company could do no further exploration on the properties. The Company paid a consulting fee of RMB 2.5 million to a company for its help in negotiating this transaction. In addition, the Company accrued at September 30, 2006 RMB 1,250,000 of business tax, RMB 100,000 of property valuation fees and RMB 8,965,600 of government assessment in connection with the transaction, resulting in net proceeds of RMB 12,184,400 from the sale of the mineral titles.

The expenses and cash flows associated with the Tun operations in the fiscal year ended September 30, 2007 are categorized as discontinued operations.

5. DISPOSITION OF SUBSIDIARY CORPORATION

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 Company recorded a gain of \$634,442 on disposition of these properties.

6. RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2008, the Company paid or accrued \$41,863 in management fees (Quarter ended March 31, 2007: \$nil), \$16,063 in geological consulting fees (Quarter ended March 31, 2007: \$nil), \$11,440 in directors’ fees (Quarter ended March 31, 2007: \$nil) and \$8,025 in legal fees (Quarter ended March 31, 2007: \$8,025) to directors or companies related to directors and officers of the Company.

Included in the accounts payable and accrued liabilities balance at March 31, 2008 are \$20,955 due to officers and directors of the Company (March 31, 2007: \$526).

Amounts due to and from related parties are non-interest bearing, unsecured and have no fixed terms of repayment. These transactions were in the normal course of operations and were measured at fair value as determined by management.

7. CAPITAL STOCK AND VALUE ASSIGNED TO STOCK OPTIONS

Authorized – unlimited common shares without par value.

During the six months ended March 31, 2008, the Company:

- (a) Completed a non-brokered private placement to raise \$7,500,000. In connection with the placement, the Company issued 15,000,000 units, each unit consisted of one common share and one-half of one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.75 until November 24, 2008. In connection with the private placement, the Company paid aggregate finders' fees of \$305,025.
- (b) Completed a non-brokered private placement to raise \$500,000. In connection with the placement, the Company issued 1,000,000 units, each unit consisted of one common share and one-half of one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.75 until January 12, 2009. In connection with the private placement, the Company paid aggregate finders' fees of \$35,000. All securities issued in connection with the placement are subject to a four-month hold period expiring May 11, 2008.

During the year ended September 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 consisted of one common share and one share purchase warrant that entitled 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. 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 had 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 3).
- (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 10,670,000 shares on exercise of warrants, at exercise prices ranging from \$0.13 to \$0.20 per share, for proceeds of \$2,095,100.

Value Assigned to Stock Options

Value assigned to stock options arises from stock-based compensation expense for stock purchase options granted to directors, officers and consultants, in compliance with current accounting standards.

During the six months ended March 31, 2008, the Company recorded a stock-based compensation expense of \$914,164 offset to value assigned to stock options, for grants in the aggregate amount of 2,550,000 options to directors, officers and consultants of the Company. The options have an exercise price of \$0.51 per share, vested at the time of grant and expire on November 30, 2012.

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7. CAPITAL STOCK AND VALUE ASSIGNED TO STOCK OPTIONS (cont'd...)

The following assumptions were used for the Black-Scholes option valuation of the 2,550,000 options granted during the six months ended March 31, 2008:

Risk-free interest rate	3.8%
Expected life of options	5 years
Annualized volatility	87.6%
Dividend rate	0.00%

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, 2006	770,000	\$ 0.25
Granted	2,050,000	0.60
Expired	(770,000)	0.25
Outstanding, September 30, 2007	2,050,000	0.60
Granted	2,550,000	0.51
Outstanding, March 31, 2008	4,600,000	0.55
Exercisable, March 31, 2008	4,600,000	\$ 0.55

At March 31, 2008, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
2,000,000	\$0.60	May 10, 2012
50,000	\$0.40	August 28, 2012
2,550,000	\$0.51	November 30, 2012.
4,600,000		

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7. CAPITAL STOCK AND VALUE ASSIGNED TO STOCK OPTIONS (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, 2006	10,670,000	0.20
Issued	25,282,383	1.00
Exercised	(10,670,000)	0.20
Balance, September 30, 2007	25,282,383	1.00
Issued	8,000,000	0.75
Expired	21,382,383	1.00
Balance, March 31, 2008	11,900,000	0.83

At March 31, 2008, the following warrants were outstanding:

Number of Shares	Exercise Price	Expiry Date
3,900,000	\$1.00	February 7, 2010
7,500,000	\$0.75	November 24, 2008
500,000	\$0.75	January 12, 2009
11,900,000		

8. DISCONTINUED OPERATIONS

On January 1, 2007, the Company sold all the outstanding shares of Tun through which the Company conducted its former Chinese operations.

The net loss from the Chinese discontinued operations in the six months ended March 31, 2007 was \$689,118. Results from discontinued operations consist of the following:

	Six months ended March 31, 2008	Six months ended March 31, 2007
Revenue	\$ -	\$ -
Cost of sales	-	640,564
Expenses	-	48,554
Loss from discontinued operations, net of cash	\$ -	\$ (689,118)

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9. SUBSEQUENT EVENTS

Subsequent to March 31, 2008 the Company granted 250,000 share purchase options to a director of the Company. The options vested at the time of grant, have an exercise price of \$0.62 per share and a five year term to April 30, 2013.