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MINERA ANDES INC /WA  
Form 10KSB  
April 29, 2005

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U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-KSB

(Mark One)

Annual report under section 13 or 15(d) of the Securities Exchange Act of 1934

for the fiscal year ended December 31, 2004

Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-22731

MINERA ANDES INC.

-----  
(Name of small business issuer in its charter)

Alberta, Canada

-----  
(State or other jurisdiction of incorporation or organization)

None

-----  
(I.R.S. Employer Identification No.)

111 E. Magnesium Road, Suite A, Spokane, Washington 99208

-----  
(Address of principal executive offices)

(509) 921-7322

-----  
(Issuer's telephone number)

Securities registered under Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered:
None	

Securities registered under Section 12(g) of the Act:

Common shares without par value

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

The issuer is in the exploration stage and has no revenues for its most recent fiscal year.

The aggregate market value of the voting stock held by non-affiliates as of March 31, 2005 was \$42,510,609.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of March 31, 2005 the Registrant had 90,079,504 common shares outstanding.

Transitional Small Business Disclosure Format (Check one:) Yes [ ] No [X]

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### PART I

#### Preliminary Note Regarding Forward-Looking Statements; Currency Disclosure

This report contains both historical and prospective statements concerning Minera Andes Inc. and its operations. Historical statements are based on events that have already happened; examples include the reported financial and operating results, descriptions of pending and completed transactions, and management and compensation matters. Prospective statements, on the other hand, are based on events that are reasonably expected to happen in the future; examples include the timing of projected operations, the likely effect or resolution of known contingencies or other foreseeable events, and projected operating results. In this report, Minera Andes Inc. is referred to as "Minera Andes", "we", "our", and the "Company".

Prospective statements (which are known as "forward-looking statements" under the Private Securities Litigation Reform Act of 1995) may or may not prove true with the passage of time because of future risks and uncertainties.

All currency amounts in this report are stated in U.S. dollars unless otherwise indicated. On March 31, 2005, the late New York trading rate of exchange, as reported by The Wall Street Journal for conversion of United States dollars into Canadian dollars was U.S.\$1.00 = Cdn\$1.2099 or Cdn\$1.00 = U.S. \$0.82650.

#### ITEM 1. DESCRIPTION OF BUSINESS

Minera Andes Inc. is engaged in the exploration and development of mineral properties located in the Republic of Argentina. Our objective is to identify and acquire properties with promising mineral potential, explore them to an advanced stage or to the feasibility study stage, and then, if warranted, to pursue development of the properties, typically through joint ventures or other collaborative arrangements with partners that have expertise in mining operations.

Our business grew out of a program begun by N.A. Degerstrom, Inc. ("Degerstrom"), a contract mining company based in Spokane, Washington, to identify properties in Argentina that possessed promising mineral potential. Based on the study of available remote sensing satellite data and experience gained from drilling work performed by Degerstrom, beginning in 1991 Degerstrom

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identified a number of areas which it believed had exploration potential and began the process of filing applications for exploration concessions with the provincial governments in Argentina and negotiating option agreements with private landowners. Degerstrom conveyed these property interests to Minera Andes in 1995. See "Description of Properties - The Degerstrom Agreement" and "Management's Discussion and Analysis or Plan of Operations."

Our current properties and projects consist of mineral rights and applications for mineral rights covering approximately 203,562 hectares in three Argentine provinces. The lands comprise option-to-purchase contracts, exploration and mining agreements and direct interests through our filings for exploration concessions. Our properties are all early stage exploration prospects except for the San Jose project, which is an advanced stage exploration project. No proven or probable reserves have yet been identified. See "Description of Properties." We have three full time employees and several project-specific contract consultants.

### Operating Structure

Minera Andes is the product of an amalgamation in November 1995 of Minera Andes and Scotia Prime Minerals, Incorporated, a then inactive Alberta corporation which previously had its Common Shares listed for trading on the Alberta Stock Exchange. Since April 8, 2002 our Common Shares have been listed on the TSX Venture Exchange ("TSX-V"), which replaced the Alberta Stock Exchange. Our interests in Argentinean properties are held through two Argentinean subsidiaries: Minera Andes S.A. ("MASA") and Minera Santa Cruz S.A. ("MSC").

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The corporate structure of Minera Andes is as follows:

Minera Andes Inc.  
Alberta, Canada

Minera Andes (Cayman) Inc. Cayman Islands, BWI (100%) ("MACI")	Minera Andes (Cayman 2) Inc. Cayman Islands, BWI (100%) ("MACI2")	Minera Andes (USA) Inc. Spokane, WA (100%) ("MUSA")	Minera Andes S.A. Argentina (95%) ("MASA")
			Minera Santa Cruz S.A. Argentina (49%) ("MSC")

We hold 19 of the 20 issued and outstanding shares of MASA as well as an irrevocable transferable option to purchase the one remaining MASA share. The single share is held by a natural person shareholder as required by local law. MASA holds 5,047,000 shares of the 10,300,000 shares issued and outstanding of Minera Santa Cruz S.A.

In July 2003, we announced that Mauricio Hochschild & Cia. Ltda. S.A. ("MHC") had acquired 51% of the shares of the project company, MSC, upon satisfaction of

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the vesting requirements of the Option and Joint Venture Agreement for the development of the Huevos Verdes gold/silver project in southern Argentina. The agreement required MHC to expend US\$3 million on the further exploration and development of the Huevos Verdes project, owned by MSC, in order to vest. Minera Andes holds a 49% interest in MSC through our subsidiary, MASA.

Through 2003, Degerstrom provided management services to us and acted as operator of our properties and projects pursuant to an operating agreement entered into in March 1995 ("Operating Agreement"). Under the Operating Agreement, Degerstrom operated and managed the exploration program on all properties and provided related offsite administrative assistance as required.

Degerstrom is principally involved in contract mining and road and bridge construction. Degerstrom provides a full range of contract services including geological studies, site drilling, metallurgical analysis, and engineering of pit, process and recovery systems.

On December 2, 2003, we cancelled our Operating Agreement with Degerstrom, effective December 31, 2003. We are an established exploration company and felt the need to update the arrangements with Degerstrom. At the time that these agreements were signed, Degerstrom was a significant shareholder of ours, however, their shareholdings had been reduced to approximately 10.5% of our issued and outstanding shares at the end of 2003. In addition, the reasons for

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entering into the Operating Agreement, which included using the established Argentina infrastructure of Degerstrom at the time we were listed, are no longer applicable. We are no longer a newly formed junior public company and have been in existence for ten years. The management and the board of directors thought it was also prudent for corporate governance reasons to separate itself from Degerstrom. As of March 31, 2005, Degerstrom owned 6% of our issued and outstanding shares.

Our management office is 111 E. Magnesium Road, Suite A, Spokane, Washington, 99208, and our principal business address is Coronel Moldes 837/820, (5500) Mendoza, Argentina. Our registered address is 350 - 7th Ave. S.W., Calgary, Alberta, T2P 3N9 Canada.

### Risks Related to our Business

Ownership of our Common Shares involves a high degree of risk. Shareholders should consider, among other things, the following factors relating to our business and properties and our present stage of development:

**Risks Inherent in Minerals Exploration.** There are a number of uncertainties inherent in any exploration or development program, including location of economic ore bodies, the development of appropriate metallurgical processes, and the receipt of necessary governmental permits. Substantial expenditures may be required to pursue such exploration and, if warranted, development activities. Assuming discovery of an economic ore body and depending on the type of mining operation involved, several years may elapse from the initial stages of development until commercial production is commenced. New projects frequently experience unexpected problems during exploration and development stages and frequently result in abandonment of the properties as potential development projects. Most exploration projects do not result in the discovery of minable deposits of ore. We cannot assure you that our exploration efforts will yield reserves or result in any commercial mining operations.

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Many of the properties that we intend to explore in Argentina are the subject of applications for concessions and licenses, many of which have not yet been granted. The filing of an application for a concession grants the holder the exclusive right to obtain the concession conditioned on the outcome of the approval process. In Argentina, the approval process is an administrative procedure under the authority of the province in which the property is located. The process includes a public notice and approval procedure allowing third parties to give notice of opposition or prior claim, if any, before the title to the concession is granted. Although we believe that we have taken all necessary steps with respect to the application, approval and registration process for the property concessions and licenses we have currently applied for and property transactions to which we are a party, there is no assurance that any or all applications will result in issued concessions or that the public registrations will be timely approved.

**Risks Inherent in the Mining Industry.** Exploration, development and mining operations are subject to a variety of laws and regulations relating to exploration, development, employee safety and environmental protection; mining activities are subject to substantial operating hazards including rock bursts, cave-ins, fires and flooding, some of which are not insurable or may not be insured for economic reasons. We currently have no insurance against such risks. We may also incur liability as a result of pollution and other casualties involved in the drilling and mining of ore. There may be limited availability of water and power, which are essential to mining operations; and interruptions may be caused by adverse weather conditions.

We or our joint venture or investment partners must obtain necessary governmental approvals and make necessary capital expenditures before production may commence on most of our projects.

**Need for Additional Capital.** The exploration and, if warranted, development of Minera Andes' properties would require substantial financing. Our ability to obtain additional financing will depend, among other things, on the price of gold, silver, copper and other metals and the industry's perception of their future price. Therefore, availability of funding depends largely on factors outside of our control and cannot be accurately predicted; financing may not be

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available when needed or on terms satisfactory to us and may be dilutive to our shareholders. We have historically obtained funds for a portion of our capital expenditure from joint venture or investment partners. However, we cannot assure you that such joint venture or investment partners will provide such funds and such project financing for mining projects may be limited. Failure to obtain sufficient financing could result in delay or indefinite postponement of exploration, development or production on any or all of Minera Andes' projects or loss of properties. For example, certain agreements pursuant to which we have the right to conduct exploration activities carry work commitments which, if not met, could result in losing our right to acquire an interest in the subject property. We cannot assure you that additional capital or other types of financing will be available when needed or that, if available, the terms of such financing will be favorable to Minera Andes.

**Competitive Business Conditions.** The exploration and development of mineral properties in the Republic of Argentina is a highly competitive business. Other companies compete with us in the acquisition, exploration and development of mining properties. Many of these competing companies are significantly larger than we are and have substantially greater economic and technical resources than us. While we seek to compete by identifying properties for exploration, acquiring exclusive rights to conduct such exploration and carrying out

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exploration and development of the properties with joint venture or investment partners, there can be no assurance that we will be successful in any of these efforts.

**Foreign Operations.** Minera Andes' properties are located in Argentina. In the early 1990s Argentina emerged from periods of political and economic instability but has recently shown signs of returning instability. Foreign properties, operations and investments may be adversely affected by local political and economic developments, including nationalization, exchange controls, currency fluctuations, taxation and laws or policies as well as by laws and policies of the United States and Canada affecting foreign trade, investment and taxation. It is important that we maintain good relationships with the governments in Argentina. We may not be able to maintain such relationships if the governments change.

**Difficulties in Developing Remote Areas.** Many of the areas in which we conduct exploration and, if warranted, development activities are in particularly remote and mountainous regions, with limited infrastructure and limited access to essential resources. Exploration or development projects in these areas may require us or our joint venture partners to develop power sources, transportation systems and communications systems, and to secure adequate supplies of fuel, machinery, equipment and spare parts. Consequently, exploration and development in these areas is particularly difficult, requiring significant capital expenditures, and may be subject to cost over-runs or unanticipated delays.

**Fluctuation in the Price of Minerals.** The market price of minerals is volatile and beyond our control. If the price of a mineral should drop dramatically, the value of the properties we are exploring or developing for that mineral could also drop dramatically and we might not be able to recover our investment in those properties. The decision to put a mine into production, and the commitment of the funds necessary for that purpose, must be made long before the first revenues from production will be received. Price fluctuations between the time that such a decision is made and the commencement of production can change completely the economics of the mine. Although it is possible to protect against price fluctuations by hedging in certain circumstances, the volatility of mineral prices represents a substantial risk in the mining industry generally which no amount of planning or technical expertise can eliminate.

**Environmental and Other Laws and Regulations.** Mining operations and exploration activities in Argentina are subject to various federal, provincial and local laws and regulations governing mineral rights, exploration, development and mining, exports, taxes, labor, protection of the environment and other matters. Compliance with such laws and regulations may necessitate significant capital outlays, materially affect the economics of a given project, or cause material changes or delays in our intended activities. Minera Andes has obtained or is in the process of obtaining authorizations currently required to conduct its operations. New or different standards imposed by governmental authorities in the future or amendments to current laws and regulations governing operations and activities of mining companies or more stringent implementation thereof could have an adverse impact on Minera Andes' activities.

**Liquidity; Limited Trading Market.** There currently is a limited trading market for our securities. There is no assurance that an active trading market will ever develop. Investment in us is not suitable for any investor who may have to liquidate such investment on a timely basis and should only be considered by investors who are able to make a long-term investment in us.

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Glossary of Geologic and Mining Terms; Statement of Abbreviations and Conversion Factors

"andesite" is a type of dark colored, fine grained volcanic rock;

"anomalous" means either a geophysical response that is higher or lower than the average background or rock samples that return assay values greater than the average background;

"argillic" means pertaining to clay or clay minerals;

"Bankable Feasibility Study" means the study, prepared to industry standards, based upon which a bank or other lending institution may loan Minera Andes, MASA or MSC funds for production development on the Claims;

"breccia" means a coarse grained rock, composed of angular broken rock fragments held together by a finer grained matrix;

"Cateo" means an exploration concession for mineral rights granted to an individual or company in the Republic of Argentina, as defined by the Republic of Argentina Mining Code, as amended;

"Claims" means the Cateos, Manifestacion de Descubrimiento, Mina, Estaca Mina (as defined by the Republic of Argentina Mining Code, as amended) described herein issued to MASA, MSC or Minera Andes by the government of Argentina or any provincial government;

"dacite" is a type of fine-grained extrusive rock;

"Estaca Mina" means areas granted to extend the area covered by existing Minas;

"felsic" describes an igneous rock having abundant light colored minerals;

"graben" means an elongate crustal block that is bounded by faults on its long sides;

"grab sample" means one or more pieces of rock collected from a mineralized zone that when analyzed do not represent a particular width of mineralization nor necessarily the true mineral concentration of any larger portion of a mineralized area;

"igneous rock" means a rock formed by the cooling of molten rock either underground or at the surface of the earth;

"illitic" is a general name for a group of clay minerals;

"intrusive rock" means an igneous rock that, when in the molten or partially molten state, penetrated into or between other rocks, but cooled beneath the surface;

"low sulfidation" applies to a type of mineralization low in sulfur content;

"Manifestacion de Descubrimiento" (literally, manifestation of discovery) means the intermediate stage between the exploration phase and exploitation phase of development;



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"metamorphic rock" means an igneous or sedimentary rock that has been altered by exposure to heat and pressure (resulting from deep burial, contact with igneous rocks, compression in mountain building zones or a combination of these factors) but without complete melting. Metamorphosis typically results in partial recrystallization and the growth of new minerals. "Metasediment" refers to metamorphosed sedimentary rock. "Metavolcanics" refers to metamorphosed volcanic rock;

"Mina" means an exploitation grant based on Manifestacion de Descubrimiento;

"net smelter return royalty" is a form of royalty payable as a percentage of the value of the final product of a mine, after deducting the costs of transporting ore or concentrate to a smelter, insurance charges for such transportation, and all charges or costs related to smelting the ore. Normally, exploration, development and mining costs are not deducted in calculating a net smelter return royalty. However, such royalties are established by contract or statute (in the case of property owned by governments), and the specific terms of such contracts or statutes govern the calculation of the royalty;

"net profits royalty" is a form of royalty payable as a percentage of the net profits of a mining operation. In contrast to net smelter return royalties, costs relating to exploration, development and mining may be deducted from the net proceeds of the operation in calculating the royalty. However, such royalties are established by contract or statute (in the case of property owned by governments), and the specific terms of such contracts or statutes govern the calculation of the royalty;

"orebody" means a continuous well-defined mass of material containing enough ore to make extraction economically feasible;

"porphyry" means an igneous rock of any composition that contains conspicuous large mineral crystals in a fine-grained ground mass;

"pyroclastic" means pertaining to rock material formed by volcanic explosion or expulsion from a volcanic vent;

"rhyolite" is a type of felsic lava flow;

"stratabound" means a mineral deposit confined to a single stratigraphic unit;

"stratigraphy" means the science of rock strata;

"synvolcanic" means formed at the time of volcanic activity;

"tuffaceous" is a general term for all consolidated pyroclastic rocks;

"Underlying Royalty" means any royalties on the Claims that are part of the lease, purchase or option of said Claim from the owner or any royalties that may be imposed by the provincial government;

"vein" means a mineral filling of a fault or fracture in the host rock, typically in tabular or sheet-like form;

"VLF-EM" means a very low frequency electromagnetic geophysical instrument used in exploration to measure variances of conductivity in surficial sediments and bedrock;

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"volcanic rock" (basalt, pillowed-flows, rhyolite) means an igneous rock that has been poured out or ejected at or near the earth's surface;

"volcanoclastic rock" (wacke, tuff, turbidite) means a sedimentary rock derived from the transportation and deposition of volcanic rock fragments by air (tuff) or water (wacke or turbidite).

The following is a list of abbreviations used throughout this 10-KSB for technical terms:

Ag	silver
Au	gold
As	arsenic
Cu	copper
g/t Au	grams per tonne gold
g/t Ag	grams per tonne silver
g/t	grams per tonne
ha	hectare(s)
Hg	mercury
IP/RES	induced polarization and resistivity (survey)
kg	kilogram(s)
km	kilometer(s)
m	meter(s)
Mo	molybdenum
NSR	Net Smelter Return
oz	ounce
Pb	lead
ppb	parts per billion
ppm	parts per million
Sb	antimony
sq.	square
VLF-EM	very low frequency electromagnetic (survey)
Zn	zinc

The following table sets forth certain standard conversions from Standard Imperial units to the International System of Units (or metric units).

To Convert From Imperial	To Metric	Multiply by
acres	hectares	0.404686
feet	meters	0.30480
miles	kilometers	1.609344
tons	tonnes	0.907185
ounces (troy)/ton	grams/tonne	34.2857
1 mile = 1.609 kilometers		
1 yard = 0.9144 meters		
1 acre = 0.405 hectares		
2,204.62 pounds = 1 metric ton = 1 tonne		
2,000 pounds (1 short ton) = 0.907 tonnes		
1 ounce (troy) = 31.103 grams		
1 ounce (troy)/ton = 34.2857 grams/tonne		

### Available Information

We make available, free of charge, on or through our Internet Web site, our annual report on Form 10-KSB, quarterly reports on Form 10-QSB, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended

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(the "Exchange Act") as soon as reasonably practicable after we electronically file such material with, or furnish it to the SEC.

### ITEM 2. DESCRIPTION OF PROPERTIES

Our exclusive business is the exploration and development of mineral properties ("Claims") located in the Republic of Argentina. Our interests in the Argentinean Claims are held through MASA and MSC, in which MASA holds a 49% share interest. MASA holds properties and is the company in which the daily business operations in Argentina are conducted. MASA was formed and registered as a mining company in order for us to receive the benefits of the new mining laws in Argentina. Our principal properties are described under the heading "Principal Properties" below.

#### The Degerstrom Agreement

A number of the Claims were originally held by Degerstrom. Pursuant to the March 1995 Asset and Share Acquisition Agreement among Minera Andes, MASA, NAD S.A. ("NADSA") and Degerstrom (the "Degerstrom Agreement"), Degerstrom transferred its interest in those Claims to NADSA and MASA in consideration for a royalty. Degerstrom also conveyed the MASA and NADSA capital stock it held to us. In consideration for those shares, Minera Andes (i) issued to Degerstrom 4,000,000 Common Shares and the right to acquire an additional 1,213,409 Common Shares if any of the properties comprising the Claims became the subject of a Bankable Feasibility Study, (ii) agreed to pay a royalty on any existing or future properties held by us or our affiliates as described below, and (iii) agreed to pay the aggregate amount of the cost and expenses incurred by Degerstrom on our behalf, from July 1, 1994 through March 15, 1995. Minera Andes also acquired from Brian Gavin, a Minera Andes officer, the shares he held in MASA. In 2001 we sold our interest in NADSA to Degerstrom.

The royalty payable to Degerstrom by MASA would be a percentage of the net smelter return earned on those Claims or any future Claims acquired. The Claims were subject to a royalty equal to the difference between 3% and the Underlying Royalty, subject to a maximum royalty of 2%. If MASA acquired all or part of the Underlying Royalty, the royalty payable, if any, to Degerstrom would not increase. If Degerstrom collected a royalty on any of the Claims held, MASA would at any time have the option, upon giving notice to Degerstrom, to repurchase up to one-half of the royalty payable to Degerstrom upon payment of \$1,500,000, for each 1% of the royalty repurchased.

Minera Andes, MASA, NADSA and Degerstrom also entered into an Operating Agreement, appointing Degerstrom as operator of the Claims and any future Claims acquired in Argentina. Under the terms of the Operating Agreement, Degerstrom operated and managed the exploration program on all properties and provided related offsite administrative assistance as required. In consideration for these operating services, Degerstrom was entitled to reimbursement for its costs of labor, materials and supplies incurred in connection with its services plus an additional 15% of such costs as a management fee. Included in the Operating Agreement were fixed usage rates for the equipment owned by Degerstrom. Degerstrom had the right to terminate the Operating Agreement if we did not maintain a program and budget in excess of Cdn\$300,000 per year. If we elected to develop a property and contract with a third party for development or production, we had to give notice to Degerstrom of the terms and conditions of the proposed arrangement. Degerstrom had the right for a period of 30 days to meet the contract bid by a third party.

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On December 2, 2003, the Company, Degerstrom, MASA and MACI entered into a Settlement Agreement to terminate certain agreements in place between the parties, to assign royalties payable to Degerstrom to our wholly owned subsidiary, MACI, and cancel certain obligations payable to Degerstrom for the consideration of US\$500,000. We received TSX-V approval on January 13, 2004, for an effective date of December 31, 2003.

### Terms of the Settlement Agreement

1. The parties terminated the Operating Agreement effective December 31, 2003. As a result of the termination, we vacated the office space previously provided by Degerstrom under the Operating Agreement. In addition, we set up our own accounting systems.
2. There is a termination of the lock up agreement that had been previously entered into in the summer of 2003, when we were reviewing potential merger candidates.
3. The parties to the Settlement Agreement acknowledged that the Degerstrom Royalty covered the current properties held by us and our subsidiaries. Degerstrom agreed to assign the Degerstrom Royalty payable under the asset agreement on the current properties to MACI and agreed to cancel the Performance Right.
4. The consideration for the assignment of the Royalty and cancellation of Performance Right was the payment of \$500,000. In addition, a payment of \$250,000 is payable if any of the current properties other than the properties comprising the San Jose project, meet certain conditions such as bankable feasibility or commercial production.

### PRINCIPAL PROPERTIES

#### I. ARGENTINA

##### Recent Mining and Economic History in Argentina

Argentina is the second largest country in South America, over 2.7 million sq. km in area. In 1983, Argentina returned to a multiparty democracy, which brought to an end nearly a half century of military intervention and political instability. The country then began to stabilize; however, it was not until 1989, with the election of the government under President Carlos Menem, that Argentina's economy began to improve. Menem initiated economic reforms that included the privatization of many state companies and the implementation of the Convertibility Plan, which fixed the Argentine peso to the U.S. dollar at par, fully backed by reserves of foreign exchange, gold and dollar-denominated bonds of the Central Bank of Argentina. Results of the reforms were positive; Argentina's gross domestic product grew at up to 8% per annum in the early 1990s and inflation dropped to between 1% and 3% per annum. However, following a recession in 1999 and 2000, a severe political and economic crisis occurred in late 2001. In early 2002, with five presidents in less than five weeks, the current president, Eduardo Duhalde, chose to devalue the peso, first to \$1.00 to Peso\$1.40, before allowing the Peso to float in February 2002. The economic reforms associated with the devaluation of the Peso included the conversion of all U.S. dollar denominated contracts into Pesos on a one-to-one basis and all US dollar bank accounts into Pesos. At the beginning of January 2004 the Peso stood at Peso\$2.93 to \$1.00; at the end of December 2004, the peso stood at Peso\$2.98 to \$1.00.

In 1993, the Mining Investments Act instituted a new system for mining investment to encourage mineral exploration and foreign investment in Argentina. Key incentives provided by the Act include guaranteed tax stability for a 30-year period, 100% income tax deductions on exploration costs, accelerated

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amortization of investments in infrastructure, machinery and equipment, and the exemption from import duties on capital goods, equipment and raw materials used in mining and exploration. Repatriation of capital or transfer of profits is unrestricted. Argentina's mineral resources, administered by its 23 provinces, are subject to a provincial royalty capped at 3% of the "mouth of mine" value of production, although provinces may opt to waive this royalty.

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Argentina's mineral potential is largely unexplored, particularly in comparison to that of its immediate neighbors and, as a consequence, information pertaining to the country's resource base is lacking. Copper and gold mineralization discovered to date occurs predominantly in the southern Andean copper belt which extends over 1,000 km through northwestern Argentina. The Bajo de la Alumbrera porphyry copper deposit has been brought onstream. Other copper deposits currently under development include the Agua Rica and El Pachon deposits. In addition, gold deposits are concentrated in the Argentine portion of the Central Andes' Maricunga-El Indio gold belts and in the newly discovered Santa Cruz gold belt in southern Patagonia.

In 1989, fewer than a dozen foreign exploration companies had offices in Argentina; by 1996 there were approximately 60 such companies. Exploration expenditures grew from \$5 million in 1991 to over \$90 million in 1995, but have since shrunk with the prolonged low gold price market. In recent years no more than a handful of exploration companies have been active in Argentina. There has been a very modest resurgence in exploration activity in Argentina.

We initiated gold exploration in Argentina in 1991, in conjunction with Degerstrom. As of December 2004, we had Argentine land holdings totaling 203,562 ha in three Argentine provinces (Figure 1 below). Our exploration efforts initially focused on evaluating prospects generated by 1960's United Nations development exploration programs and on targets generated by satellite image analysis. We developed techniques of processing and interpreting satellite imagery to assist in identifying promising exploration targets. Currently, we are completing exploration work that includes geophysical surveys, mechanical trenching and reverse-circulation drilling on the most advanced targets in our property portfolio, and conducting grassroots exploration to evaluate our other properties and to generate new targets.

### Property and Title in Argentina

The laws, procedures and terminology regarding mineral title in Argentina differ considerably from those in the United States and in Canada. Mineral rights in Argentina are separate from surface ownership and are owned by the federal government. Mineral rights are administered by the provinces. The following summarizes some of the Argentinean mining law terminology in order to aid in understanding our land holdings in Argentina.

1. Cateo: A cateo is an exploration concession which does not permit mining but gives the owner a preferential right to a mining concession for the same area. Cateos are measured in 500 ha unit areas. A cateo cannot exceed 20 units (10,000 ha). No person may hold more than 400 units in a single province. The term of a cateo is based on its area: 150 days for the first unit (500 ha) and an additional 50 days for each unit thereafter. After a period of 300 days, 50% of the area over four units (2,000 ha) must be dropped. At 700 days, 50% of the area remaining must be dropped. Time extensions may be granted to allow for bad weather, difficult access, etc. Cateos are identified by a file number or "expediente" number. Cateos are awarded by the following process:

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- a. Application for a cateo covering a designated area. The application describes a minimum work program for exploration;
- b. Approval by the province and formal placement on the official map or graphic register;
- c. Publication in the provincial official bulletin;
- d. A period following publication for third parties to oppose the claim;
- e. Awarding of the cateo.

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The length of this process varies depending on the province, and commonly takes up to two years. Accordingly, cateo status is divided into those that are in the application process and those that have been awarded. If two companies apply for cateos on the same land, the first to apply has the superior right. During the application period, the first applicant has rights to any mineral discoveries made by third parties in the cateo without its prior consent. While it is theoretically possible for a junior applicant to be awarded a cateo, because applications can be denied, we know of no instances where this has happened.

Applicants for cateos may be allowed to explore on the land pending formal award of the cateo, with the approval of the surface owner of the land. The time period after which the owner of a cateo must reduce the quantity of land held does not begin to run until 30 days after a cateo is formally awarded. Our goal is to determine whether our cateos contain commercial grade ore deposits before portions of the cateos must be relinquished. Our ability to do so is dependent upon adequate financing for exploration activities. It is likely that several of our cateos will be relinquished after preliminary exploration because no promising mineral deposits have been discovered.

Until August 1995, a "canon fee", or tax, of Peso\$400 per unit was payable upon the awarding of a cateo. A recent amendment to the mining act requires that this canon fee be paid upon application for the cateo.

2. Mina: To convert an exploration concession to a mining concession, some or all of the area of a cateo must be converted to a "mina". Minas are mining concessions which permit mining on a commercial basis. The area of a mina is measured in "pertenencias". Each mina may consist of two or more pertenencias. "Common pertenencias" are six hectares and "disseminated pertenencias" are 100 ha (relating to disseminated deposits of metals rather than discrete veins). The mining authority may determine the number of pertenencias required to cover the geologic extent of the mineral deposit in question. Once granted, minas have an indefinite term assuming exploration development or mining is in progress. An annual canon fee of Peso\$80 per pertenencia is payable to the province.

Minas are obtained by the following process:

- a. Declaration of manifestation of discovery in which a point within a cateo is nominated as a discovery point. The manifestation of discovery is used as a basis for location of pertenencias of the sizes described above. Manifestations of discovery do not have a definite area until pertenencias are proposed. Within a period following

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designation of a manifestation of discovery, the claimant may do further exploration, if necessary, to determine the size and shape of the orebody.

- b. Survey ("mensura") of the mina. Following a publication and opposition period and approval by the province, a formal survey of the pertenencias (together forming the mina) is completed before the granting of a mina. The status of a surveyed mina provides the highest degree of mineral land tenure and rights in Argentina.
3. Estaca Minas: These are six-hectare extensions to existing surveyed minas that were granted under previous versions of the mining code 14 . Estaca minas are equivalent to minas. New Estaca minas were eliminated from the mining code in August 1996.
4. Provincial Reserve Areas: Provinces are allowed to withdraw areas from the normal cateo/mina process. These lands may be held directly by the province or assigned to provincial companies for study or exploration and development.

All mineral rights described above are considered forms of real property and can be sold, leased or assigned to third parties on a commercial basis. Cateos and minas can be forfeited if minimum work requirements are not performed or if annual payments are not made. Generally, notice and an opportunity to cure defaults is provided to the owner of such rights.

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Grants of mining rights, including water rights, are subject to the rights of prior users. Further, the mining code contains environmental and safety provisions administered by the provinces. Prior to conducting operations, miners must submit an environmental impact report to the provincial government describing the proposed operation and the methods to be used to prevent undue environmental damage. The environmental impact report must be updated biennially, with a report on the results of the protection measures taken. If protection measures are deemed inadequate, additional environmental protection may be required. Mine operators are liable for environmental damage. Violators of environmental standards may be caused to shut down mining operations.

### Minera Andes Properties

The sections that follow discuss certain properties that are or have been the subject of joint venture agreements with third parties or that we have more intensively explored.

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{GRAPHIC OMITTED}

Figure 1

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- A. San Juan Project Summary Which Includes Los Azules

1. San Juan Project Location

The San Juan Province Project comprises five properties totaling 20,900 ha in southwestern San Juan province. Elevation ranges from 2,500 m to 5,500 m and moderate to high relief.

2. San Juan Area Project Geology

The project area extends from the western margin of the Cordillera Frontal to the Cordillera Principal. The area is principally underlain by Permo-Triassic Choiyo Group volcanic rocks, a multi-phase igneous sequence comprising volcanic breccias, ignimbrites, tuffs and rhyolites, intruded by granites and overlain by extrusive acidic volcanic rocks. Jurassic continental, marine and volcanic derived sedimentary rocks unconformably overlay Permo-Triassic rocks. The youngest rocks in the project area comprise Tertiary volcanic and intrusive rocks, which are common hosts of epithermal gold mineralization as evidenced by deposits in the Chilean Andes.

3. San Juan Project Exploration

No formal records of previous exploration in the project area exist. Evidence of prospecting (small trenches or pits) exists on some of the cateos. The area is currently active with pre-development work at the El Pachon copper deposit.

The San Juan Province project is a regional reconnaissance program, focused on epithermal gold and gold-copper porphyry targets in the eastern cordillera. All of the lands were acquired based on the results of satellite image analysis. Preliminary field examination, including rock chip sampling and property-wide stream sediment sampling, has been completed on all properties.

Detailed work at Los Chonchones included reconnaissance-scale geologic mapping and geochemical surveys. Results returned a number of anomalous gold and/or copper values in all sample types, scattered throughout the color anomalies and concentrating in the center of the southwest anomaly. Lands are held pending possible joint ventures.

4. San Juan Area Project Ownership

Our lands in San Juan consist of three applications for cateos and 4 manifestations of discovery and total 20,900 ha. At present, these lands are not subject to a royalty, however, the government of San Juan has not waived its rights to retain up to a 3% "mouth of mine" royalty from production. Property canon fees for the properties in 2005 are estimated at \$1,616.

5. Los Azules Project Geology

In April 1999, the Company signed an agreement with Battle Mountain Gold Corporation regarding a joint venture on Minera Andes' Los Azules cateo application in Calingasta Department, San Juan. Battle Mountain controlled land contiguous to the Los Azules property. Battle Mountain failed to meet their exploration obligations and subsequently withdrew from the agreement in April of 2000.

The hydrothermal system at Los Azules is an altered area approximately 5 km by 8 km surrounding a core mineralized porphyry target that is about 1 km by 3 km in size. The target straddles the Minera Andes property boundary



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where drilling on the adjacent property has revealed copper grades and thicknesses that increase toward the Minera Andes ground and contain up to 0.55% total copper and 2.1gm silver over 143 meters in holes that end in

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mineralization. Surface sampling on the Minera Andes porphyry target reveals gold values ranging from nil to 0.3 grams gold in a stockwork zone that is leached. The Minera Andes target remains to be tested by drilling.

The 100 percent-owned Los Azules project is 3,418 hectares (8,633 acres) and was discovered by Minera Andes' geologists through regional exploration in the Andes. The project is situated in Argentina near the Argentina/Chile border between two prolific mineral belts that straddle the border and is held as an application for a exploration permit (cateo). To the north of the property, the El Indio gold belt is host to multi-million ounces of gold, and includes significant gold discoveries such as Veladero, Sancarron, Pascua and El Indio-El Tambo. The property lies in a belt of porphyry copper prospects such as El Pachon (Noranda), El Altar (Rio Tinto) and los Piuquenes (Rio Tinto).

### 6. Los Azules Exploration

Minera Andes' geologists discovered the Los Azules property through regional exploration and prospecting using Landsat imaging, mapping and sampling. The acquired land position covers approximately half of a large area of hydrothermal alteration typically associated with mineralized systems. Exploration drilling in 1998 within 1.2km of the northern property boundary by Battle Mountain Gold ("BMG") discovered significant copper intervals including a 117-meter interval of 0.61% copper).

BMG also completed an airborne magnetics survey over the entire Los Azules target area. This work also validates the porphyry target on the Minera Andes ground. The base of information for Los Azules is taken primarily from an unsigned "Battle Mountain Gold" report, titled "Los Azules Project", Final Report, dated September 1999, by Battle Mountain Canada Ltd., San Juan, Argentina and includes drilling data presented on Los Azules along with some of the technical information provided to Minera Andes Inc. by Battle Mountain Gold under the terms of a joint venture agreement.

In December 2003 Minera Andes initiated an exploration program at Los Azules. including geologic mapping and sampling, ground magnetic and induced polarization geophysical surveys and core drilling. In May of 2004 we reported the discovery of a large, enriched (chalcocite) copper. The mineralized area is approximately 1500 meters by 2000 meters. Drilling returned up to 0.8% copper over 36 meters and 120 meters of 0.54% copper within an area defined by geology, MIMDAS deep penetration IP and magnetic geophysical surveys.

Nine reconnaissance core holes totaling 2,050 meters were drilled in the campaign to depths of between 154 to 330 meters. The primary focus of the drilling was to test the extension of known leachable (chalcocite) copper mineralization identified on the adjacent property. Minera Andes' drilling tested a deep penetrating IP chargeability high anomaly as well as a well-defined magnetic low on its eastern flank. Drilling at Los Azules encountered features typical of many porphyry copper systems. In the discovery zone, strongly leached cap rock extends from 65 to 161 meters

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depth followed by an enriched zone of secondary copper mineralization (chalcocite) overlying a zone of mixed secondary and primary (chalcopyrite) copper mineralization. The mineralization in our drilling is consistent with the mineralization observed in a prior drill hole by Battle Mountain Gold some 220 meters north of Minera Andes' property, which contained a 117-meter interval of 0.61% copper in the enriched zone.

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----- Significant Drilling Results at Los Azules -----					
Drill Hole	TD (m)	Intersection From To (m) (m)		True Thickness (m)	Total Copper Percentage
-----					
AZ-04-01	195	130	195	56	0.62
		150	192	including 36	0.82
-----					
AZ-04-02	330.5	164	304	140	0.38
		164	190	including 26	0.47
		230	304	and 72	0.42
-----					
AZ-04-04	300.8	162	282	120	0.54
		162	202	including 40	0.59
		236	282	and 46	0.64
-----					
AZ-04-07	168.8	96	152	56	0.44
		126	152	including 26	0.58
-----					

Hole AZ-04-03, drilled within the enriched copper target, penetrated 154 meters of leached cap but failed to reach the enriched copper target. Other reconnaissance holes examined the outer boundaries of the target and tested these areas for the presence of primary sulfide mineralization. Drill hole AZ-05 tested an outcrop to the west of the geophysical anomalies and encountered fresh rhyolite. Core holes AZ-04-08 and AZ- 04-09 were drilled in the center of the induced polarization chargeability high and encountered mostly primary sulfides ranging from nil up to 0.25% copper. In addition, surface sampling encountered gold in breccias ranging from nil up to 6.94 grams per tonne in grab samples.

### B. San Jose Project Summary

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#### 1. San Jose Project Location

Formerly known as El Pluma/Cerro Saavedra, the San Jose property package is located in the Santa Cruz province of Argentina, 230 km southwest of the city of Comodoro Rivadavia, near latitude 46E41'S and longitude 70(degree)17'W. The property consists of one cateo and 46 manifestations of discovery covering a total of 40,499 ha (approximately 404 km<sup>2</sup>).

Road access to the property is good and consists of paved highways to within 80 km and then via a well-maintained gravel road. Topography varies from gently rolling to locally rugged; elevations range from 300 to 700 m above sea level. Most day-to-day supply requirements can be met by the settlements of Las Heras (130 km from the property), Caleta Olivia (250 km

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from the property) or Comodoro Rivadavia; specialized supplies and equipment must be procured from Buenos Aires, Mendoza, or abroad. Major hydroelectric transmission lines pass within 50 km of the property.

### 2. San Jose Project Geology

The project area occurs in the Deseado Massif, a package of Middle to Upper Jurassic volcanic rocks locally overlain by Cretaceous sediments and Tertiary to Quaternary basalts. The Jurassic rocks are divided into the Bajo Pobre Formation, of intermediate composition, and the felsic Bahia Laura Group. The Bahia Laura Group is in turn subdivided into the Chon Aike Formation (dominantly ignimbrites) and the La Matilde Formation (dominantly volcanoclastic rocks). Several potentially important, low sulfidation epithermal deposits have recently been discovered in the massif, including the Cerro Vanguardia deposit which has a reserve of greater than 3.2 Moz Au equivalent. Exploration by a number of companies is ongoing in the massif.

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On the San Jose property the prospective Jurassic stratigraphy is exposed in erosional windows through the overlying sediments and basalts. The Bajo Pobre Formation, the oldest unit, consists of massive andesitic flows, volcanoclastic material and minor dacite. Ignimbrites and lesser sediments tentatively correlated with the La Matilde Formation occur in a synvolcanic subsidence graben known as the Saavedra West basin. Pebble dikes, varying in thickness from one centimeter to ten meters, are common in the southwest part of the Saavedra West basin. Ignimbrites and minor rhyolites of the Chon Aike Formation, younger than the La Matilde basin-fill material, occur as a complicated series of dikes along the bounding faults of the west part of the Saavedra West basin, as a sequence of extrusive ignimbrites at Cerro Celular and in isolated pockets elsewhere in the northern third of the property.

Cretaceous sediments locally overlie the Jurassic volcanics. Poorly exposed over most of the property, these sediments are up to 50 m thick in the northern part of the project area. The youngest rocks are Tertiary to Quaternary basalts which form cliffs up to ten meters high and extensive plateaus. Approximately 60% of the property is covered by five to 50 meters of post-mineralization, Cretaceous to Quaternary rocks.

The San Jose project contains a variety of target areas, the two most important of which are Huevos Verdes and Saavedra West.

Huevos Verdes is a system of en echelon, variably mineralized, north-northwest trending quartz veins with associated strong argillic alteration, cutting the Bajo Pobre Formation. In this area, the Bajo Pobre Formation consists of massive and fragmental andesite. The vein system occurs over a strike length of at least 2.2 km and possibly as much as 3.5 km. The central and northwest parts of the system are covered by Cretaceous tuffs and sediments and locally by Tertiary basalt; geophysical work has confirmed the continuity of the system below cover. Mineralized quartz veins with true thicknesses up to 11 meters (36.1') have been intersected in drill holes and trenches over the entire length of the Huevos Verdes vein system.

Saavedra West is interpreted as a synvolcanic graben developed within the Bajo Pobre Formation, and infilled by pyroclastic and lesser sedimentary rocks correlated with the La Matilde Formation. Pebble dikes are abundant within the graben and ignimbrites that may be correlative with the Chon

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Aike Formation occur as dikes. At Saavedra West mineralization occurs in a 200 m section of epithermal quartz vein, and an ovoid-shaped, 20 meter by 60 meter high-grade breccia zone immediately adjacent to the vein.

Additional targets on the property are associated with four structural trends. These trends are defined by geophysical anomalies, intermittently exposed vein, breccias, and vein float, with high-grade gold/silver values over a total of more than 30 km of potential strike length. These features are consistent with a large, partially eroded epithermal low sulfidation precious metals mineralized system.

### 3. San Jose Project Exploration

Santa Cruz is one of Argentina's least well-explored provinces. The area was explored under the Argentine government-United Nations regional exploration Plan Patagonia-Comahue in the 1970s. In the 1980s, FOMICRUZ, S.E., a state owned company, completed reconnaissance surveys in the province to delineate areas of interest for mineral reserves.

The San Jose property has not previously been staked. There is no record of any previous sustained exploration, although portions of the area may have been sampled during at least one regional reconnaissance program.

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Work since 2001, conducted by MHC (see "San Jose Project Ownership" below), consisted of underground development work and drilling, core drilling, trenching, geological and geophysical surveys, surveying and metallurgical studies. Work on the property from 1997 to 2001 by Minera Andes and from 2001 to the present by MHC has consisted of the following:

#### Underground development:

Horizontal	1,912 meters
Vertical	510 meters
Underground drilling	8 holes for 266 meters
Reverse circulation drilling:	83 holes for 8,295 meters
Core drilling:	50 holes for 7,850 meters
Trenching:	201 trenches for 8,852 meters
Rock sampling:	3450 samples
Soil sampling:	2302 samples
Stream sediment sampling:	368 samples
CSAMT geophysics:	42 line kilometers
Gradient array I.P.:	183.7 line kilometers
RealSection I.P.:	23.5 line kilometers
Ground magnetic surveys:	186 line kilometers

In addition significant camp infrastructure (sufficient for a work force of 200) has been built.

In July 2004 a feasibility study was commissioned by the joint venture operating company, Minera Santa Cruz (MSC). The feasibility study is being compiled and managed by MTB Project Management Professionals, Inc., of Denver, CO. The purpose of the study, to be completed in mid-2005, is to establish a basis for both project financing, and regulatory and permitting approvals. The study will also serve as a foundation for detailed engineering, including mine design and ore reserve development.

Exploration in 2004 at San Jose resulted in the discovery of high-grade gold-silver mineralization in drill holes at Huevos Verdes East (2 km

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northeast of the resource area at Huevos Verdes). This new high-grade zone is defined by three drill holes with the best drill intercept in the new zone averages 1.57 opt (53.75 g/t) gold and 50 opt (1,711.6 g/t) silver over 1.04 m in drill hole SJD-31. This intercept is part of a larger 41 ft (12.5 m) interval with multiple zones of high-grade gold/silver mineralization.

Also in 2004, three new zones of gold/silver mineralization were recently discovered at the Aguas Vivas area located on trend about 10 km to the northwest of Huevos Verdes. The location and style of mineralization at Aguas Vivas suggests it may be a northwestern extension of the Huevos Verdes/El Pluma mineralized trend. The sample, taken from both vein outcrop and float, yielded results ranging from nil to 14.3 g/t gold and 45.6 g/t silver.

The underground exploration work currently underway includes the sinking of two 45-degree angle decline shafts and the construction of tunnels or galleries on two levels of the main Huevos Verdes vein. During 2004 some 1,912m of horizontal and 510m of vertical workings were completed. The immediate objective is to define a minable ore reserve through bulk sampling and drilling on these two levels. This is an essential step prior to considering the mine development decision. It is estimated that the length of the galleries that will permit exploration along the vein will initially be approximately 2,270 m (about 7,500 feet).

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### a. Mineralized Material

We are reporting these results as mineralized material. Mineralized material does not represent proven and probable reserves because even though enough drilling and trenching indicate a sufficient amount and grade to warrant further exploration or development expenditures, these mineral deposits do not qualify under the U.S. Securities and Exchange Commission standards as being commercially minable until further drilling, metallurgical work and other economic and technical feasibility factors based upon such work are resolved. We report mineralized material on the basis that the potential exists for reclassification of significant amounts of this material to reserves following additional drilling and/or final technical, economic, and legal factors have been determined for the project.

An estimate was done under contract for Minera Andes by Snowden Mining Industry Consultants Inc. ("Snowden"). Snowden, an internationally recognized consulting engineering firm headquartered in Australia, provided a report dated July 26, 2002 authored by Robert Cinitis, P.Geo., and Steven Blower, P. Geo., pursuant to Canadian National Instrument 43-101 (the "Report"). The Snowden staff based in Vancouver, B.C. completed the study. The Report was previously filed on SEDAR on August 16, 2002 and is available for review on their Web site.

Our summary of this study indicates mineralized material containing 922,600 gold equivalent ounces or 55.4 million silver equivalent ounces above a 50 g/t silver cutoff grade from the Huevos Verdes and the Saavedra West areas of the San Jose project. (Au equivalent is based upon \$300 gold and \$5.00 silver prices, or a 60:1 silver/gold ratio, which does not take into consideration

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possible differences in metal recoveries.)

### i. Huevos Verdes Mineralized Material

In a 2.2 km section of epithermal vein at Huevos Verdes Snowden estimated mineralized material to total 3,584,000 tonnes grading 235.3 g/t silver and 2.72 g/t gold using a cutoff grade of 50 g/t Ag. Table 1 summarizes the classified mineralized material estimate for the Huevos Verdes zone at various silver cutoff grades.

Table 1. Huevos Verdes Mineralized Material

Ag Cutoff (g/t)	Tonnage Tonnes (x1000)	Ag Grade (g/t)	Au Grade (g/t)	Au Equivalent* (g/t)
750	163	884.1	8.88	23.61
500	381	725.2	7.50	19.59
250	1073	475.1	5.03	12.95
200	1536	399.4	4.16	10.82
150	2100	339.4	3.70	9.36
100	2599	297.6	3.34	8.30
50	3584	235.3	2.72	6.64

(\*) Au equivalent is based upon \$300 gold and \$5.00 silver prices, or a 60:1 silver/gold ratio, which does not take into consideration possible differences in metal recoveries.

The estimate of mineralized material was based on drilling by Minera Andes and MHC. To date, 32 of 53 holes drilled in four campaigns at Huevos Verdes have intersected high-grade gold

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and silver mineralization over potentially mineable widths. This drilling is confined to approximately 2.2 kilometers of the known 5 kilometers of strike length for the Huevos Verdes vein, which remains open at depth and along strike. The Huevos Verdes vein is one of four vein targets with a combined potential strike length of over 20 km.

### ii. Saavedra West Mineralized Material

The gold/silver mineralization currently identified at Saavedra West is comprised of: 1) a 200 m section of epithermal quartz vein, and 2) an ovoid-shaped, 20 meter by 60 meter high-grade breccia zone immediately adjacent to the

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vein. Snowden estimated mineralized material to total 961,000 tonnes grading 245.9 g/t silver and 1.00 g/t gold, using a cutoff grade of 50 g/t Ag. Table 2 summarizes the classified mineralized material estimate at various silver cutoff grades.

Table 2. Saavedra West Mineralized Material

Ag Cutoff (g/t)	Tonnage Tonnes (x1000)	Ag Grade (g/t)	Au Grade (g/t)	Au Equivalent (g/t)
750	34	807.9	6.04	19.51
500	85	683.8	4.49	15.89
250	305	447.0	2.45	9.90
200	556	342.3	1.58	7.28
150	657	317.0	1.36	6.65
100	794	283.5	1.19	5.92
50	961	245.9	1.00	5.10

(\*) Au equivalent is based upon \$300 gold and \$5.00 silver prices, or a 60:1 silver/gold ratio, which does not take into consideration possible differences in metal recoveries.

b. Metallurgical Studies

Metallurgical test work, commissioned by MHC tested 485 kg of material composed of drill cuttings from 17 reverse-circulation holes containing high-grade gold and silver from the Huevos Verdes vein. The test work and report was completed by TECSUP in Lima, Peru, a private technology institute that performs research, training, and commercial work for the mining industry. TECSUP receives support and funding from the Peruvian mining industry, including MHC. The metallurgical samples were collected so as to be representative of the mineralized material at Huevos Verdes described above.

A total of 37 samples were collected totaling 485 kg of high-grade gold/silver mineralization representative of the estimated resource at Huevos Verdes. Before combining into a bulk sample the individual samples were crushed and a 1 kg sample was extracted and blended with the other extracted samples to create the representative composite sample. Fire assay was used to define the metal recoveries.

Gravity concentration, flotation and chemical cyanide leaching tests were conducted on the samples. The best recoveries are from the combined flotation and leaching tests with total gold recoveries of 94.0%, and silver, 92.1%. Gravimetric concentration combined with cyanide leaching gives a recovery of 94.2% gold and 89.2% silver. Recovery efficiency and cost reduction benefits are

likely to be enhanced during process optimization, as the mineralized material has a simple mineralogical composition and is low in sulfides and detrimental compounds.

#### 4. San Jose Project Ownership

The San Jose project area is made up of one cateo and 46 manifestations of discovery totaling 40,499 ha. The cateos are located in the western half of the province of Santa Cruz. All of the cateos are controlled 100% by Minera Santa Cruz S.A., a holding and operating company set up under the terms of the agreement with MHC. Any production from these lands may be subject to a provincial royalty. Holding costs for 2005 are estimated to be \$332,800.

On March 15, 2001, we signed an option and joint venture agreement with MHC for the exploration and possible development of Minera Andes' epithermal gold-silver exploration land package at El Pluma/Cerro Saavedra (now referred to as the San Jose project), including Huevos Verdes.

Under the agreement, MHC could earn a 51% ownership in the JV by spending a total of \$3 million in three years, and a minimum of \$100,000 per year on exploration targets within the JV other than Huevos Verdes, the most advanced prospect. In addition, MHC will make semiannual payments totaling \$400,000 per year until pilot plant production is achieved. Lands have been transferred to a holding and operating company, MSC, which is owned 49% by MASA.

Once MHC vested at 51% ownership, we had the option of participating in the development of a pilot production plant that would process a minimum of 50 tons per day (tpd). We could participate on either a pro-rata basis, or by choosing to retain a 35% "carried" ownership interest. Upon the successful completion and operation of the 50 tpd plant, we would have the option of participating on a pro-rata basis, or choosing a 15% interest in return to being "carried" to first production of 500 tpd. Failure by either party to contribute to work programs will result in simple dilution of that party's interest in the project.

On May 6, 2003 we received notice from MHC pursuant to the option agreement with MHC that it had completed \$3,000,000 in expenditures and would vest 51% in the San Jose project.

On July 1, 2003, MHC acquired 51% of the issued and outstanding shares of MSC pursuant to the option agreement with MHC.

On July 24, 2003 we announced that MSC has a planned exploration program and budget which covers a 17-month period to November 2004 and will consist of a comprehensive program that includes underground exploration/development, environmental studies, metallurgical studies, and construction and commissioning of a pilot plant at the Huevos Verdes vein area. In addition, a program of geophysics, surface sampling and drilling is planned for targets at the San Jose project, other than Huevos Verdes. The program is budgeted at \$12.2 million as follows:

Additional exploration at San Jose: \$2.0 million  
Underground exploration and reserve development at Huevos Verdes: \$4.2 million  
Metallurgical testing and pilot plant construction at Huevos Verdes: \$6.0 million



million

On September 11, 2003 we notified MHC that we opted to retain our 49% ownership in MSC.

At Huevos Verdes, MHC, as operator of the project, is currently constructing two inclined shafts and a series of workings (4,259 m in total) on two levels to facilitate underground exploration with the goal of upgrading the existing gold-silver resource to the reserve category.

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In October 2004, an amendment to the joint venture agreement eliminated a requirement for initial preliminary production from a 50 ton-per-day (tpd) pilot plant to process mined ore if the Huevos Verdes vein proceeds to production. The amendment allows the parties to eliminate a costly pilot plant and proceed directly to full production based on a positive bankable feasibility study.

C. Santa Cruz Project Property Summary

1. Santa Cruz Project Location

Minera Andes currently holds 20 cateos and 57 manifestations of discovery in the Deseado Massif region of Santa Cruz. These properties are located at moderate elevations (300 to 1,000 m above sea level). Topography varies from gently rolling to locally rugged. The Deseado Massif is a cold desert. Access to the properties is by dirt road and trail.

2. Santa Cruz Project Geology

The project area covers the Deseado Massif, a package of Middle to Upper Jurassic volcanic rocks locally overlain by Cretaceous sediments and Tertiary to Quaternary basalts. The Jurassic rocks are divided into the Bajo Pobre Formation, of intermediate composition, and the felsic Bahia Laura Group. The Bahia Laura Group is in turn subdivided into the Chon Aike Formation (dominantly ignimbrites) and the La Matilde Formation (dominantly volcanoclastic rocks). Several potentially important, low sulfidation epithermal deposits have recently been discovered in the massif, including the Cerro Vanguardia deposit which has a reserve of greater than 3.2 million oz Au equivalent. Exploration by a number of companies is ongoing in the massif.

3. Santa Cruz Project Exploration

Santa Cruz is one of Argentina's least well-explored provinces. The area was explored under the Argentine government-United Nations regional exploration Plan Patagonia-Comahue in the 1970s. In the 1980s, FOMICRUZ, S.E., a state owned company, completed reconnaissance surveys in the province to delineate areas of interest for mineral reserves.

Minera Andes has been actively exploring in the region since 1997. The properties have been acquired on the basis of geologic and geochemical reconnaissance. Geologic evaluation of these grassroots targets is ongoing. In 2004 Minera Andes identified four new gold/silver prospects and drilled two properties, El Trumai and La Huella, in Santa Cruz province. Additional drilling at these and other properties will be undertaken in 2005.

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### 4. Santa Cruz Project Ownership

We currently control 20 cateos and 57 manifestations of discovery (totaling 122,263 ha) in Santa Cruz province. Land holding costs for 2005 are estimated at \$3,819.

### D. Chubut Project Property Summary

#### 1. Chubut Project Location

We currently hold 20 manifestations of discovery in the Precordilleran and Patagonian Massif regions of Chubut totaling 19,900 ha. These properties are located at moderate elevations (300 to 1000 m above sea level) in central and western Chubut. Access to the properties is by dirt road and trail.

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#### 2. Chubut Project Geology

Jurassic-Cretaceous volcanic terranes have been the focus of exploration in the southern Chilean Cordillera over the past decade. These rocks are potential hosts of epithermal gold and gold rich replacement deposits attested to by the discoveries, in Chile, at Fachinal (epithermal Au-Ag), El Toque (base metal, stratabound replacement deposit with a minor precious metal credit) and, in Argentina, the Esquel Project. This high-grade vein system contains an announced resource of 4.2 million ounces of gold, and 7.8 million ounces of silver. In Argentina, rocks of the same age and type occur in both Andean and extra-Andean Patagonia. These areas are relatively unexplored.

#### 3. Chubut Project Exploration

Chubut was included in the United Nations and Argentina government's Plan Patagonia-Comahue exploration program in the 1960s and 1970s. This campaign delineated several prospects with weak to moderate base metal anomalies. The samples were not analyzed for their precious metal content.

In 1997, Minera completed reconnaissance surface sampling and mapping on five properties in the western Chubut province. This work indicates the potential for mineralized epithermal and porphyry or intrusive-related systems.

At the El Valle property, the initial exploration located a north-northeast trending zone of illitic alteration and mineralization about 1.5 km wide and three km long. Numerous northwest and northeast trending veins, some up to five meters wide and more than 500 m long, have also been located in tuffaceous rocks within the zone of alteration. The zone is open to the west and south under Quaternary alluvium in valleys, and open-ended to the north and east under Quaternary alluvium and post-mineral Tertiary basalt.

Results from the 40-sample reconnaissance program on this property show gold values ranging from below detection limit to 14.6 g/t. Several high values, above 3 g/t gold, are from outcrops and float from multistage epithermal quartz veins. Some of the samples with low gold values show strongly anomalous pathfinder elements such as mercury (in the low 2,000 to 13,000 ppb range) that may indicate higher levels in the gold system. No exploration was done at El Valle in 2002 or 2003.

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On the basis of fixed-wing overflights and general geological reconnaissance, an additional ten categoos were acquired in late 2002 in the northern Patagonian Massif and Precordilleran regions of Chubut. Expenditures in 2004 relate to an ongoing reconnaissance exploration program on these lands. A similar level of expenditure is planned for 2005.

#### 4. Chubut Project Ownership

We currently control 20 manifestations of discovery, totaling 19,900 ha, in Chubut province. Holding costs for 2005 are estimated at \$2,020.

In August 2000, Minera Andes Inc. and Brancote Holdings PLC subsidiaries signed an agreement to purchase two of Minera Andes' gold exploration properties in Chubut province, southern Argentina. The agreements cover the Willimanco, Leleque and Leon properties. Brancote's Argentine subsidiaries, Minera El Desquite S.A. and Cordon Leleque S.A., had a four-year option to purchase Willimanco and Leleque (and adjoining Leon properties) for a combined total of \$1.25 million and a 2% net smelter return royalty. Following the acquisition of Brancote Holdings PLC by Meridian Gold Inc., Minera Andes completed the sale to Meridian Gold of the Willimanco, Leleque and Leon properties for US\$720,000 and Peso\$200,000 for an approximate total of US\$777,000.

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#### Summary

The above disclosure on our properties has been prepared by, and/or reviewed by Brian Gavin, Vice President-Exploration of Minera Andes Inc. and a "qualified person" within the meaning of Canada's National Instrument 43-101.

#### ITEM 3. LEGAL PROCEEDINGS

We are not currently aware of any material legal proceeding, actual, contemplated or threatened, to which we are a party or of which any of our property interests is subject.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of the year ended December 31, 2004.

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### PART II

#### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Our Common Shares are listed on the TSX Venture Exchange ("TSX-V") under the trading symbol MAI and, since November 5, 1997, the Common Shares have also been quoted on the NASD's OTC Bulletin Board over-the-counter market under the trading symbol MNEAF.

The high and low prices for the Common Shares reported by the TSX-V for each of

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the quarters during the years ended December 31, 2004 and 2003 are set forth in the table below:

		High (\$Cdn)	Low (\$Cdn)
2003	January - March	0.55	0.25
	April - June	0.31	0.25
	July - September	0.43	0.24
	October - December	0.65	0.31
2004	January - March	0.84	0.47
	April - June	0.58	0.38
	July - September	0.65	0.36
	October - December	0.79	0.60

The high and low prices for the Common Shares reported for the OTC Bulletin Board for each of the quarters during the years ended December 31, 2004 and December 31, 2003 are set forth in the table below:

		High (\$US)	Low (\$US)
2003	January - March	0.35	0.18
	April - June	0.25	0.18
	July - September	0.32	0.18
	October - December	0.51	0.24
2004	January - March	0.63	0.33
	April - June	0.45	0.28
	July - September	0.51	0.28
	October - December	0.63	0.49

These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

As of December 31, 2004, there were approximately 227 holders of record of our Common Shares. No dividends have ever been paid on our Common Shares, and we intend to retain any earnings for use in the business and do not expect to pay dividends in the foreseeable future.

At December 31, 2004, 309,000 options were available for grant under our stock option plan ("the Plan"). The aggregate number of shares to be delivered upon exercise of all options granted under our stock options plan shall not exceed 20% of our issued and outstanding Common Shares up to a maximum of 6,000,000 shares. No participant may be granted an option under the Plan which exceeds the number of shares permitted to be granted pursuant to rules or policies of any stock exchange on which the Common Shares is then listed.

Under the Plan, the exercise price of the shares covered by each option shall be determined by the directors and shall be not less than the closing price of our Common Shares on the stock exchange or stock exchanges on which the shares are listed on the last trading day immediately preceding the day on which the stock exchange is notified of the proposed issuance of option, less any discounts permitted by the policy or policies of such stock exchange or stock exchanges. If an option is granted within six months of a public distribution of our Common Shares by way of prospectus, then the minimum exercise price of such option

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shall, if the policy of such stock exchange or stock exchanges requires, be the greater of the price determined pursuant to the provisions of the Plan and the price per share paid by the investing public for our Common Shares acquired by the public during such public distribution, determined in accordance with the policy of such stock exchange or stock exchanges. Options granted under the Plan will not be transferable and, if they are not exercised, will expire one (1) year following the date the optionee ceases to be director, officer, employee or consultant of Minera Andes by reason of death, or ninety (90) days after ceasing to be a director, officer, employee or consultant of Minera Andes for any reason other than death.

### EQUITY COMPENSATION PLAN INFORMATION

Plan Category	No. of securities to be issued upon exercise of outstanding options, warrants and rights  (a)	Weighted-average exercise price of outstanding options, warrants and rights  (b)	No. of remain future equity plans (ex reflecte
Equity compensation plans approved by security holders	4,698,500	Cdn\$0.49	
Equity compensation plans not approved by security holders	--	--	
<b>Total</b>	<b>4,698,500</b>	<b>Cdn\$0.49</b>	

#### Recent Sale of Unregistered Securities

On March 22, 2005, we sold 18,180,450 units to accredited investors at a price of Cdn\$0.55 per unit for an aggregate of approximately Cdn\$10 million (US\$8,261,778). Each unit consists of one common share and one-half of one common share purchase warrant. One whole common share purchase warrant entitles the holder to purchase one additional common share at an exercise price of Cdn\$0.70 per share for a period of 60 months from the closing date. The agents for the offering were Canaccord Capital Corporation and Raymond James Ltd., with offers and sales in the United States made by Canaccord Capital U.S.A. The agents received cash commissions of 7% of the gross proceeds and agents' warrants for the purchase of 1,272,632 common shares (7% of the aggregate number of units sold in the offering) at an exercise price of Cdn\$0.70 per common share for a period of 24 months from the date of issue. In reliance on Rule 903 of Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), units were offered and sold to purchasers outside of the United States subject to Category 2 offering restrictions, without any directed selling efforts. In reliance on Rule 506 of Regulation D under the Securities Act, units were also offered and sold, without general solicitation or advertising and subject to resale restrictions, to accredited investors in the United States who represented they were purchasing with investment intent and without a view to distribute the units.

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### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATIONS

The following discussion should be read in conjunction with our audited consolidated financial statements and notes thereto for the years ended December 31, 2004 and 2003 which have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. Differences from U.S. GAAP are described in Note 12 to the audited consolidated financial statements. Our financial condition and results of operations are not necessarily indicative of what may be expected in future years.

#### Overview

Minera Andes was incorporated in Alberta in July 1994 and went public in November 1995 through an amalgamation with Scotia Prime Minerals, Incorporated, also an Alberta corporation. We are a reporting issuer in Alberta, British Columbia, Ontario and Nova Scotia and trade our common shares on the TSX Venture Exchange under the symbol MAI. We are also a Form 10-KSB filer in the U.S. and trade on the NASD OTC Bulletin Board under the symbol MNEAF.

Our principal business is locating, acquiring, exploring, and, if warranted, developing mineral properties located in the Republic of Argentina. From 1997 through 2000, we were also active in Colombia and Romania but elected to abandon the properties in these countries at the end of 2000. We carry out our business by acquiring, exploring, and evaluating mineral properties through our ongoing exploration program, and either joint-venturing or developing these properties further, or disposing of them if the properties do not meet our requirements.

Our current properties and projects consist of mineral rights and applications for mineral rights covering approximately 203,562 hectares in three Argentine provinces. The lands comprise option-to-purchase contracts, exploration, and mining agreements and direct interests through our filings for exploration concessions. Our properties are all early stage exploration prospects, except for the San Jose property, which is an advanced-stage exploration project. No proven or probable reserves have yet been identified, however, at the San Jose property a feasibility study is underway that plans to convert some of the mineralized material to the proven and probable categories. See "Description of Properties."

Through our subsidiaries and joint ventures we own a 49% equity interest in MSC, which owns the San Jose gold/silver property in Southern Argentina, and a 100% interest in over 10 mineral properties in Argentina. San Jose is currently in advanced exploration and underground development and a production decision is expected in the third quarter of 2005 when the feasibility study is planned for completion.

#### Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make a wide variety of estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and (ii) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements. Our management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increases, these judgments become even more subjective and complex. The most significant accounting policies that are most important to the portrayal of our current financial condition and results

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of operations relates to mineralization and deferred development costs. Other accounting policies are disclosed in Note 2 of Notes to Consolidated Financial Statements.

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Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment. If put into production, the costs of acquisition and exploration will be depreciated over the life of the property, based on estimated economic reserves. Proceeds received from the sale of any interest in a property will first be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration costs will be written off to operations.

### Business Strategy and Development

Our business and development strategy since our inception in 1994 has been to focus primarily on the acquisition and development of exploration stage gold/silver and copper properties in Argentina and on the exploration and development of these properties. Our current portfolio of properties consists of mineral rights and applications for mineral rights, covering approximately 203,562 hectares in three provinces in Argentina.

We carry out business by acquiring, exploring and evaluating mineral properties through our ongoing exploration program. Following exploration, we either seek to enter joint ventures to further develop these properties or dispose of them if the properties do not meet our requirements. We have one advanced stage exploration property, the San Jose property, and several early stage exploration properties with no proven or probable reserves currently identified.

Given our developing mineral resource at San Jose, our partner, who owns a 51% interest in the project, is currently carrying out technical studies including a feasibility study to define a mineable reserve. At the San Jose project, our partner commenced underground exploration in 2003, and now expects to reach a production decision in the second half of 2005. The production decision originally anticipated last year has taken longer due to positive exploration results which expanded the exploration program and feasibility study. If the production decision is positive we could attain gold production commencing in 2006. However, there can be no assurance that a production decision will be positive and start-up can be completed as anticipated or that our production will be achieved.

Our objective is to grow our business to become a gold/silver producer over the next few years and to add new properties that have the potential to become profitable, producing mines. Due to higher gold prices and our improved financial condition, we believe we are well placed to pursue the acquisition or development of exploration properties in Argentina. We are actively investigating the potential acquisition of new mineral exploration properties. However, we presently have no agreement or understanding with respect to any potential transaction. We have increased exploration activities and expenditures on our current exploration properties in Argentina.

### Overview of 2004

Our financial condition showed an improvement during 2004 through the raising of funds through equity financing and completion of a credit facility. Cash and

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cash equivalents at the end of 2004 was \$1.7 million, a decrease of \$.5 million from the end of 2003. Equity offerings and warrant and option exercises provided a net of \$5 million during the year and \$1 million was drawn on the credit facility. In addition, several other significant milestones were achieved during 2004:

Minera Andes and its joint venture partner commissioned a feasibility study at the San Jose project.

- o We completed public equity offerings which provided a net \$4.5 million;
- o We completed a credit facility of up to \$4 million for feasibility completion and underground construction at the San Jose project;

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- o We funded and maintained our 49% interest in the San Jose project;
- o We acquired several new exploration land packages in southern Argentina;
- o Our partner in the San Jose project completed 2.3 km of underground exploration workings on the Huevos Verdes vein and continued engineering and geologic studies of the economic potential of the property;
- o We advanced exploration on several wholly owned mineral properties and made gold and silver discoveries on two properties that have advanced to the drilling stage, and;
- o We continued to pursue new growth opportunities.

### Trends Affecting our Operations During 2004

Gold prices have now trended generally upward for nearly four years from a low of \$256 in early April 2001 to \$454 per ounce in December 2004, an average annual increase of 14%. The higher gold price increased our ability to equity finance during 2004.

The market for gold company equities generally strengthened during 2004. Our common share price began the year at \$0.53 and ended the year at \$0.70. The increased interest in investing in gold and gold mining companies during the past three years has made exploration and development capital more readily available. As a result, we successfully raised \$5 million of new equity funds during 2004, including option and warrant exercises. We used portions of the cash to make joint venture payments, acquire new exploration properties in Argentina, and to fund exploration and development activities at the San Jose project and other projects in our property portfolio. In 2005 we anticipate using our cash to maintain our interest in the San Jose project, and to fund other exploration activities and for other general corporate purposes. We also expect we may have to raise additional funds to maintain our programs and interest in the San Jose project.

### Plan of Operations

We have budgeted and plan to spend approximately \$3.0 million on our mineral property and exploration activities and general and administrative expenses through 2005, with work being conducted on several properties including an ongoing reconnaissance program designed to make new acquisitions. See "Description of Properties." In addition, there are plans to spend \$8.2 million for exploration, development, and feasibility completion by the third quarter of



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2005 on the San Jose project that is owned by MSC, an Argentine corporation owned by Minera Andes Inc. (49%) and MHC (51%). Assuming a positive feasibility outcome MSC plans to seek non-recourse debt financing to complete construction of the project. If this financing is available we may not be required to spend additional equity funds on the project, however, the financing of the project is uncertain at this time. To maintain our 49% interest in MSC we may need to raise additional funds in 2005. If we cannot match MHC pro rata, we expect to have our interest in the San Jose project diluted in accordance with the joint venture agreement. Failure by either party to contribute to work programs will result in simple dilution of that party's interest in the project. If additional funds are raised during 2005 through the exercise of warrants or options, through a further equity financing, through debt financing, by the sale of property interests, or by joint venture financing, additional exploration would be planned and carried out on our properties. If we were to develop a property or a group of properties beyond the exploration stage, substantial additional financing would be necessary. Such financing would likely be in the form of equity, debt, or a combination of equity and debt. There is no assurance that such financing, if necessary, would be available to us on favorable terms.

As of December 31, 2004, the Company had working capital of approximately \$1.6 million, and a pending \$2 million loan facility, sufficient, together with funds from the joint venture on the San Jose property, as estimated by management, to

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cover its budgeted expenditures for mineral property and exploration activities on its properties outside the San Jose project in Argentina, and general and administrative expenses through at least the end of 2005.

On March 15, 2001, we signed an option and joint venture agreement with MHC, Lima, Peru, for the exploration and possible development of Minera Andes' 217,000-acre (88,000 hectares) epithermal gold-silver exploration land package in southern Argentina. The land package, known as San Jose (formerly El Pluma/Cerro Saavedra), includes Huevos Verdes, a high-grade gold/silver vein system target, and Minera Andes' most advanced exploration prospect.

Under the agreement, MHC could earn a 51% ownership in the JV by spending a total of \$3 million in three years, and a minimum of \$100,000 per year on exploration targets within the JV, other than Huevos Verdes, the most advanced prospect. In addition, MHC will make semiannual payments totaling \$400,000 per year (subsequently amended to \$200,000 per year as noted below) until pilot plant production is achieved. To date, MHC has made all required payments.

On May 6, 2003, we received notice from MHC that, according to their records, they have fulfilled all obligations necessary to enable MHC to vest at 51% in the San Jose project, including all obligations under section 4.1.2 of the Option and Joint Venture Agreement dated March 15, 2001 (see Item 2 in the 2002 Form10-KSB and Exhibit 10.19 to the 2000 Form 10-KSB). The Company has reviewed and accepted the information submitted by MHC.

Once MHC had vested at 51% ownership, Minera Andes had the option of participating in the development of a pilot production plant that would process a minimum of 50 tons per day (tpd). Minera Andes had the option to participate on either a pro-rata basis, or by choosing to retain a 35% "carried" ownership interest. Upon the successful completion and operation of the 50 tpd plant, Minera Andes would have the option of participating on a pro-rata basis, or choosing a 15% interest in return to being "carried" to first production of 500 tpd.

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In the fourth quarter 2003, we notified MHC of our intent to subscribe for additional equity in MSC, so as to maintain our 49% interest. We made a payment to MSC of \$1.7 million that will fund our 49% interest in the San Jose project through MSC.

Effective December 31, 2003, we entered into an agreement with Degerstrom that cancelled an agreement that was part of the original property assets vended into Minera Andes. Terms of the Settlement Agreement are:

- o The Operating Agreement was cancelled whereby management, accounting, office and technical services were provided to us;
- o A share bonus payable when a property reached a bankable feasibility was cancelled;
- o A potential underlying royalty on the San Jose project was also purchased.

As a result of these changes, we have moved our offices to a new location, set up our own internal accounting system, and set up a new U.S. corporation to employ certain personnel directly.

In September 2003, Allan J. Marter, a financially competent person on the audit committee, resigned from the board of directors, due to other obligations. As of December 31, 2004, our board of directors has determined that we did not have a financial expert, as defined by Item 401(e) of Reg. S-B, on the audit committee. We are seeking to add a new director to the audit committee who would qualify as a financial expert.

On October 20, 2004, Minera Andes and MHC reached an amendment to the joint venture agreement whereby the advanced-stage San Jose/Huevos Verdes project can proceed directly to a large-scale milling operation should the feasibility study underway reach a positive production decision outcome.

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The amendment to the joint venture agreement eliminates a requirement for initial preliminary production from a 50 ton-per-day (tpd) pilot plant to process mined ore if the project proceeds to production. The amendment allows the parties to eliminate the costly pilot plant and proceed directly to full production based on a positive bankable feasibility study.

As exploration and construction has advanced at the project, it has become apparent that a costly pilot plant can be eliminated by using a smaller, off-site bench-scale pilot plant at a metallurgical laboratory. Eliminating the 50 tpd pilot plant will save considerable time and money should a positive feasibility study be produced early next year. Underground construction and exploration has revealed higher grade silver/gold mineralization than was discovered in surface drilling, as well as previously unknown parallel veins and mineralized offshoots from the main Huevos Verdes vein. The new discoveries hold potential for increased production tonnage.

A bankable feasibility study is now underway by MSC to determine the economic viability of Huevos Verdes. The study is being managed by MTB Project Management Professionals, Inc., of Denver. The purpose of the feasibility study, due for completion in the third quarter of 2005, is to provide an independent third party determination of the technical and economic viability of Huevos Verdes.

The property payment structure from MHC to Minera Andes has also been changed in the amendment where original payments totaled US\$400,000 a year until a 50-ton

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per day pilot was built. In lieu of building the pilot plant, the Corporation will receive payments from MHC of US\$400,000 annually that will continue until a positive feasibility study is received. Payments are then reduced to US\$200,000 annually until the MSC board of directors approves a positive mine completion plan. When the plan is approved by the board, payments terminate.

On October 21, 2004, we accepted an offer letter from Macquarie Bank Limited (OMacquarie0) to provide a loan facility of up to \$4 million. This facility is to be provided in two tranches to provide funding for our 49% portion of the costs of completing a bankable feasibility study and related development work for the San Jos project. Macquarie is an international banking group active in providing project financing to the mining sector.

The \$4 million debt facility to be provided by Macquarie consists of an initial tranche of \$2.0 million available for two years from draw-down and a further facility of \$2.0 million to be provided prior to 30 June 2005, subject to achievement of positive exploration and development at Huevos Verdes to the satisfaction of Macquarie. This facility will act as bridge financing for our share of the costs of completing a feasibility study and initial work with respect to establishing a mine at Huevos Verdes. We received \$1.0 million of the first tranche in December 2004 and the remaining \$1.0 million of the first tranche in February 2005.

The commercial terms of the loan include a facility fee of 1.5% of the principal amount of the initial tranche and interest of Libor plus 2% per annum (p.a.), currently totaling approx 4.1% p.a. In addition we have issued share purchase warrants to acquire approximately 2,738,700 Common Shares of the Corporation at an exercise price of approximately Cdn\$0.91 per share. The warrants exercise price is calculated at a 20 percent premium to the volume weighted average of the Corporation's common stock determined from the ten business days prior to acceptance of this offer. Each warrant is to be exercisable for two years. Additional share purchase warrants may be issued in regard to the second tranche of \$2.0 million, on terms calculated in a similar manner at that time, upon fulfillment of conditions precedent for that tranche.

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### Results of Operations

#### 2004 compared to 2003

In 2004, our net loss was \$2.1 million (3 cents per share), compared with a net loss of \$1.5 million (4 cents per share) in 2003. Our general and administrative costs were \$1.7 million in 2004 compared to \$1.5 million in 2003. The following table summarizes the significant changes in operations in 2004 compared to 2003.

Description	2004	2003
-----	----	----
Legal, audit and accounting fees <sup>1</sup>	\$ 235,973	\$223,824
Consulting Fees <sup>2</sup>	\$ 527,838	\$418,730
Foreign Exchange <sup>3</sup>	\$(260,549)	\$(74,005)
Insurance <sup>4</sup>	\$ 69,180	\$ 17,598
Office Overhead and administration fees <sup>5</sup>	\$ 526,279	\$177,256

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Wages and benefits<sup>6</sup> \$ 508,943 \$187,374

Notes:

- (1) Audit and accounting fees increased this year due to an overall increase in audit fees. Legal expenses were higher in 2003 due to the review of a potential merger that year.
- (2) There were additional consultants hired in 2004 due to our increased public and investor relations program, which increased consultant fees. Additional consultants were also hired in 2004 to assist with accounting and financial matters. In addition, stock option compensation relating to consultants, valued at \$127,516, was expensed to consulting fees.
- (3) We realized a gain in foreign exchange. This is mostly related to the effect of a weakening U.S. dollar offset by the associated impact on the value of cash equivalents invested in Canadian dollar instruments.
- (4) We increased our directors and officers insurance in 2004 and there was also a substantial increase in our general liability insurance.
- (5) Office overhead increased due to public and investor relations program expenses, including a substantial direct mailing, increased advertising and numerous conferences attended during the year, and expenses relating to the move of our corporate headquarters.
- (6) Stock option compensation relating to employees and directors, valued at \$478,020, was expensed to wages and benefits expense. Previously the Company was only required to disclose the pro forma effect of stock options issued to employees and directors in the notes to the financial statements.

In 2005 we will be continuing the prospecting, acquisition, exploration and evaluation of property interests that have been our hallmark since our inception, and we will focus on the Santa Cruz, Chubut and San Juan properties. As in the past, if a property or program does not meet our requirements in the future, costs associated with abandonment of the property or program will result in a charge to operations. For this reason, we may incur additional write-offs in future periods, although the amounts of such write-offs are difficult to predict, as they will be determined by the results of future exploration activities.

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Mineral property and deferred exploration costs in 2004 amounted to \$1.9 million compared to \$0.5 million in 2003.

The following table summarizes the significant changes in exploration expense for 2004 compared to 2003.

Description	2004	2003
-----	----	----
Geology <sup>1</sup>	\$729,425	\$ 89,845
Legal <sup>2</sup>	\$ 47,659	\$ 29,230
Travel <sup>3</sup>	\$ 93,951	\$ 78,222
Project Overhead <sup>4</sup>	\$ 64,503	\$ 8,018

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Notes:

- (1) Geology increased due to an expanded exploration program, and work on our projects including drilling.
- (2) Legal fees increased due to increased land acquisitions and due diligence work.
- (3) Travel increased due to an expanded exploration program.
- (4) Project overhead increased due to increased rentals, and the increase of expenses at the field office.

2003 compared to 2002

In 2003, our net loss was \$1.5 million (4 cents per share), compared with a net income of \$0.4 million (1 cent per share) in 2002. Our general and administrative costs were \$1.5 million in 2003 compared to \$0.5 million in 2002. Income from the gain on sale of the Chubut properties was \$0.9 million in 2002, which gave us our first net income.

Mineral property and deferred exploration costs in 2003 amounted to \$0.5 million compared to \$0.3 million in 2002. We focused nearly all our available exploration resources on the San Jose project in Santa Cruz province during 2003, and the success of the exploration carried out on these properties over the last few years resulted in the joint venture arrangement which was signed March 15, 2001. We received mineral property option proceeds of \$400,000 from the joint venture in 2003 and in 2002. In 2002, we sold two of our Chubut properties (Willimanco and Leleque) to Meridian Gold Inc. for \$777,142. The properties were related to the purchase and sales agreement with Brancote Holding PLC, which merged with Meridian Gold Inc. in 2002. Meridian Gold Inc. became the surviving entity of the merger.

Contractual Obligations, Contingent Liabilities and Commitments

We enter into operating leases in the normal course of business. Substantially all lease agreements have fixed payment terms based on the passage of time. Some lease agreements provide us with the option to renew the lease. Our future operating lease obligations would change if we exercised these renewal options and if we entered into additional lease agreements. In addition we also enter into loan facilities as sources of financing for our advanced projects.

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Our lease and loan obligations are as follows:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long Term Debt	\$2,000,000	\$ --	\$ 2,000,000	\$ --	\$ --
Operating Lease Obligations	36,184	30,112	6,072	--	--

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Purchase Obligations	444,320	444,320	--	--	--
Capital Lease Obligations	115,220	115,220	--	--	--
Other long-term liabilities	--	--	--	--	--
Total	\$2,595,724	\$ 589,652	\$ 2,006,072	\$ --	\$ --

On December 2, 2003, we signed an agreement that obligated us to pay Degerstrom a royalty of \$250,000 if any of the current properties, other than the properties comprising the San Jose project, meet certain conditions such as bankable feasibility or commercial production. Our obligation expires December 31, 2013. This royalty is not included in the above table. Additionally, we are obligated to fund our 49% of future costs at San Jose or our ownership will be diluted. These costs are excluded from the above table.

On December 16, 2004, Minera Andes Inc. closed on the US\$2 million first tranche of the US\$4 million loan facility from Macquarie Bank Limited ("Macquarie"). This facility is being provided in two tranches for funding of Minera Andes' 49% portion of the costs of completing a bankable feasibility study and related development work for the San Jose/Huevos Verdes silver/gold project in Argentina. Macquarie is an international banking group active in providing project financing to the mining sector.

In December 2004, Macquarie advanced US\$1 million of the first US\$2 million tranche, and the balance of US\$1 million was advanced in February 2005. This first tranche of US\$2 million is available for up to two-years from draw-down. The second tranche of the facility, being an additional US\$2 million, is to be provided prior to June 30, 2005, subject to achievement of positive exploration and development at Huevos Verdes to the satisfaction of Macquarie, regulatory approvals, and completion of documentation.

The commercial terms of the loan include a facility fee of 1.5% of the principal amount of the initial tranche and an interest rate of Libor plus 2% p.a., currently totaling approx 4.1% p.a. In addition, a success fee of US\$20,000, being one percent of the principal amount of the first tranche, is payable to Xystus Limited for assisting with the structuring and negotiation of the loan facility. A similar success fee will be paid for the second tranche.

In connection with the first tranche of the facility, Minera Andes has issued share purchase warrants to Macquarie to acquire 2,738,700 Common Shares of Minera Andes at an exercise price of Cdn\$0.91 per share. The warrants exercise price was calculated at a 20 percent premium to the volume weighted average of Minera Andes' common stock determined from the ten business days prior to acceptance of this offer. Each warrant is to be exercisable for two years and will expire on December 15, 2006. Additional share purchase warrants will be issueable to Macquarie in regard to the second tranche of US\$2.0 million, on terms calculated in a similar manner at that time, upon fulfillment of conditions precedent for that tranche and appropriate regulatory approvals.

During 2004, MSC signed agreements with third party providers relating to a feasibility evaluation, camp construction and communication services which will be completed or fulfilled during 2005. Our 49 percent portion of these commitments is \$444,320.

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Also during 2004, MSC signed capital lease agreements with a third party for the provision of four scoops and related maintenance service which will be completed or fulfilled during 2005. Our 49 percent portion of these commitments is \$115,220.

In addition, mineral rights in Argentina are owned by the federal government and administered by the provinces. The provinces can levy a maximum 3% "mouth of mine" (gross proceeds) royalty. The provinces of Mendoza and Neuquen have waived their right to a royalty. The provinces of Rio Negro, San Juan, Santa Clara and Chubut have not yet established a policy regarding the royalty.

### Exploration

Minera Andes has made significant strides in its business plan during 2004, particularly with development at the advanced-stage Huevos Verdes silver/gold vein, located within the San Jose project area in southern Argentina. In addition, new gold, silver and copper discoveries were made by Minera Andes on its 100 percent-owned exploration projects in Argentina. Management has been active in Argentina for eleven years and has developed a strong expertise in all aspects of conducting exploration/development business therein.

We currently have a portfolio of properties totaling about 10 projects on about 203,562 hectares of mineral exploration land in Argentina. The properties primarily contain gold, silver and copper mineralization targets. Several new exploration properties have been acquired through the filing of mineral applications. These properties reveal numerous similarities to Minera Andes' San Jose property in northern Santa Cruz province. In addition two properties advanced last year, Cerro Mojon and San Agustin, contain several mineralized structures with favorable geologic indicators and silver values up to 10 ounces per ton. These characteristics mirror much that has been discovered about San Jose. Other prospects contain structures with sinter-like quartz veining and anomalous arsenic and mercury.

All of our programs are supervised by Brian Gavin, vice president of exploration, who has reviewed the programs and is the qualified person under Canada's National Instrument 43-101.

### Los Azules Project

In May of 2004 we reported the discovery of a large, enriched (chalcocite) copper zone at our 100% owned Los Azules property. The overall target area is approximately 1500 meters by 2000 meters. Drilling returned up to 0.8% copper over 36 meters and 120 meters of 0.54% copper within an area defined by geology, MIMDAS deep penetration IP and magnetic geophysical surveys. This new zone has been confirmed by four drill holes showing enriched copper over an area 1000 meters by 500 meters. A fifth drill hole penetrated a thick section of related surface alteration before stopping short of its target depth.

Nine reconnaissance core holes totaling 2,050 meters were drilled in the campaign to depths of between 154 to 330 meters. The primary focus of the drilling was to test the extension of known leachable (chalcocite) copper mineralization identified on the adjacent property. Minera Andes' drilling tested a deep penetrating IP chargeability high anomaly as well as a well-defined magnetic low on its eastern flank. Drilling at Los Azules encountered features typical of many porphyry copper systems. In the discovery zone, strongly leached cap rock extends from 65 to 161 meters depth followed by an enriched zone of secondary copper mineralization (chalcocite) overlying a zone of mixed secondary and primary (chalcopyrite) copper mineralization. The mineralization in our drilling is consistent with the mineralization observed in a prior drill hole by Battle Mountain Gold some 220 meters north of Minera

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Andes' property, which contained a 117-meter interval of 0.61% copper in the enriched zone.

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### Significant Drilling Results at Los Azules

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Drill Hole	TD (m)	Intersection From To (m) (m)		True Thickness (m)	Total Copper Percentage
AZ-04-01	195	130	195	56	0.62
		150	192	including 36	0.82
AZ-04-02	330.5	164	304	140	0.38
		164	190	including 26	0.47
		230	304	and 72	0.42
AZ-04-04	300.8	162	282	120	0.54
		162	202	including 40	0.59
		236	282	and 46	0.64
AZ-04-07	168.8	96	152	56	0.44
		126	152	including 26	0.58

---

Hole AZ-04-03 drilled within the enriched copper target penetrated 154 meters of leached cap but failed to reach the enriched copper target. Other reconnaissance holes examined the outer boundaries of the target and tested these areas for the presence of primary sulfide mineralization. Drill hole AZ-05 tested an outcrop to the west of the geophysical anomalies and encountered fresh rhyolite. Core holes AZ-04-08 and AZ- 04-09 were drilled in the center of the induced polarization chargeability high and encountered mostly primary sulfides ranging from nil up to 0.25% copper. In addition, surface sampling encountered gold in breccias ranging from nil up to 6.94 grams per tonne in grab samples.

#### San Jose Project

A significant exploration and development program is underway at the San Jose gold/silver project in southern Argentina. The 2005 work program at the project is designed to complete the feasibility study and related exploration and development of the underground workings. The program will also complete construction of surface buildings and infrastructure and explore other vein targets already identified on the property. The development site at Huevos Verdes currently has a work force of 188 personnel.

The 2005 San Jose budget has been expanded to total approximately US\$17 million, consisting of US\$13.2 million in construction and reserve development of the Huevos Verdes vein, US\$1.5 million for the completion of the feasibility study, and US\$2.3 million for the exploration of additional targets on the property. It is anticipated that, following completion of a positive bankable feasibility in mid 2005, debt financing will be sought for the remainder of the required mine development budget.

An important part of the work underway at the San Jose project is a three-part drilling program designed to accelerate the conversion of resources into reserves, explore existing drill discoveries such as Huevos Verdes East and to



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test the new targets identified from the property-wide exploration program.

The drill program at San Jose will total approximately 30,000 meters in 96 drill holes. The total drilling program called for about 10,000 meters in 34 holes at Huevos Verdes; 11,180 meters in 38 holes at Huevos Verdes East and 8,000 meters in 24 holes on exploration targets within the San Jose property.

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Several major events occurred in 2004 to advance the San Jose/Huevos Verdes construction project. The accelerated development at this vein-hosted, low-sulfidation, epithermal silver/gold mineralization system has moved the joint venture much closer to a production decision.

- o A comprehensive, third-party feasibility study was commissioned to assess possible mine production.
- o Underground construction commenced focused on an area of drill-proven, high-grade mineralization of some 2.3 km in length.
- o Underground testing discovered new high-grade silver/gold zones and previously unknown veins. These discoveries hold potential for increased grade and tonnage at Huevos Verdes. One sample reported last year encountered bonanza grades of 728 ounces per ton (22,653 g/t) silver and 6.4 ounces per ton (198 g/t) gold.
- o Metallurgical testing of Huevos Verdes' silver/gold mineralization demonstrated high recoveries (over 90 percent for both silver and gold) are possible using standard industry technology.
- o Reflecting confidence in Huevos Verdes, pre-production employment at San Jose project exceeded 160 by December 2004 compared to 53 in January 2004, an increase in work-force of over 300%.
- o Access routes to the project area were completed, including a 28 km all-weather road with bridge access, and selected surface land rights were purchased at San Jose.
- o Exploration at Huevos Verdes continued to identify more silver/gold mineralization. The Huevos Verdes vein itself remains open at depth and laterally. The entire San Jose project area is host to four parallel vein structures totaling some 32 kilometres in combined length, as outlined by reconnaissance field work and geophysical surveys conducted by Minera Andes. Only some 15% of the outlined vein package has yet been drilled.
- o Drilling at Huevos Verdes East intersected significantly higher-grade silver/gold mineralization than is currently known at Huevos Verdes. The Huevos Verdes East vein is a parallel vein approximately two kilometers to the east of the Huevos Verdes vein and has excellent potential to expand the projects reserves.

### Investor Relations

During 2004 we increased our attendance at trade shows and gold conferences to increase awareness in our activities in the mining industry. We also contracted a substantial direct mailing and advertised our corporate profile on several Web-based sites and in the news media. In addition, we have retained the services of a media consultant to design company presentations and literature.

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### Liquidity and Capital Resources

Due to the nature of the mining business, the acquisition, exploration, and development of mineral properties requires significant expenditures prior to the commencement of production. To date, we have financed our activities through the sale of equity securities and joint venture arrangements. We expect to use similar financing techniques in the future, however, we cannot assure you that we will be successful in our financing activities in the future. Our ability to continue in operation is dependent on our ability to secure additional financing, and while we have been successful in doing so in the past (including the property and financing transactions in "Plan of Operations" and "Results of Operations" above), we cannot assure you that we will be able to do so in the future. Management is actively pursuing such additional sources of financing;

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however, in the event this does not occur, there is doubt about the ability to continue as a going concern. Our financial statements do not include the adjustments that would be necessary should we be unable to continue as a going concern.

In recognition of our liquidity and capital resources, our independent public accountants have included a comment in their report on our accompanying consolidated financial statements for the year ended December 2004, that would express substantial doubt as to our ability to continue as a going concern .

Our exploration and development activities and funding opportunities, as well as those of our joint venture partner, may be materially affected by precious and base metal price levels and changes in those levels. The market prices of precious and base metals are determined in world markets and are affected by numerous factors which are beyond our control.

At December 31, 2004, we had cash and cash equivalents of \$1.7 million, compared to cash and cash equivalents of \$2.2 million as of December 31, 2003. Working capital at December 31, 2004 was \$1.6 million compared with \$2.3 million at the end of 2003. Net cash used in operating activities during 2004 was \$0.9 million compared with \$1.0 million in 2003. Investing activities in 2004 used \$5.6 million, compared with \$2.4 million used in 2003. The increase in investing activity is due to the investment in the San Jose project.

Also in 2004, we secured a two-year loan facility of up to \$4 million from Macquarie Bank Limited ("Macquarie"). All amounts advanced are due in December 2006. This facility is to be provided in two tranches to fund our 49% portion of the costs of completing a bankable feasibility study and related development work for the San Jose/Huevos Verdes gold/silver project in Argentina.

We received \$1,000,000 of the first tranche in December 2004 and the remaining \$1,000,000 of the first tranche in February 2005. As at December 31, 2004, interest expense incurred was \$33,913, of which all was capitalized to the Investment in MSC.

The principal financing activities during 2004 were a private placement which raised proceeds of \$4,545,455, net of agents' commissions, through the issuance of 10,000,000 units at a price of Cdn\$0.65 per unit; gross proceeds of \$250,401 for the exercise of 648,375 warrants; gross proceeds of \$239,610 for the exercise of 867,566 broker warrants; and \$78,400 for the exercise of 330,000 stock options.

The principal financing activities during 2003 were a private placement which

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raised proceeds of \$4,674,790, net of agents' commissions, through the issuance of 22,000,000 units at a price of Cdn\$0.30 per unit; gross proceeds of \$11,287 for the exercise of 50,000 warrants; gross proceeds of \$48,677 for the exercise of 441,667 broker warrants; and \$66,696 for the exercise of 345,000 stock options.

### Outlook

We expect that the San Jose project will reach a production decision in 2005, but will require additional cash for the development of the project described above. It is anticipated that exploration on other projects and acquisition of new projects will require additional cash.

At December 31, 2004 there was approximately \$1.7 million of cash and cash equivalents on hand and a pending credit facility of up to \$3.0 million. In addition, in March of 2005, we completed an equity financing that netted \$7.45 million. We anticipate capital spending of approximately \$11.2 million in 2005; however, our cash needs may change for the San Jose project, as new exploration may cause the budget to increase or decrease depending on its success.

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### Looking Ahead

Our main objectives in 2005 are to:

- o maintain our 49% interest in the San Jose joint venture;
- o continue to evaluate and advance our current property portfolio;
- o substantially increase exploration efforts with a focus on gold and silver targets in southern Argentina and elsewhere;
- o continue efforts to seek out and evaluate acquisition and growth opportunities in Argentina, and;
- o complete a bankable feasibility and advance the San Jose project toward a production decision at San Jose by the second half of 2005.
- o complete bank project financing assuming a positive feasibility outcome and start process plant construction.

As more fully disclosed in Item 1 - "Risk Factors Related to our Business", numerous factors could cause our estimates and expectations to be wrong or could lead our management to make changes in our plans. Under any of these circumstances, the estimates described above would likely change materially.

### Mining in Argentina

We constantly review the social and political aspects of Argentina in general to apprise ourselves of the social situation and political risks that exist in the region. Argentina has benefited from an extended period of political stability and a democratic governmental system including orderly governmental transitions. It is our belief that Argentina is committed to creating a stable political and economic environment that will foster additional economic growth.

Argentina is endowed with abundant mineral resources and is actively pursuing policies designed to support expansion of its mineral industry. Because of the political stability and supportive policies, several international mineral

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companies have initiated activities in Argentina in recent years and we understand that these companies now have in place plans to invest significant new sums in gold/silver and copper exploration and development.

It is our intent to be a responsible corporate citizen of Argentina and as such we have worked diligently to establish excellent working relationships with both local and federal governmental authorities as well as with the local citizens in the areas surrounding our operations.

### Seasonality

Most of our projects are in generally arid climates which experience four seasons. The exploration season is short in areas of higher elevation due to winter snow conditions. Low elevation areas can be worked year around. Winter months can present muddy travel conditions on primitive roads.

### Recent U.S. Accounting Pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46) "Consolidation of Variable Interest Entities." In December 2003, the FASB issued a revision to this interpretation (FIN 46(r)). FIN 46(r) clarifies the

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application of Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statements." FIN 46 clarifies the application of ARB No. 51 to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. We adopted FIN 46(r) in its entirety for the period ended December 31, 2004, which did not have a material effect on our consolidated financial statements.

In December 2003, the FASB revised SFAS No. 132 "Employers' Disclosures about Pensions and Other Post-Retirement Benefits - an amendment of FASB Statements No. 87, 88, and 106." SFAS No. 132 has been revised to include additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit post-retirement plans. The revisions do not change the measurement or recognition of those plans required by existing standards. The revised SFAS No. 132 did not have a material effect on our consolidated financial statements.

In April 2004, the Financial Accounting Standards Board ("FASB") ratified Emerging Issues Task Force ("EITF") Issue No. 04-2, which amends Statement of Financial Accounting Standards ("SFAS") No. 141 "Business Combinations" to the extent all mineral rights are to be considered tangible assets for accounting purposes. There has been diversity in practice related to the application of SFAS No. 141 to certain mineral rights held by mining entities that are not within the scope of SFAS No. 19 "Financial Accounting and Reporting by Oil and Gas Producing Companies." The SEC staff's position previously was entities outside the scope of SFAS No. 19 should account for mineral rights as intangible assets in accordance with SFAS No. 142 "Goodwill and Other Intangible Assets." The adoption of EITF 04-02 has no effect on the consolidated financial statements.

In December 2004, the Financial Accounting Standards Board ("FASB") issued ("SFAS") No. 123 (revised 2004), "Share-Based Payment." SFAS No. 123(R) requires the Company to measure all employee stock-based compensation awards using a fair

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value method and record such expense in its consolidated financial statements. In addition, SFAS No. 123(R) requires additional accounting related to the income tax effects and additional disclosure regarding the cash flow effects resulting from share-based payment arrangements. For public entities that do not file as a small business issuer, SFAS No. 123(R) is effective for the first annual reporting period beginning after December 15, 2005.

In December 2004, FASB issued SFAS No. 153 to amend Opinion 29 by eliminating the exception for non-monetary exchanges of similar productive assets and replaces it with general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange is defined to have commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange.

The implementation of the not yet adopted US standards is not expected to have a material effect on the Company's financial statements.

### Subsequent Events

On March 11, 2005, we issued 224,748 common shares for the exercise of broker warrants for net proceeds of \$65,312.

On March 9, 2005, we received a \$200,000 payment on the option agreement entered into with MHC, the majority shareholder of the Argentine Corporation formed to develop the San Jose project.

On March 22, 2005, we issued 18,180,450 units through a private placement at a price of Cdn\$0.55 per unit for gross proceeds of approximately Cdn\$10 million.

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Under terms of the offering, each unit will consist of one common share and one-half of one common share purchase warrant. One whole common share purchase warrant entitles the holder to purchase one additional common share at an exercise price of Cdn\$0.70 per share for a period of 60 months from the closing date. The issued securities are subject to a four month hold period.

Our agents will receive a 7% commission and agent's warrants equal to 7% of the aggregate number of units sold pursuant to the offering. Each agent's warrant upon exercise will entitle the holder to acquire one common share at an exercise price of Cdn\$0.70 per common share for a period of 24 months from the date of issue.

In reliance on Rule 903 of Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), units were offered and sold to purchasers outside of the United States subject to Category 2 offering restrictions, without any directed selling efforts. In reliance on Rule 506 of Regulation D under the Securities Act, units were also offered and sold, without general solicitation or advertising and subject to resale restrictions, to accredited investors in the United States who represented they were purchasing with investment intent and without a view to distribute the units.

We intend to use the proceeds from the offering to fund our share of the construction costs for gold/silver ore reserve development and feasibility work at the advanced-stage San Jose/Huevos Verdes project in southern Argentina, as well as for other exploration and general corporate purposes. At Huevos Verdes, a work force of 180 is developing the underground workings exploring the main

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gold/silver vein. Surface facilities, including a work camp, compressor and maintenance facilities, have been completed and a 28-km all-weather road and bridge to access the work site is in daily use.

### Other MD&A Requirements

The Management Discussion & Analysis should be read in conjunction with the Corporation's audited financials for the year ended December 31, 2004 also filed at WWW.SEDAR.COM.

### Outstanding Share Data (as at March 31, 2005):

Class and Series of Security	Number Outstanding	Expiry Date of Convertible Securities	Relevant Terms
Common shares	90,079,504		
Stock options	4,638,500 (vested)	Various (August 28, 2005 to March 21, 2013)	Exercisable for one co at Cdn\$0.16 to Cdn\$0.6
Purchase warrants	28,158,047	Various (September 12, 2005 to March 22, 2010)	Exercisable for one co at Cdn\$0.50 to Cdn\$0.9
Broker warrants	2,315,318	Various (September 12, 2005 to March 22, 2007)	Exercisable for one co at Cdn\$0.35 to Cdn\$0.8

### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

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## ITEM 7. FINANCIAL STATEMENTS

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BDO DUNWOODY LLP

Report of Independent Registered Public Accounting Firm

To the Shareholders of Minera Andes Inc.:

We have audited the consolidated balance sheets of Minera Andes Inc. (an exploration stage corporation) as at December 31, 2004 and 2003 and the consolidated statements of operations and accumulated deficit, mineral properties and deferred exploration costs and cash flows for the years then ended. We have also audited the consolidated statements of operations and accumulated deficit, mineral properties and deferred exploration costs and cash flows for the period from July 1, 1994 (commencement) through December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Minera Andes Inc. (an exploration stage corporation) as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended and for the period from July 1, 1994 (commencement) through December 31, 2004 in accordance with Canadian generally accepted accounting principles.

/s/ BDO Dunwoody LLP

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BDO Dunwoody LLP

Chartered Accountants  
Vancouver, B.C. Canada  
March 4, 2005

(except for Note 13, March 22, 2005)

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Comments by the Auditors for U.S. Readers on Canada - U.S. Reporting Differences

Public Company Accounting Oversight Board (United States) reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern such as those described in Note 1 of the consolidated financial statements. Public Company Accounting Oversight Board (United States) reporting standards also require the addition of an explanatory paragraph (following the opinion paragraph) when changes in accounting policies, such as those involving 2004 stock-based compensation and 2004 asset retirement obligations described in Note 2 of the consolidated financial statements, have a material effect on the consolidated financial statements. Our report to the shareholders dated March 4 2005, (except for Note 13, March 22, 2005) is expressed in accordance with Canadian reporting standards, which do not permit a reference to such conditions and events in the auditors' report when these are adequately disclosed in the financial statements.

/s/ BDO Dunwoody LLP

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BDO Dunwoody LLP

Chartered Accountants  
Vancouver, B.C. Canada  
March 4, 2005

(except for Note 13, March 22, 2005)

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MINERA ANDES INC.  
"An Exploration Stage Corporation"  
CONSOLIDATED BALANCE SHEETS  
(U.S. Dollars)

	December 31, 2004	December 31, 2003
	-----	-----
ASSETS		
Current:		
Cash and cash equivalents (Note 3)	\$ 1,726,820	\$ 2,234,342
Receivables and prepaid expenses	111,570	228,123
Total current assets	1,838,390	2,462,465
Mineral properties and deferred exploration costs (Note 4)	2,827,655	915,299
Investment (Note 4 (b))	7,345,840	4,063,127
Equipment, net (Note 5)	97,655	88,238



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Total assets	\$ 12,109,540	\$ 7,529,129
	=====	=====
LIABILITIES		
Current:		
Accounts payable and accruals	\$ 257,268	\$ 96,640
Bank loan interest payable	3,913	--
Due to related parties (Note 9)	--	30,531
Total current liabilities	----- 261,181	----- 127,171
Bank loan (Note 6)	653,800	--
Total liabilities	----- 914,981	----- 127,171
Commitments and contingencies (Notes 1 and 8)		
SHAREHOLDERS' EQUITY		
Share capital (Note 7):		
Preferred shares, no par value, unlimited number authorized, none issued		
Common shares, no par value, unlimited number authorized		
Issued December 31, 2004--71,586,806 shares	28,711,334	23,597,468
Issued December 31, 2003--59,740,865 shares		
Contributed capital - stock option compensation (Notes 2 and 7)	1,663,677	160,888
Accumulated deficit	(19,180,452)	(16,356,398)
Total shareholders' equity	----- 11,194,559	----- 7,401,958
Total liabilities and shareholders' equity	----- \$ 12,109,540	----- \$ 7,529,129
	=====	=====

Approved by the Board of Directors:

/s/ Allen V. Ambrose

/s/ Bonnie L. Kuhn

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Allen V. Ambrose, Director

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Bonnie L. Kuhn, Director

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

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MINERA ANDES INC.  
 "An Exploration Stage Corporation"  
 CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT  
 (U.S. Dollars)

	Year Ended		Period from July 1, (commence through December 2004
	December 31, 2004	December 31, 2003	
Consulting fees (Note 7 (c))	\$ 527,838	\$ 418,730	\$ 1,966
Depreciation	13,347	2,191	77
Equipment rental	--	--	21
Foreign exchange (gain) loss	(260,549)	(74,005)	96
Insurance	69,180	17,598	322
Legal, audit and accounting fees	235,973	223,824	1,511
Materials, supplies and maintenance	--	1,250	49
Office overhead and administration fees	526,279	177,256	2,388
Telephone	22,856	28,869	416
Transfer agent	9,077	9,106	116
Travel	65,191	58,777	458
Wages and benefits (Note 7 (c))	508,943	187,374	2,057
Write-off of deferred exploration costs (Note 4 (e))	--	422,112	8,540
Total expenses	1,718,135	1,473,082	18,022
Gain on sale of equipment	(7,742)	--	(112)
Gain on sale of property	--	--	(898)
Loss on investment (Note 4 (b))	420,349	--	420
Interest income	(71,837)	(13,584)	(540)
Net loss for the period	2,058,905	1,459,498	16,892
Accumulated deficit, beginning of the period, as previously reported	16,356,398	14,263,900	
Adjustment for change in accounting for stock-based compensation (Note 2)	678,569	--	678
	17,034,967	14,263,900	678

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Adjustment on acquisition of royalty interest (Note 9)	--	500,000	500
Share issue costs	86,580	133,000	1,092
Deficiency on acquisition of subsidiary	--	--	17
Accumulated deficit, end of the period	\$ 19,180,452	\$ 16,356,398	\$ 19,180
Basic and diluted loss per common share	\$ 0.03	\$ 0.04	
Weighted average shares outstanding	68,393,266	40,162,950	

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

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MINERA ANDES INC.  
 "An Exploration Stage Corporation"  
 CONSOLIDATED STATEMENTS OF MINERAL PROPERTIES  
 AND DEFERRED EXPLORATION COSTS  
 (U.S. Dollars)

	Year Ended		Period from
	December 31,	December 31,	July 1, 1994
	2004	2003	(commencement)
			through
			December 31,
			2004
Administration fees	\$ --	\$ 20,316	\$ 392,837
Assays and analytical	112,871	5,542	1,057,817
Construction and trenching	2,661	15,733	526,351
Consulting fees	109,779	108,522	1,172,793
Depreciation	26,442	--	197,067
Drilling	264,450	--	1,193,283
Equipment rental	176,025	--	420,949
Geology	729,427	89,845	3,749,335
Geophysics	--	--	309,902
Insurance	--	9,426	255,559
Legal	47,659	29,230	741,487

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Maintenance	18,097	1,936	181,214
Materials and supplies	39,089	1,714	475,273
Project overhead	64,503	8,018	385,658
Property and mineral rights	88,762	19,683	1,412,599
Telephone	22,697	3,684	109,016
Travel	93,950	78,222	1,214,014
Wages and benefits	115,944	130,072	1,296,478
Costs incurred during the period	<u>1,912,356</u>	<u>521,943</u>	<u>15,091,632</u>
Deferred costs, beginning of the period	915,299	3,536,448	--
Deferred costs, acquired	--	--	576,139
Deferred costs, contributed to MSC	--	(2,320,980)	(2,320,980)
Deferred costs written off	--	(422,112)	(8,540,235)
Mineral property option proceeds, net	--	(400,000)	(1,978,901)
Deferred costs, end of the period	<u>\$2,827,655</u>	<u>\$ 915,299</u>	<u>\$ 2,827,655</u>

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

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MINERA ANDES INC.  
 "An Exploration Stage Corporation"  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (U.S. Dollars)

	Year Ended		Period from
	December 31,	December 31,	July 1, 1994
	2004	2003	(commencement)
	-----	-----	through
			December 31,
			2004
	-----	-----	-----
Operating Activities:			
Net loss for the period	\$ (2,058,905)	\$ (1,459,498)	\$ (16,892,250)
Adjustments to reconcile net loss to net cash used in operating activities:			

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Write-off of incorporation costs	--	--	665
Write-off of deferred exploration costs	--	422,112	8,540,235
Loss on investment	420,349	--	420,349
Depreciation	13,347	2,191	77,497
Stock option compensation	478,020	127,516	638,908
Gain on sale of equipment	(7,742)	--	(112,330)
Gain on sale of mineral properties	--	--	(898,241)
Change in:			
Receivables and prepaid expenses	116,553	(164,829)	(109,584)
Accounts payable and accruals	160,628	73,396	238,067
Bank loan interest payable	3,913	--	3,913
Due to related parties	(30,531)	4,785	--
Cash used in operating activities	(904,368)	(994,327)	(8,092,771)
Investing Activities:			
Incorporation costs	--	--	(665)
Purchase of equipment	(29,247)	(84,949)	(257,672)
Proceeds from sale of equipment	14,225	--	14,225
Proceeds from sale of property	--	--	898,241
Mineral properties and deferred exploration	(1,912,356)	(521,943)	(14,921,007)
Investment	(4,103,062)	(1,742,147)	(5,845,209)
Proceeds from sale of subsidiaries	--	--	9,398
Acquisition of royalty interest	--	(500,000)	(500,000)
Mineral property option proceeds	400,000	400,000	2,378,901
Cash used in investing activities	(5,630,440)	(2,449,039)	(18,223,788)

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MINERA ANDES INC.  
 "An Exploration Stage Corporation"  
 CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued  
 (U.S. Dollars)

	Year Ended	
	December 31, 2004	December 31, 2003
Financing Activities:		
Shares and subscriptions issued for cash, less issue costs	5,027,286	4,668,450
Bank loan proceeds received	1,000,000	--
Cash provided by financing activities	6,027,286	4,668,450
Increase (decrease) in cash and cash equivalents	(507,522)	1,225,084
Cash and cash equivalents, beginning of period	2,234,342	1,009,258
Cash and cash equivalents, end of period	\$ 1,726,820	\$ 2,234,342
Supplementary disclosure of non-cash investing and financing activities and other information:		
Stock option compensation (Note 7)	\$ 478,020	\$ 127,516
Retroactive adjustment on adoption of S3870 (Note 2(1))	\$ --	\$ --
Deferred costs, contributed to MSC (Note 4 (b))	\$ --	\$ 2,320,980
Shares issued for acquisition	\$ --	\$ --
Interest and taxes paid	\$ --	\$ --

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

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MINERA ANDES INC.  
 "An Exploration Stage Corporation"  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (U.S. Dollars)

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

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We are in the business of acquiring, exploring and evaluating mineral properties, and either entering into joint ventures, developing these properties further, or disposing of them when the evaluation is completed. At December 31, 2004, we were in the exploration stage and had interests in properties in three provinces in the Republic of Argentina.

The recoverability of amounts shown as mineral properties and deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability to obtain necessary financing to complete our development, and the future profitable production or disposition thereof. The accompanying consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern. The use of such principles may not be appropriate because, as of December 31, 2004, there was significant doubt that we would be able to continue as a going concern.

At December 31, 2004, we had an accumulated deficit of approximately \$19 million. In addition, due to the nature of the mining business, the acquisition, exploration and development of mineral properties requires significant expenditures prior to the commencement of production. To date, we have financed our activities through the issuance of equity securities and joint venture arrangements. We expect to use similar financing techniques in the future and are actively pursuing such additional sources of financing (see Note 13).

Although there is no assurance that we will be successful in these actions, management believes that it will be able to secure the necessary financing to enable the Company to continue as a going concern. Accordingly, these financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported revenues and expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

Although we have taken steps to verify title to mineral properties in which we have an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The statements are expressed in United States dollars because the majority of our exploration activities are incurred in U.S. dollars.

#### a. Consolidation/Reporting

These consolidated financial statements include the accounts of Minera Andes Inc., an Alberta Corporation, and its wholly-owned subsidiaries, Minera Andes S.A. ("MASA"), Minera Andes (Cayman) Inc. ("MACI"), Minera Andes (Cayman 2) Inc. ("MACI2"), and Minera Andes (USA) Inc. ("MUSA"). Our investment in Minera Santa Cruz S.A. ("MSC"), an Argentine corporation, is accounted for by the equity method, whereby the Company records its investment and its 49% share of the income and expense of MSC. All significant intercompany transactions and balances have been eliminated from the consolidated financial statements.

#### b. Foreign Currency Translation

Our consolidated operations are integrated and balances denominated in currencies other than U.S. dollars are translated into U.S. dollars using the temporal method. This method translates monetary balances at the rate of exchange at the balance sheet date, non-monetary balances at historic exchange rates and revenues and expense items at average exchange rates. The resulting gains and losses are included in the statement of operations in the reporting period.

- c. **Cash and Cash Equivalents**  
We consider cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of three months or less. We place our cash and cash investments with institutions of high credit worthiness. At times, such investments may be in excess of federal insurance limits.
- d. **Mineral Properties and Deferred Exploration Costs**  
Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment. If put into production, the costs of acquisition and exploration will be depreciated over the life of the property, based on estimated economic reserves. Proceeds received from the sale of any interest in a property will first be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration costs will be written off to operations. On a quarterly basis, we evaluate the future recoverability of our mineral properties and deferred exploration costs.
- e. **Investment**  
Investments, over which we exert significant influence, are accounted for using the equity method. Under this method, our share of the earnings and losses is included in operations and our investment therein is adjusted by a like amount. Where in management's opinion there has been a loss in value that is other than a temporary decline, the carrying value is reduced to estimated realizable value.
- f. **Equipment and Depreciation**  
Equipment is recorded at cost, and depreciation is provided on a declining - balance basis over their estimated useful lives of up to five years at an annual rate of up to 40% to a residual value of 10%.
- g. **Share Issue Costs**  
Commissions paid to underwriters on the issuance of our shares are charged directly to share capital. Other share issue costs, such as legal, accounting, auditing and printing costs, are charged to accumulated deficit.
- h. **Accounting for Income Taxes**  
Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax assets and liabilities are measured using tax rates and laws that are expected to apply when the temporary differences are expected to reverse.
- i. **Basic and Diluted Loss Per Common Share**  
Basic loss per share ("LPS") is calculated by dividing net loss applicable to common shareholders by the weighted-average number of common shares outstanding for the year. Diluted LPS reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock.



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For the years ended December 31, 2004 and 2003, potentially dilutive common shares (relating to options and warrants outstanding at year end) totaling 25,031,259 (2003 - 17,561,500) were not included in the computation of loss per share because their effect was anti-dilutive.

j. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates based on information available at the time, and assumptions that

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affect the reported amount of assets, particularly the recoverability of mineral properties and deferred exploration expenses, and the recording of liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates.

k. Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, receivables, accounts payable and accruals, bank loan interest payable and due to related parties, approximate their fair values due to the short term nature of the instruments. The fair value of the bank loan equals its carrying value since the debt agreement was entered into during December 2004. The fair value of the investment was not practical to determine. Unless otherwise noted, it is management's opinion that we are not exposed to significant foreign currency or other risks arising from these financial instruments.

l. Stock Based Compensation

Effective January 1, 2004 we adopted on a retroactive basis without restatement, the new recommendations of CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments", which requires companies to adopt the fair value method for all stock-based awards granted on or after January 1, 2002. Previously we used the intrinsic value method of accounting for stock options granted to employees and directors (for services rendered as a director) whereby we were only required to disclose the pro forma effect of stock options granted to the above noted parties in the notes to the financial statements. The effect of this change in accounting policy was to increase the accumulated deficit at January 1, 2004 by \$678,569 with a corresponding increase to contributed surplus.

m. Asset Retirement Obligations

Effective January 1, 2004, we adopted CICA 3110, "Asset Retirement Obligations" which requires us to record the fair value of an asset retirement obligation as a liability in the period in which it incurred a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. The obligation is measured initially at fair value using present value methodology, and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability will be adjusted for any changes in the amount or timing of the underlying future cash flows. Capitalized asset retirement costs are depreciated on the same

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basis as the related asset and the discounted accretion of the liability is included in determining the results of operations.

There is no material impact on the consolidated financial statements resulting from the adoption of section 3110 in the current or prior periods presented.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	2004	2003
Cash on hand - US dollar denominated bank accounts	\$ 1,704,662	\$ 205,
Cash on hand- Canadian dollar denominated bank account	87,784	2,033,
(Overdraft) - Argentina Peso denominated bank account	(65,626)	(4,
	\$ 1,726,820	\$ 2,234

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### 4. MINERAL PROPERTIES, DEFERRED EXPLORATION COSTS AND INVESTMENTS

At December 31, 2004, we, through our subsidiaries and investment, hold interests in a total of approximately 203,562 hectares of mineral rights and mining lands in three Argentine provinces. Under our present acquisition and exploration programs, we are continually acquiring additional mineral property interests and exploring and evaluating our properties. If, after evaluation, a property does not meet our requirements, then the property and deferred exploration costs are written off to operations. All properties in Argentina are subject to a royalty agreement as disclosed in Note 8. Mineral property costs and deferred exploration costs, net of mineral property option proceeds, are as follows:

#### 2004 COSTS BY PROPERTY

Description	San Juan Cateos	Santa Cruz Cateos	Chubut Cateos	Gen Explo
Balance, beginning of year	\$ 378,806	\$ 393,886	\$ 142,607	\$
Assays and analytical	31,093	81,331	--	
Construction and trenching	2,491	170	--	
Consulting fees	7,067	35,012	10,182	

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Depreciation	--	--	--
Drilling	263,469	645	--
Equipment Rental	132,688	43,337	--
Geology	164,738	539,224	2,529
Legal	--	220	--
Maintenance	3	15,217	--
Materials and supplies	2,537	28,192	244
Project overhead	5,153	9,399	562
Property and mineral rights	10,660	60,770	17,301
Telephone	2,844	10,158	20
Travel	7,965	54,006	495
Wages and benefits	12,463	26,618	--
Overhead allocation	43,422	283,858	6,273
Balance, end of year	\$ 1,065,399	\$ 1,582,043	\$ 180,213

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2003 COSTS BY PROPERTY

Description	San Juan Cateos	San Jose	Santa Cruz Cateos	Chubut Cateos	Neuquen Cateos	Rio Ca
Balance, beginning of year	\$ 327,959	\$2,389,526	\$ 552,936	\$ 246,154	\$ 6,852	\$
Assays and analytical	223	--	1,548	3,759	--	
Administration fees	--	11,180	--	--	--	
Construction and trenching	15,733	--	--	--	--	
Consulting fees	484	74,381	15,273	14,773	671	
Geology	17,785	4,000	32,523	7,812	--	
Insurance	--	--	--	--	--	
Legal	--	29,230	--	--	--	
Maintenance	--	1,052	884	--	--	

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Materials and supplies	16	54	383	412	--	
Project overhead	36	1,971	1,825	764	--	
Property and mineral rights	15,622	--	2,833	1,228	--	
Telephone	130	2,068	429	179	--	
Travel	515	55,403	4,885	1,671	--	
Wages and benefits	--	74,532	--	--	--	
Write-off of abandoned properties	(7,960)	--	(236,294)	(150,381)	(7,607)	(
Overhead allocation	8,263	77,583	16,661	16,236	84	
Outside investment	--	(400,000)	--	--	--	
Deferred costs, contributed to MSC	--	(2,320,980)	--	--	--	
Balance, end of year	\$ 378,806	\$ --	\$ 393,886	\$ 142,607	\$ --	\$

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a. San Juan Project

The San Juan Province project comprises six properties totaling 20,900 hectares ("ha") (2003 - 37,568 ha) in southwestern San Juan province. At present, these lands are not subject to a royalty; however, the government of San Juan has not waived its rights to retain up to a 3% "mouth of mine" royalty from production. Land holding costs for 2005 are estimated at \$1,616.

Expenditures in 2004 largely relate to land maintenance and an exploration program at the Los Azules project, which is expected to continue through 2005.

b. San Jose Project (Investment in MSC)

The investment in Minera Santa Cruz S.A. is comprised of the following:

	2004	2003
Investment in MSC, beginning of year	\$ 4,063,127	\$ --
Plus:		
Deferred costs contributed to MSC	--	2,320,980

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Deferred costs incurred	196,993	--
Advances during the year	3,906,069	1,742,147
Option agreement proceeds	(400,000)	--
Loss from equity investment	(420,349)	--
	\$ 7,345,840	\$4,063,127
	\$ 7,345,840	\$4,063,127

As MSC is a private company, the fair value of the investment is not reasonably determinable.

The San Jose project area is made up of one cateo and 46 manifestations of discovery totaling 40,499 ha. The cateos are located in the western half of the province of Santa Cruz. All of the cateos are controlled 100% by Minera Santa Cruz S.A. ("MSC"), a holding and operating company set up under the terms of an agreement with Mauricio Hoschschild & Cia. Ltda. ("MHC"). Any production from these lands may be subject to a provincial royalty. Holding costs for 2005 are estimated to be \$3,100.

In October of 2000, following completion of a 30-day due diligence period under a memorandum of understanding, MHC exercised an option to enter into a joint venture ("JV") on the project.

On March 15, 2001, we signed an option and joint venture agreement with MHC for the exploration and possible development of Minera Andes' epithermal gold-silver exploration land package at El Pluma/Cerro Saavedra (now referred to as San Jose), including Huevos Verdes.

Under the agreement, in July 2003 MHC earned a 51% ownership in the JV by spending a total of \$3 million, including a minimum of \$100,000 per year on exploration targets within the JV, other than Huevos Verdes, the most advanced prospect. In addition, MHC is making semiannual payments totaling \$400,000 per year until pilot plant production is achieved. To date, MHC has made all required payments.

Following MHC's vesting at 51% ownership; Minera Andes opted to participate in the development of the project on a pro-rata basis.

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In the fourth quarter of 2003, we notified MHC of our intent to subscribe for additional equity in MSC, so as to maintain a 49% interest. We made payments of \$3.9 million and \$1.7 million in 2004 and 2003, respectively, to fund our 49% interest in the project.

As a result of the fact that we do not control the JV, we are accounting for this investment under the equity method. All costs, including those previously capitalized under "Mineral Properties and Deferred Exploration" relating to the San Jose project that were effectively contributed to the JV, have been reclassified to investment in 2003.

Expenditures in 2004 consisted of drilling, detailed topographic surveys, detailed mapping and sampling. Development work included completion of the shafts and additional work related to

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pre-feasibility and feasibility studies.

Subsequent to December 31, 2004, we made payments of \$2,009,000 to fund our 49% interest in the San Jose project.

c. Chubut Projects

We hold 20 (2003 - 15) manifestations of discovery in the Precordilleran region of Chubut, totaling 19,900 hectares. In August 2000, we signed an agreement with Brancote Holdings PLC subsidiaries to purchase two of our Chubut gold exploration properties. The agreements covered the Willimanco, Leleque and Leon properties. All required payments pursuant to the agreements had been received by December 31, 2001 and in November 2002, we negotiated a buy-out of these Chubut properties with Meridian Gold Inc. (surviving entity of Brancote Holdings PLC merger) for \$204,000 (Argentina Peso\$720,000) and \$56,700 (Argentina Peso\$200,000), resulting in a gain of \$898,241.

Expenditures in 2004 relate to an ongoing reconnaissance exploration program on lands acquired in 2002. A similar level of expenditure is planned for 2005. Land holding costs for 2005 are estimated at \$2,020.

d. Santa Cruz Projects

We currently control 20 (2003 - 17) cateos and 57 (2003 - 30) manifestations of discovery totaling 122,263 (2003 - 80,398) ha in the Santa Cruz province. Land holding costs for 2005 are estimated at \$3,819. We have been actively exploring in the region since 1997. The properties have been acquired on the basis of geologic and geochemical reconnaissance. Expenditures in 2004 relate to land acquisition and reconnaissance geologic surveys on the acquired properties. Geologic evaluation of these grassroots targets is ongoing.

e. Write-Off of Mineral Property and Deferred Exploration Costs

Having completed an impairment review, we did not write-off any mineral property and deferred exploration costs in 2004 (2003 - \$422,112).

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5. EQUIPMENT

	December 31, 2004			December 31, 2003	
	Cost	Accumulated Depreciation	Net	Cost	Accumulat Depreciat
Field Equipment	\$ 96,049	\$ 34,186	\$ 61,863	\$ 83,451	\$ 26,000
Office Equipment	77,343	41,551	35,792	60,232	28,000
Total	\$ 173,392	\$ 75,737	\$ 97,655	\$ 143,683	\$ 55,000
	=====	=====	=====	=====	=====

6. BANK LOAN

In December 2004, we secured a two-year loan facility of up to \$4 million

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from Macquarie Bank Limited ("Macquarie"). All amounts advanced are due in December 2006. This facility is to be provided in two tranches to fund our 49% portion of the costs of completing a bankable feasibility study and related development work for the San Jose/Huevos Verdes gold/silver project in Argentina.

The commercial terms of the loan include a facility fee of 1.5% of the principal amount of each tranche at the time of the advance and interest of LIBOR plus 2% per year, currently totaling approximately 4.1% per year. In addition, we issued share purchase warrants to acquire 2,738,700 of our Common Shares at an exercise price of Cdn\$0.91 per share (Note 7 (d)). The warrants exercise price was calculated at a 20 percent premium to the volume weighted average of our common stock determined from the ten business days prior to acceptance of the loan facility. Each warrant is exercisable for two years. Additional share purchase warrants may be issued in regard to the second tranche of US\$2.0 million, on terms calculated in a similar manner at that time, upon fulfillment of conditions precedent for that tranche. The loan is collateralized by our interest in Minera Andes S.A., our 49% interest in MSC, and personal property.

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield - Nil; risk free interest rate - 3.53%; expected volatility of 62% and an expected life of 24 months. The difference between the allocated fair value and the face value of the debt of \$346,200 was initially recorded as a debt discount with a corresponding entry to contributed surplus. The debt discount will be accreted to interest expense over the term of the debt using the effective interest rate method. No amount of the discount was accreted in 2004 since the debt agreement only became effective in December 2004. The accretion of the debt discount will begin in January 2005.

We received \$1,000,000 of the first tranche in December 2004 and the remaining \$1,000,000 of the first tranche in February 2005. The bank loan and debt discount are summarized as follows:

	Face Amount	Discount	Carrying Value
Bank loan, initial tranche, being the balance at December 31, 2004	\$1,000,000	\$ 346,200	\$ 653,800

As at December 31, 2004, interest expense incurred of \$3,913, and the facility fee of \$30,000 were capitalized to the Investment in MSC (Note 4 (b)).

### 7. SHARE CAPITAL

#### a. Authorized

We have authorized capital of an unlimited number of Common Shares, with no par value, and an unlimited number of preferred shares, with no par value.

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b. Issued, Allotted and/or Subscribed:

	Number of Shares
	-----
Common shares issued:	
Issued for cash on incorporation	1
Issued for acquisition of subsidiaries	4,000,000
Subscriptions received for private placement	--
Balance, December 31, 1994	----- 4,000,001
Issued for cash (Cdn\$0.10 each)	1,000,000
Issued for cash (Cdn\$0.40 each)	2,345,094
Issued for cash (Cdn\$1.00 each)	3,031,000
Issued for finder's fee	150,000
Issued for services	168,000
Issued for subsidiary	336,815
Subscriptions applied	--
Balance, December 31, 1995	----- 11,030,910
Issued for cash (Cdn\$1.50 each)	1,433,333
Issued for broker special warrants	90,400
Issued for cash (Cdn\$3.42 each)	877,194
Issued to N.A. Degerstrom, Inc.:	
For cash (Cdn\$1.44 each)	500,000
For cash on exercise of warrants (Cdn\$1.75 each)	500,000
Issued for cash on exercise of warrants (Cdn\$1.80 each)	67,500
Subscriptions received for private placement	--
Balance, December 31, 1996	----- 14,499,337
Issued for cash on exercise of warrants (Cdn\$1.80 each)	1,271,233
Issued for cash (private placement-Cdn\$2.10 each)	3,370,481
Subscriptions applied	--
Issued for cash on exercise of options (Cdn\$1.44 each)	75,000
	-----



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	Number of Shares
Balance, December 31, 1997	19,216,051
Issued for cash on exercise of warrants (Cdn\$1.60 each)	720,383
Issued for cash on exercise of options (Cdn\$1.15 each)	15,000
Issued for cash on exercise of warrants (Cdn\$1.53 each)	438,597
Balance, December 31, 1998	20,390,031
Issued for cash (by prospectus Cdn\$0.25 each)	3,214,540
Issued for broker's fees	128,582
Balance, December 31, 1999	23,733,153
Issued for cash (by prospectus Cdn\$0.25 each)	5,985,460
Issued for broker's fees	191,418
Issued for cash on exercise of options (Cdn\$0.55 each)	90,000
Subscriptions received for private placement	--
Balance, December 31, 2000	30,000,031
Issued for cash on exercise of options (Cdn\$0.25 each)	46,000
Balance, December 31, 2001	30,046,031
Issued for cash on exercise of options (Cdn\$0.16 each)	91,500
Issued for cash (private placement Cdn\$0.15 each)	4,416,667
Issued for exercise of special warrants	1,175,000
Issued for cash on exercise of warrants (Cdn\$0.25 each)	1,175,000
Balance, December 31, 2002	36,904,198
Issued for cash on exercise of options	345,000
Issued for cash on exercise of warrants	50,000
Issued for cash on exercise of broker warrants	441,667
Issued for cash (private placement Cdn\$0.30 each)	22,000,000
Balance, December 31, 2003	59,740,865
Issued for cash on exercise of options	330,000
Issued for cash on exercise of warrants	648,375

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Issued for cash on exercise of broker warrants	867,566
Issued for cash (private placement Cdn\$0.65 each)	10,000,000
	-----
Balance, December 31, 2004	71,586,806
	=====

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- i. On November 13, 2003, we sold 22,000,000 units to accredited investors at a price of Cdn\$0.30 per unit for net proceeds of Cdn\$6,138,000 (US\$4,674,790). Each unit consisted of one common share and one-half of one common share purchase warrant. One whole common share purchase warrant entitles the holder to purchase one additional common share at an exercise price of Cdn\$0.50 per share for a period of 60 months from the closing date.

The agents received a cash commission of 7% of the gross proceeds of the financing. The agents also received agents' warrants equal to 10% of the aggregate number of units sold pursuant to the offering. Each agents' warrant upon exercise will entitle the holder to acquire one common share at an exercise price of Cdn\$0.35 per common share for a period of 24 months from the date of issue. A total of 22,000,000 common shares have been issued pursuant to the private placement, and 11,000,000 common shares have been reserved for issuance on exercise of the warrants. In addition, 2,200,000 common shares have been reserved for issuance on the exercise of the agents' warrants.

- ii. During 2003, we issued 345,000 shares for the exercise of stock options, 50,000 shares for exercise of purchase warrants and 441,667 shares for the exercise of broker warrants (from a June 25, 2002 financing), with gross proceeds to the Company of \$126,660.

- iii. On March 12, 2004, we sold 10,000,000 units to accredited investors at a price of Cdn\$0.65 per unit for net proceeds of Cdn\$5,929,908 (US\$4,545,455). Each unit consisted of one common share and one-half of one common share purchase warrant. One whole common share purchase warrant entitles the holder to purchase one additional common share at an exercise price of Cdn\$0.80 per share for a period of 18 months from the closing date. The issued securities were subject to a four-month hold period.

The agents received a cash commission of 7% of the gross proceeds of the financing. The agents also received agent's warrants equal to 10% of the aggregate number of units sold pursuant to the offering. Each agent's warrant upon exercise will entitle the holder to acquire one common share at an exercise price of Cdn\$0.80 per common share for a period of 18 months from the date of issue. A total of 10,000,000 common shares were issued pursuant to the private placement, and 5,000,000 common shares are reserved for issuance on exercise of the warrants and 1,000,000 common shares are reserved for issuance on the exercise of the agent's warrants.

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- iv. During 2004, we issued 330,000 shares for the exercise of stock options; 648,375 shares for the exercise of 1,296,750 purchase warrants and 867,566 shares for the exercise of broker warrants for net proceeds of \$568,411.
- v. Subsequent to December 31, 2004, we issued 22,500 common shares for the exercise of 45,000 purchase warrants and 65,000 shares for the exercise of broker warrants for net proceeds of \$27,894.

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### c. Stock Options

The aggregate number of shares to be delivered upon exercise of all options granted under our stock option plan ("the Plan") shall not exceed 20% of our issued and outstanding Common Shares up to a maximum of 6,000,000 shares. No participant may be granted an option under the Plan which exceeds the number of shares permitted to be granted pursuant to rules or policies of any stock exchange on which the Common Shares is then listed.

Under the Plan, the exercise price of the shares covered by each option shall be determined by the directors and shall not be less than the closing price of our Common Shares on the stock exchange or stock exchanges on which the shares are listed on the last trading day immediately preceding the day on which the stock exchange is notified of the proposed issuance of option, less any discounts permitted by the policy or policies of such stock exchange or stock exchanges. If an option is granted within six months of a public distribution of our Common Shares by way of prospectus, then the minimum exercise price of such option shall, if the policy of such stock exchange or stock exchanges requires, be the greater of the price determined pursuant to the provisions of the Plan and the price per share paid by the investing public for our Common Shares acquired by the public during such public distribution, determined in accordance with the policy of such stock exchange or stock exchanges. Options granted under the Plan will not be transferable and, if they are not exercised, will expire one (1) year following the date the optionee ceases to be a director, officer, employee or consultant of Minera Andes Inc. by reason of death, or ninety (90) days after ceasing to be a director, officer, employee or consultant of Minera Andes Inc. for any reason other than death. Options vest immediately, except for options granted for investor relations related work which vest 25% each three-month period from the date of grant.

At December 31, 2004, 309,000 (2003 - 929,000) options were available for grant under the Plan.

A summary of the status of our stock option plan as of December 31, 2004 and 2003, and changes during the years ended on those dates is:

2004

-----  
(Cdn)  
Weighted  
Ave.

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	Options -----	Exercise Price -----	Options -----
Outstanding at beginning of year	4,408,500	\$0.47	2,848,500
Granted	1,650,000	\$0.55	2,240,000
Exercised	(330,000)	\$0.32	(345,000)
Forfeited	(1,030,000)	\$0.55	(335,000)
	-----	-----	-----
Outstanding at end of year	4,698,500	\$0.49	4,408,500
	=====	=====	=====
Exercisable at end of year	4,608,500	\$0.49	4,361,500
	=====	=====	=====
Weighted average grant-date fair value of options granted during the year		\$0.39	
	=====	=====	=====

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The range of exercise prices is from Cdn\$0.16 to Cdn\$0.61 (2003 - Cdn\$0.16 to Cdn\$0.59) with a weighted average remaining contractual life of 4.3 years at December 31, 2004 (2003 - 3.9 years).

At December 31, 2004 there were options held by directors, officers and employees for the purchase of our Common Shares as follows:

Number of Shares -----	Exercise Price -----	Expiry Date -----
253,500	Cdn\$0.16	August 28, 2005
715,000	Cdn\$0.40	June 27, 2007
25,000	Cdn\$0.36	August 27, 2008
1,500,000	Cdn\$0.59	December 5, 2008
100,000	Cdn\$0.50	March 29, 2009
1,500,000	Cdn\$0.55	September 10, 2009
50,000	Cdn\$0.61	December 14, 2009
555,000	Cdn\$0.31	March 21, 2013
-----		
4,698,500		

Prior to January 1, 2004, Canadian generally accepted accounting principles only required disclosure of compensation expense for the stock option plan as if the value of all options granted had been determined based on the fair market value-based method. The Company's net loss for the prior period and net loss per common share would have been increased to the pro forma amounts below had the fair value based method, adopted as at January 2004, been followed:

Loss applicable to common shareholders:	2004	2003
---	------	------

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As reported	\$ 2,058,905	\$ 1,459,498
Stock-based employee compensation expense determined under fair value based method for all awards not included in net loss	--	508,697
Pro forma	\$ 2,058,905	\$ 1,968,195

Loss applicable to common shareholders per share:

As reported	\$ 0.03	\$ 0.04
Pro forma	\$ 0.03	\$ 0.05

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants.

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	2004	2003
Dividend yield (%)	--	--
Expected volatility (%)	86.6	97.6
Risk-free interest rates (%)	3.5	3.5
Expected lives (years)	5.0	6.6

In connection with the vesting of certain non-employees, employees and directors stock options, we have recorded stock option compensation of \$478,020 (\$302,614 to wages and benefits and \$175,406 to consulting fees) and \$127,516 (to consulting fees) during the twelve months ended December 31, 2004 and 2003, respectively.

d. Warrants

	2004		2003
	Warrants	Cdn Wgt. Avg. Exercise Price	Warrants
Outstanding and exercisable at beginning of year	13,200,000	\$0.49	4,858,334
Purchase warrants	7,738,700	\$0.82	11,000,000
Brokers' warrants	1,000,000	\$0.80	2,200,000
Forfeited	--	--	(4,366,667)
Exercised	(1,515,941)	\$0.44	(491,667)
Outstanding and exercisable			

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at end of year	20,422,759	\$0.62	13,200,000
	=====	=====	=====

The range of exercise prices on outstanding warrants is Cdn\$0.35 to Cdn\$0.91 (2003 - Cdn\$0.35 to Cdn\$0.50) with a weighted average contractual life of 2.64 years at December 31, 2004 (2003 - 4.0 years).

### 8. AGREEMENTS, COMMITMENTS AND CONTINGENCIES

- a. Mineral rights in Argentina are owned by the federal government and administered by the provinces. The provinces can levy a maximum 3% "mouth of mine" (gross proceeds) royalty. The provinces of Mendoza and Neuquen have waived their right to a royalty. The provinces of Rio Negro, San Juan, Santa Clara and Chubut have not yet established a policy regarding the royalty.
- b. We rent office space in Spokane, Washington for \$2,060 per month with a commitment through November 2005.
- c. We rent office space in Vancouver, British Columbia, Canada for \$738 per month, without a commitment.

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- d. We rent office space in Argentina for \$345 per month with a commitment through August 2006.
- e. We rent a storage space in Argentina for \$276 per month with a commitment through December 2006.
- f. On December 2, 2003, we signed an agreement that obligated us to pay N.A. Degerstrom ("Degerstrom") a royalty of \$250,000 if any of the current properties, other than the properties comprising the San Jose project, meet certain conditions such as bankable feasibility or commercial production prior to December 2, 2013.
- g. During 2004, MSC signed agreements with third party providers relating to a feasibility evaluation, camp construction and communication services which will be completed or fulfilled during 2005. Our 49 percent portion of these commitments is \$444,320.
- h. During 2004, MSC signed capital lease agreements with a third party for the provision of four scoops and related maintenance service which will be completed or fulfilled during 2005. Our 49 percent portion of these commitments is \$115,220.
- i. In March 2005, MSC discovered an alleged employee fraud committed by the former purchasing manager during the period June 2004 through March 2005. Respective to our 49% interest, the fraud amounted to approximately \$57,000 in 2004 and \$39,000 in 2005. MSC will vigorously pursue full recovery but the final amount recoverable is not certain at this time. Canadian accounting standards require a high level of certainty in recording a recovery on the balance sheet that is contingent on future events, as a result the full amount of the fraud

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for each year respectively, has been written off against our investment in MSC and is included in our loss from equity investment (Note 4(b)). Funds recovered in the future related to the fraud will be recorded if and when they are received.

### 9. RELATED PARTY TRANSACTIONS

- a. To December 31, 2003, under the terms of an Operating Agreement with Degerstrom, Degerstrom operated and managed the exploration program on all properties and provided related off-site administrative assistance, as required. Consideration was 15% of the costs incurred by Degerstrom on our behalf. Costs paid directly by us were not subject to the fee.

On January 13, 2004, we received approval from the TSX Venture Exchange regarding an agreement with Degerstrom dating from 1995, when Degerstrom's Argentina properties, equipment and data were put into Minera Andes in exchange for common stock. As approved by the TS 68 X Venture Exchange, the Operating Agreement with Degerstrom has been terminated at no cost, effective December 31, 2003. We also purchased back a production bonus that would have required the issuance of 1,213,409 common shares to Degerstrom when a bankable feasibility study was completed for a property and a royalty of up to a 2% net smelter return on all properties. We paid Degerstrom \$500,000 to terminate the production bonus and acquire the royalty. We will also pay \$250,000 to Degerstrom should any Minera Andes property, other than the advanced-stage Huevos Verdes silver/gold property, reach a production decision prior to December 2, 2013.

In the opinion of management, the value of royalty and production bonus acquired exceeded the exchange value; however, it was impractical to obtain independent evidence supporting valuation, accordingly, no valuation was obtained. The transaction was recorded at carrying value of nil, with the difference between the exchange and carrying value being charged against the deficit in 2003.

- b. During the year ended December 31, 2004, there were no administrative fees paid to Degerstrom. The Operating Agreement with Degerstrom was terminated effective December 31, 2003. During the year ended December 31, 2003, administrative fees were paid to Degerstrom of \$49,226 on total costs incurred by us of \$377,402.

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During 2004 and 2003, we incurred the following transactions with related parties: financial consulting to a director totaling \$nil and \$1,120; geological consulting to a director totaling \$nil and \$3,613, and legal fees to a firm in which a director and officer is an associate, totaling \$81,412 and \$112,019, respectively. The above noted transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 10. INCOME TAXES

Due to the losses we incurred, there is no income tax provision or benefit recorded for the years presented. The net future tax asset at December 31, 2004

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of approximately \$1,554,000 (2003 - \$1,215,000) is comprised only of net operating loss carryforwards which is totally offset by an identical valuation allowance. No future tax asset has been recognized due to the uncertainty of future realization.

We had Canadian non-capital losses available to carry forward to apply against future taxable income of approximately \$4.4 million expiring as follows:

2005:	\$454,000
2006:	706,000
2007:	537,000
2008:	365,000
2009:	450,000
2010:	1,089,000
2014:	839,000
	-----
	\$4,440,000
	=====

The tax benefit of net operating losses carried forward and the associated valuation allowance were reduced by approximately \$210,000 in 2004 (2003 - \$178,000) representing the tax effect of losses which expired during the year.

Major items causing our effective tax rate to differ from the statutory rate are as follows:

	December 31, 2004		December 31, 2003	
Income tax (benefit) at statutory rate	(\$721,000)	(35%)	(\$510,824)	(35%)
Change in statutory rate	--	--%	82,810	6%
Expiry from loss	210,000	10%	178,014	12%
Permanent difference	164,000	8%	270,000	18%
Changes in valuation allowance	347,000	17%	(20,000)	(1%)
	-----	-----	-----	-----
	\$ --	--%	\$ --	--%
	=====	=====	=====	=====

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### 11. COMPARATIVE FIGURES

Certain financial statement line items from prior years have been reclassified to conform with the current year's presentation. These reclassifications had no effect on the net income and accumulated deficit as previously reported.



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### 12. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

As discussed in Note 2, these financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Differences between Canadian and United States generally accepted accounting principles ("U.S. GAAP") as they apply to these financial statements are summarized as follows:

- a. Compensation Expense Associated with Release of Shares from Escrow Under U.S. GAAP, stock compensation expense is recorded as shares held in escrow become eligible for release based upon the number of shares eligible for release and the market value of the shares at that time. Under Canadian GAAP, no value is attributed to such shares released and no compensation expense is recorded. Shares become eligible for release from escrow based on deferred exploration expenditure in accordance with the Escrow Agreement and with the consent of the TSX Venture Exchange. During the years ended December 31, 2004 and 2003 and for the period from July 1, 1994 (commencement) through December 31, 2004, we would have recorded compensation expense of \$nil, \$nil and \$6,324,914 respectively, under U.S. GAAP.

- b. Mineral Properties and Deferred Exploration Costs  
The U.S. Securities and Exchange Commission staff has taken the position that a U.S. registrant without proven and probable economic reserves, in most cases, could not support the recovery of the carrying value of deferred exploration costs. Therefore, we have presented the effect of expensing all deferred exploration costs as a reconciling item between U.S. and Canadian GAAP.

As our investment in MSC is effectively an investment in a property without proven and probable reserves it has been expensed for U.S. GAAP purposes.

During 2003 we recorded, for Canadian GAAP purposes, the acquisition of royalty interests at carrying value, nil (Note 75 9 (a)). Under U.S. GAAP, the acquisition would be recorded at the \$500,000 exchange value; charged as a deferred exploration cost and expensed.

- c. Stock Based Compensation  
Effective January 1, 2004, we adopted, on a retroactive basis without restatement, the Canadian GAAP fair-value-based method for all stock-based awards granted on or after January 1, 2002. U.S. GAAP does not require the fair-value-based method to account for employee based options as of January 1, 2002. Since we granted options to employees in 2004, the retroactive adoption without restatement of the new Canadian requirements has created differences between Canadian and U.S. GAAP with respect to the net loss for the year ended December 31, 2004. There would however be no adjustment to retained earnings as well as contributed surplus at January 1, 2004 under U.S. GAAP as was required under Canadian GAAP.
- d. Warrants  
Under Canadian GAAP, no value was assigned to the warrants granted to the agents in connection with the private placement of 10,000,000 (2003 - 22,000,000) units which were issued in March 2004 and November 2003, respectively (Note 7). Under US GAAP, the warrants were valued on the closing date of the private placements, respectively, using the Black-Scholes option pricing model with the following weighted average assumptions:

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	Agent Warrants	
	2004	2003
Number of Warrants	1,000,000	2,200,000
Risk-free rate	2.73%	3.29%
Dividend yield	Nil%	Nil%
Volatility factor of the expected market price of the Company's common shares	60%	95%
Weighted average expected life of the warrants (months)	18	24
Value of warrants	\$ 72,761	\$ 446,472

The value of the agent warrants was charged against share capital as share issuance costs; the net effect on shareholders' equity was \$Nil (2003 - \$Nil).

e. Bank Loan

Under Canadian GAAP, the corresponding entry to record the debt discount of \$346,200 related to the warrants granted to Macquarie Bank in connection with a credit facility (Note 6) was to contributed surplus. Under US GAAP, as the Company is required to maintain its listed company status as part of the loan covenant, in accordance with EITF 00-19, the corresponding entry to record the debt discount is to a liability. This would result in total liabilities for US GAAP purposes to be \$1,261,181. Subsequently, the discount will be remeasured on each balance sheet date based on the fair value of the warrants with the adjustment charged to the Statement of Operations.

f. New Accounting Pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46) "Consolidation of Variable Interest Entities." In December 2003, the FASB issued a revision to this interpretation (FIN 46(r)). FIN 46(r) further clarifies the application of Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statements." FIN 46 clarifies the application of ARB No. 51 to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The adoption of FIN 46 in 2003 and the provisions then in effect, did not have a material effect on our consolidated financial statements. We adopted FIN 46(r) in its entirety for our consolidated financial statements ending December 31, 2004.

In December 2003, the FASB revised SFAS No. 132 "Employers' Disclosures about Pensions and Other Post-Retirement Benefits - an amendment of FASB Statements No. 87, 88, and 106." SFAS No. 132 has

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been revised to include additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit post-retirement plans. The revisions do not change the measurement or recognition of those plans required by existing standards. The adoption of revised SFAS No. 132 did not have a material effect on our consolidated financial statements.

In April 2004, the Financial Accounting Standards Board ("FASB") ratified Emerging Issues Task Force ("EITF") Issue No. 04-2, which amends Statement of Financial Accounting Standards ("SFAS") No. 141 "Business Combinations" to the extent all mineral rights are to be considered tangible assets for accounting purposes. There has been diversity in practice related to the application of SFAS No. 141 to certain mineral rights held by mining entities that are not within the scope of SFAS No. 19 "Financial Accounting and Reporting by Oil and Gas Producing Companies." The SEC staff's position previously was

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entities outside the scope of SFAS No. 19 should account for mineral rights as intangible assets in accordance with SFAS No. 142 "Goodwill and Other Intangible Assets." The adoption of EITF 04-02 has no effect on the consolidated financial statements.

In December 2004, the Financial Accounting Standards Board ("FASB") issued ("SFAS") No. 123 (revised 2004), "Share-Based Payment." SFAS No. 123(R) requires the Company to measure all employee stock-based compensation awards using a fair value method and record such expense in its consolidated financial statements. In addition, SFAS No. 123(R) requires additional accounting related to the income tax effects and additional disclosure regarding the cash flow effects resulting from share-based payment arrangements. For public entities that do not file as a small business issuer, SFAS No. 123(R) is effective for the first annual reporting period beginning after December 15, 2005.

In December 2004, FASB issued SFAS No. 153 to amend Opinion 29 by eliminating the exception for non-monetary exchanges of similar productive assets and replaces it with general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange is defined to have commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange.

The implementation of the not yet adopted U.S. standards is not expected to have a material effect on the Company's financial statements.

- g. Impact on Consolidated Financial Statements The impact of the above on the consolidated financial statements is as follows:

Dec. 31, 2004	Dec. 31, 2003
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Shareholders' equity, end of year, per Canadian GAAP	\$ 11,194,559	\$ 7,401,958
Adjustment for mineral properties and deferred exploration costs	(2,827,655)	(915,299)
Adjustment for investment	(7,345,840)	(4,063,127)
Adjustment for the debt discount	(346,200)	--
	-----	-----
Shareholders' equity, end of year, per US GAAP	\$ 674,864	\$ 2,423,532
	=====	=====

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	Year Ended	
	Dec. 31, 2004	Dec. 31, 2003
	-----	-----
Net loss for the period, per Canadian GAAP	\$ (2,058,905)	\$ (1,459,498)
Adjustment for acquisition of Scotia	--	--
Adjustment for compensation expense	302,614	--
Adjustment for deferred exploration costs, net	(1,912,356)	(199,831)
Adjustment for investment	\$ (3,282,713)	\$ (1,742,147)
	-----	-----
Net loss for the period, per U.S. GAAP	\$ (6,951,360)	\$ (3,401,476)
	=====	=====
Basic and diluted net loss per common share, per U.S. GAAP	\$ (0.10)	\$ (0.09)
	=====	=====

During 1995, we issued 336,814 Common Shares for the acquisition of Scotia Prime Minerals, Incorporated ("Scotia"). Under U.S. GAAP, these shares would be valued at \$248,590, the fair market value of the shares issued. This value, plus the \$17,215 of net liabilities of Scotia assumed by the Company, would have been recorded as property rights at the acquisition date under U.S. GAAP.

We continue to account for stock-based compensation awarded to employees using the intrinsic method. Consequently, related pro-forma

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information as described in SFAS No. 123 has been disclosed, as follows:

	Year Ended	
	Dec. 31, 2004	Dec. 31, 2003
Net loss for the period under U.S. GAAP as reported	\$ (6,951,360)	\$ (3,401,476)
Deduct: Total stock-based employee compensation expense determined under fair-value-based method for all awards.	(302,614)	(508,697)
	\$ (7,253,974)	\$ (3,910,173)
Pro-forma net loss for the period	=====	=====
Basic and diluted net loss per common share - pro-forma	\$ (0.11)	\$ (0.10)

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model with assumptions as disclosed in Note 7.

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### 13. SUBSEQUENT EVENTS

- a. On March 11, 2005, we issued 224,748 common shares for the exercise of broker warrants for net proceeds of \$65,312.
- b. On March 9, 2005, we received a \$200,000 payment on the option agreement entered into with MHC, the majority shareholder of the Argentine Corporation formed to develop the San Jose project.
- c. On March 22, 2005, we issued 18,180,450 units through a private placement at a price of Cdn\$0.55 per unit for gross proceeds of approximately Cdn\$10 million.

Under terms of the offering, each unit will consist of one common share and one-half of one common share purchase warrant. One whole common share purchase warrant will entitle the holder to purchase one additional common share at an exercise price of Cdn\$0.70 per share for a period of 60 months from the closing date. The private placement is subject to receiving regulatory approval and issued securities are subject to a four-month hold period.

Our agents will receive a 7% commission and agents' warrants equal to 7% of the aggregate number of units issued pursuant to the offering. Each agents' warrant upon exercise will entitle the holder to acquire one common share at an exercise price of Cdn\$0.70 per common share for a period of 24 months from the date of issue.

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### ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

#### ITEM 8A. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching our desired disclosure control objectives. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our President and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in reaching that level of assurance.

As of the end of the period being reported upon, we carried out an evaluation, under the supervision and with the participation of management, including our President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

#### ITEM 8B. OTHER INFORMATION

None.

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## PART III

### ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Information with respect to our directors, executive officers and significant employees is set forth below.

Name	Age	Positions Held
Allen Ambrose	48	President and Director
Brian Gavin	51	Vice-President of Exploration, Director of MASA
Jorge Vargas	63	Director and President of MASA & MSC
Gary Craig	56	Director
John Johnson Crabb	79	Director
A.D. (Darryl) Drummond	68	Director

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Bonnie L. Kuhn

39 Secretary, CFO and Director

Allen Ambrose, President and Director, has 25 years of experience in the mining industry and has been a director of Minera Andes since November 1995. Mr. Ambrose was employed by Degerstrom from 1988 to 2003. Prior to joining Degerstrom, Mr. Ambrose was a geologist for Cyprus Minerals, Kidd Creek Mines, Molycorp, Boise Cascade and Dennison Mines. Mr. Ambrose has extensive experience in all phases of exploration, project evaluation and project management and has worked as a geologist consultant in the U.S., Venezuela and most recently Argentina. He holds a B.Sc. degree in Geology from Eastern Washington University. While consulting for Gold Reserve Corporation, he was a co-discoverer of the auriferous massive sulfide exposure that led to their acquisition of the Brisas project in Venezuela. Mr. Ambrose sat on the board of directors of Cadre Resources Ltd. until March 2001 and has been a director of Saxony Explorations Ltd. and Kaieteur Resource Corporation since July 2002.

Brian Gavin, Vice President of Exploration, Director of MASA, has 25 years of experience in exploration geology. Mr. Gavin has extensive experience in all phases of exploration, project evaluation and project management in the search for precious and base metals, industrial minerals and has worked in the field as project manager and consultant in the U.S., Mexico, Nigeria, Argentina and most recently, in Romania. He holds a B. Sc. (Honours) degree in Geology from the University of London and M. S. degree in Geology and Geophysics from the University of Missouri-Rolla. From 1981 to 1993, he was a consultant with Ernest K. Lehman & Associates, which is a geological mining consulting firm. From 1993 to 2003, he was employed by Degerstrom. Mr. Gavin has served as an officer and director of Franconia Minerals Corporation since June 2001.

Jorge Vargas, President and Director of MASA and MSC, received his law degree in 1967 from the National University of Buenos Aires, Argentina. He has been in private practice since 1967. Dr. Vargas also studied mining law at the Law Faculty of the University of Mendoza and was on the organizing committee of the First International Water Rights Conference in Mendoza in 1968. Dr. Vargas is a registered attorney in the provinces of Mendoza and San Juan, and at the Federal level.

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Gary A. Craig, Director, has been a director since April 12, 2002. Mr. Craig has a degree in Civil Engineering and is currently Vice President of Operations for N.A. Degerstrom, Inc. His responsibilities for Degerstrom include managing 350 employees at various job sites throughout the U.S. and Argentina. Before his employment with Degerstrom, Mr. Craig worked 27 years for Dravo Corporation. The last 20 years with Dravo he worked as project manager for a phosphate mining operation, where he oversaw 100 employees.

John Johnson Crabb, Director, graduated from the University of British Columbia in 1951 with a Masters Degree in Geology and has been a director of Minera Andes since November 1995. He was a director of Inland Resources, Inc. from 1985 to November 1995. Mr. Crabb was the director of Pegasus Gold Inc. and Vice President of Exploration for Crowsnest Resources Ltd., a wholly owned subsidiary of Shell Canada.

A.D. (Darryl) Drummond, Director, is a Ph.D. and a professional engineer and has been a director of Minera Andes since June 1996. He graduated from the University of British Columbia with a B.A.Sc. in Geological Engineering in 1959 and with a M.A.Sc. in 1961. He obtained his Doctorate degree in 1966 from the University of California at Berkeley. As an undergraduate and graduate, he worked with Kennco Explorations (Western) Ltd. during the period 1958 to 1961.

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He has been associated with the Placer Development Group of Companies since 1963, first with Craigmont Mines Ltd., then Endako Mines and Gibraltar Mines. At the Placer head office since 1967, he initially was a Research Geologist and then Assistant Exploration Manager, Western Canada, for Canex Placer Ltd. During 1977 to 1979, he was Manager of Placer Development y Cia. Ltda. in Santiago, Chile, then returned to the position of Research Geologist with the Technical Services Advisory Group for the Placer Group of Companies in Vancouver. On March 1, 1981, he and David Howard became principals in a mineral exploration management firm called D.D.H. Geomanagement Ltd. with offices in Vancouver, British Columbia. Since 1981, consulting tasks have concentrated on all aspects of mineral deposit evaluation covering precious metal, base metal and industrial mineral types in such countries as Argentina, Canada, Chile, China, Costa Rica, Ecuador, Guyana, Mexico, Philippines, United States of America and Venezuela. He is a member of the Society of Economic Geology and a member of the Geology Section of the Canadian Institute of Mining and Metallurgy. He was the President of D.D.H. Geomanagement from 1981 to November 10, 2004; director of Cadre Resources Ltd. from November 1994 to February 1995; director of All North Resources Ltd. from May 1995 to July 9, 1996; and director of International All-North Resources Ltd. from July 10, 1996 to December 23, 1998; director of The Quinto Mining Corporation from September 11, 1996 to August 10, 1997; director of Riverdance Resources Corporation from January 1998 to December 15, 1998; director of Kaieteur Resources Corporation from December 23, 1998 to January 12, 2005; director of Saxony Explorations Ltd. from February 2000 to September 24, 2003; and director of Valerie Gold Resources from November 6, 1998 to March 27, 2003; director of Valgold Resources Ltd. from March 27, 2003 to present; director of Wollasco Minerals Inc. from October 12, 2004 to December 16, 2004; director of Gold Port Resources Ltd. from December 16, 2004 to present, and director of Samba Gold Inc. from January 12, 2005 to present.

Bonnie L. Kuhn, Secretary, Chief Financial Officer and Director, has been the Secretary and a director of Minera Andes since June 1997 and has been Chief Financial Officer since May 2000. From July 2001 to January 2005, Ms. Kuhn was a senior associate of Field LLP, Barristers and Solicitors. She had been a solicitor with the firm Ogilvie and Company, Barristers and Solicitors, Calgary, Alberta, from January 1994 to December 31, 1998. Ogilvie and Company of Calgary changed its name to Armstrong Perkins Hudson LLP in 1999. From January 1, 1999 to June 2001, Ms. Kuhn was a partner with Armstrong Perkins Hudson. From August 1993 to December 1994, Ms. Kuhn was a Crown prosecutor with the Government of Alberta, Department of Justice. Ms. Kuhn is a member of the Law Society of Alberta and the Canadian Bar Association. She obtained her LLB from the University of Manitoba in 1989. Ms. Kuhn was a director of Talon Petroleum Ltd., an oil and gas exploration company, from September 1997 to September 1999. Ms. Kuhn was a director of Tajzha Ventures Ltd., an oil and gas exploration company from October 2000 to April 2005. Ms. Kuhn is an officer and director of Franconia Minerals Corporation.

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We have five directors, two of whom are executive officers. Directors serve terms of one year or until their successors are elected or appointed. No remuneration of any kind has been paid to any director, in their capacity as such, and there is no intention that they will be remunerated in that capacity in the immediate future. We reimburse expenses incurred by directors in connection with their activities on our behalf.

Section 16(a) Beneficial Ownership Reporting Compliance



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Based on the exemption in Exchange Act Rule 3a12-3(b), this item does not apply because Minera Andes is, and at all times during the applicable reporting period has been, a foreign private issuer as defined in Exchange Act Rule 3b-4.

### Code of Ethics

At this time, we have not adopted a formal code of ethics that applies to our President and Chief Financial Officer. We have, however, followed an informal code of ethics requiring Board of Director approval of any transaction in which our President or our Chief Financial Officer has a material interest. We believe this procedure reasonably deters material wrongdoing and promotes honest and ethical conduct from our executive officers.

We plan to adopt a formal code of ethics during the current year. After adopting a formal code of ethics, we intend to disclose substantive amendments to and waivers from that code of ethics on our Web site at <http://www.minandes.com>.

### ITEM 10. EXECUTIVE COMPENSATION

#### Summary of Executive Compensation

The following table sets forth compensation paid, directly or indirectly, by Minera Andes during the last fiscal year for services rendered by Allen Ambrose, President, and Brian Gavin, Vice President of Exploration ("Named Executives").

Summary Compensation Table

Executive	Fiscal Year	Annual Compensation		Long Term
		Salary (\$)	Other Annual Compensation (\$)	
Allen Ambrose (1) President	2004	109,236	15,085 (2)	
	2003	109,236	12,013	
	2002	87,444	9,903	
Brian Gavin (1) Vice President of Exploration	2004	109,236	15,382 (3)	
	2003	109,236	12,013	
	2002	87,444	9,903	

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#### Notes:

(1) For Fiscal Years 2003 and prior, Allen Ambrose and Brian Gavin, as employees of Degerstrom, provided services under the Operating Agreement (See "Description of the Business") which services were invoiced to us under the Operating Agreement.

(2) During the 2004 fiscal year, the following benefits were provided to Mr. Ambrose:

401K Match                      \$ 4,369

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Medical Insurance \$10,716

(3) During the 2004 fiscal year, the following benefits were provided to Mr. Gavin:

401K Match                   \$ 4,369  
Medical Insurance \$11,013

### Stock Options Granted in 2004

The following table sets forth certain information concerning individual stock options granted to the Named Executives during the year ended December 31, 2004.

#### Option Grants in the Last Fiscal Year

Executive	Number of Securities Underlying Options Granted	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise Price (Cdn\$/Share)
Allen Ambrose	370,000	22.4%	\$0.55
Brian Gavin	370,000	22.4%	\$0.55

### Aggregated Option Exercises

The following table sets forth certain information concerning the number of shares covered by both exercisable and unexercisable stock options as of December 31, 2004. Also reported are values of "in-the-money" options that represent the positive spread between the respective exercise prices of outstanding stock options and the fair market value of our Common Shares as of December 31, 2004.

#### Fiscal Year-End Option Values

Executive	Shares Acquired on Exercise	Value Realized	Number of Shares Underlying Options at Fiscal Year End	Unexercisable	Value of In-the-Money Year End Exercisable
Allen Ambrose	0	\$0	1,140,000	0	\$213,094
Brian Gavin	0	\$0	1,140,000	0	\$213,094

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### Notes:

(1) There were 1,140,000 stock options for each Named Executive that were in-the-money as of December 31, 2004. On December 31, 2004 the closing

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price of the Common Shares on TSX-V was Cdn\$0.70.

- (2) The currency exchange rate applied in calculating the value of unexercised in-the-money options was the late New York trading rate of exchange for December 31, 2004 as reported by the Wall Street Journal for conversion of United States dollars into Canadian dollars was U.S.\$1.00 = Cdn\$1.1995 or Cdn\$1.00 = U.S.\$0.8337.

### Stock Option Plan

The board of directors adopted a stock option plan (the "Plan") which was approved with amendments by the shareholders of the Company at the Annual and Special Meeting of Shareholders held on June 26, 1996, which was subsequently amended at our Annual and Special Meeting of Shareholders held on June 26, 1998, June 23, 1999 and September 3, 2003. The purpose of the Plan is to afford the persons who provide services to Minera Andes or any of its subsidiaries or affiliates, whether directors, officers or employees of Minera Andes or its subsidiaries or affiliates, an opportunity to obtain a proprietary interest in Minera Andes by permitting them to purchase Common Shares and to aid in attracting, as well as retaining and encouraging the continued involvement of such persons with us. Under the terms of the Plan, the board of directors has full authority to administer the Plan in accordance with the terms of the Plan and at any time amend or revise the terms of the Plan provided, however, that no amendment or revision shall alter the terms of options already granted. The aggregate number of shares to be delivered upon exercise of all options granted under the Plan shall not exceed 20% of the issued and outstanding Common Shares up to a maximum of 6,000,000 shares. No participant may be granted an option under the Plan which exceeds the number of shares permitted to be granted pursuant to rules or policies of any stock exchange on which the Common Shares is then listed.

Under the Plan, the exercise price of the shares covered by each option shall be determined by the directors and shall be not less than the closing price of our Common Shares on the stock exchange or stock exchanges on which the shares are listed on the last trading day immediately preceding the day on which the stock exchange is notified of the proposed issuance of option, less any discounts permitted by the policy or policies of such stock exchange or stock exchanges. If an option is granted within six months of a public distribution of our Common Shares by way of prospectus, then the minimum exercise price of such option shall, if the policy of such stock exchange or stock exchanges requires, be the greater of the price determined pursuant to the provisions of the Plan and the price per share paid by the investing public for our Common Shares acquired by the public during such public distribution, determined in accordance with the policy of such stock exchange or stock exchanges. Options granted under the Plan will not be transferable and, if they are not exercised, will expire one (1) year following the date the optionee ceases to be director, officer, employee or consultant of Minera Andes by reason of death, or ninety (90) days after ceasing to be a director, officer, employee or consultant of Minera Andes for any reason other than death.

At December 31, 2004, 309,000 options were available for grant under the Plan.

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### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding the beneficial ownership, as of March 31, 2005, of the Common Shares by (i) each person known

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by us to own beneficially more than 5% of the Common Shares, (ii) each director of Minera Andes, (iii) the Named Executive Officers (iv) all directors and executive officers as a group. Except as otherwise noted, we believe the persons listed below have sole investment and voting power with respect to the Common Shares owned by them.

Shares Named Executive Officers and Directors -----	Beneficially Owned (1) -----	Percentage of Common Shares (1) -----
Allen Ambrose 111 E. Magnesium Road Spokane, WA 99208	1,257,200 (2)	1.38
John Johnson Crabb 111 E. Magnesium Road Spokane, WA 99208	245,000 (3)	0.27
Gary A. Craig 3303 N. Sullivan Road Spokane, WA 99216	215,000 (4)	0.24
A.D. (Darryl) Drummond 111 E. Magnesium Road Spokane, WA 99208	225,000 (5)	0.25
Brian Gavin 111 E. Magnesium Road Spokane, WA 99208	1,260,400 (2)	1.38
Bonnie L. Kuhn 111 E. Magnesium Road Spokane, WA 99208	349,500 (6)	0.39
5% or Greater Shareholders Neal A. and Joan L. Degerstrom 3303 North Sullivan Road Spokane, WA 99216	5,445,000 (7)	6.04
Libra Fund LP 604 Third Ave, 4th Floor New York, NY 10022	3,112,819 (8)	5.63
Passport Management, LLC 402 Jackson Street San Francisco, CA 94111	4,958,300 (9)	8.50
Proton Global Ltd 19 Camp Road, Wimbledon United Kingdom, SW19 H4W	3,345,784 (10)	6.93
Sprott Asset Management Inc. Royal Bank Plaza, South Tower Suite 2700 Toronto, ON M5J 2J1	5,767,100 (11)	8.41
All directors and executive officers as a group (6 persons)	3,552,100 (12)	3.81

Notes:

- (1) Shares which the person or group has the right to acquire within 60 days after March 31, 2005 are deemed to be outstanding in determining the beneficial ownership of the person or group and in calculating the percentage ownership of the person or group, but are not deemed to be outstanding as to any other person or group. Percentage ownership has been calculated based on a total of 90,079,504 shares outstanding.
- (2) Includes stock options entitling the holder to acquire 100,000 shares upon payment of Cdn\$0.16, 160,000 shares upon payment of Cdn\$0.40, 150,000 shares upon payment of Cdn\$0.31, 360,000 shares upon payment of Cdn\$0.59, and 370,000 shares upon payment of Cdn\$0.55.
- (3) Includes stock options entitling the holder to acquire 60,000 shares upon payment of Cdn\$0.40, 40,000 shares upon payment of Cdn\$0.31, 75,000 shares upon payment of Cdn\$0.59, and 40,000 shares upon payment of Cdn\$0.55.
- (4) Includes stock options entitling the holder to acquire 60,000 shares upon payment of Cdn\$0.40, 40,000 shares upon payment of Cdn\$0.31, 75,000 shares upon payment of Cdn\$0.59, and 40,000 shares upon payment of Cdn\$0.55.
- (5) Includes stock options entitling the holder to acquire 75,000 shares upon payment of Cdn\$0.59 and 50,000 shares upon payment of Cdn\$0.55.
- (6) Includes stock options entitling the holder to acquire 8,500 shares upon payment of Cdn\$0.16, 80,000 shares upon payment of Cdn\$0.40, 60,000 shares upon payment of Cdn\$0.31, 120,000 shares upon payment of Cdn\$0.59, and 80,000 shares upon payment of Cdn\$0.55.
- (7) The Common Shares are owned beneficially by Mr. and Mrs. Degerstrom by virtue of their combined majority control of the record owner, N.A. Degerstrom, Inc.
- (8) Libra Fund LP holds 5.63% of our shares (including warrants to acquire 2,071,909 common shares).
- (9) Passport Master Fund, LP, a British Virgin Islands International Limited Partnership holds 5.17% of our shares (including warrants to acquire 1,815,935 common shares), through which Passport Management, LLC, a Delaware Limited Liability Company, exercises investment discretion and voting authority in respect to the shares. In addition, Passport Master Fund II, LP owns 3.47% of our shares (including warrants to acquire 1,134,065 common shares) through which Passport Management, LLC exercises investment discretion and voting authority in respect the shares. Passport Management, LLC disclaims beneficial ownership of all such shares.
- (10) Proton Global Ltd holds 6.93% of our shares (including warrants to acquire 3,116,682 common shares).
- (11) Sprott Gold and Precious Minerals Fund holds 6.82% of our shares (including warrants to acquire 1,479,300 common shares) through which Sprott Asset Management Inc. exercises investment discretion and voting authority in

respect to the shares. In addition, Sprott Strategic Offshore Gold Fund Ltd. holds 1.66% of our shares (including warrants to acquire 500,000 common shares) through which Sprott Asset Management Inc. exercises investment discretion and voting authority in respect to the shares.

- (12) Includes stock options to acquire 208,500 shares upon payment of Cdn\$0.16, 520,000 shares upon payment of Cdn\$0.40, 440,000 shares upon payment of Cdn\$0.31, 1,065,000 shares upon payment of Cdn\$0.59 and 950,000 shares upon payment of Cdn\$0.55.

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ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 2004 and 2003, we incurred the following transactions with related parties: financial consulting to a director totaling \$0 and \$1,120; geological consulting to a director totaling \$0 and \$3,613, and legal fees to a firm in which Bonnie L. Kuhn, a director and officer of Minera Andes, is an associate, totaling \$81,412 and \$112,019, respectively. The above noted transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

ITEM 13. EXHIBITS

The Exhibits as indexed on pages 83 through 85 of this report are included as part of this Form 10-KSB.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

- a. Audit Fees  
The fees billed for each of the fiscal years ended December 31, 2004 and December 31, 2003 for professional services rendered by BDO Dunwoody LLP for the audit of our annual financial statements and review of financial statements included in our quarterly reports on Form 10-QSB or services that are normally provided by BDO Dunwoody in connection with statutory and regulatory filings or engagements for each of those fiscal years were \$35,500 and \$18,521, respectively.
- b. Audit Related Fees  
There were no other audit related fees in fiscal 2003 or 2004.
- c. Tax Fees  
Aggregate fees billed by BDO Dunwoody for tax compliance, tax advice and tax planning for each of the fiscal years ended December 31, 2004 and December 31, 2003 were \$2,025 and \$2,134, respectively. These fees include fees relating to the reviews of tax returns, tax consulting and planning.
- d. All Other Fees  
Fees billed by BDO Dunwoody products or services, other than those services covered in Item 14(a) and (b) were \$4,880 and \$0 for the fiscal years ended December 31, 2004 and December 31, 2003. These fees relate to Private Placement due diligence.

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- e. **Audit Committee Approval of Audit and Non-Audit Services**  
In 2004, the Audit Committee pre-approved the use of BDO Dunwoody for specific tax-related services. The Audit Committee set a specific annual limit on the amount of such tax-related services we obtained from BDO Dunwoody, and required management to report the specific engagements to the Audit Committee. All other non-audit services other than the pre-approved services set forth above and any services that exceed the annual limits set forth in the policy must be pre-approved by the Audit Committee.

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### INDEX TO EXHIBITS

Exhibit Number -----	Description -----
2.1	Asset and Share Acquisition Agreement between MASA, NADSA, Minera Andes Degerstrom, Brian Gavin, Jorge Vargas, and Enrique Rufino Marzari Elizalde, dated March 8, 1995, as amended on April 19, 1996 (incorporated by reference to Exhibit 2.1 to Minera Andes' Registration Statement on Form 10-SB, Commission File No. 000-22731 (the "Form 10-SB")).
2.2	Arrangement between Minera Andes and Scotia Prime Minerals, Inc. (incorporated by reference to Exhibit 2.2 to the Form 10-SB).
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Form 10-SB).
3.2	Bylaws (incorporated by reference to Exhibit 3.2 to the Form 10-SB).
10.1	Conveyance Agreement between NADSA and N.A. Degerstrom, Inc., dated July 1, 1994 (incorporated by reference to Exhibit 10.1 to the Form 10-SB).
10.2	Conveyance Agreement between NADSA and N.A. Degerstrom, Inc., dated July 1, 1994 (incorporated by reference to Exhibit 10.2 to the Form 10-SB).
10.3	Operating Agreement between Minera Andes and N.A. Degerstrom, Inc. dated March 15, 1995 (incorporated by reference to Exhibit 10.3 to the Form 10-SB).
10.4	Share Option Agreement between Minera Andes and Jorge Vargas, dated March 15, 1995 (incorporated by the reference to Exhibit 10.4 to the Form 10-SB).
10.5	Share Option Agreement between Minera Andes and Enrique Rufino Marzari Elizalde, dated March 15, 1995 (incorporated by reference to Exhibit 10.5 to the Form 10-SB).

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- 10.6 Special Warrant Indenture between Minera Andes and Montreal Trust Company of Canada, dated December 13, 1996 (incorporated by reference to Exhibit 10.18 to the Form 10-SB).
- 10.7 Purchase Warrant Indenture between Minera Andes and Montreal Trust Company of Canada, dated December 13, 1996 (incorporated by reference to Exhibit 10.19 to the Form 10-SB).
- 10.8 Agreement dated April 30, 1996 between Minera Andes and Waiata Resources for the provision of financial advisory services (incorporated by reference to Exhibit 10.20 to the Form 10-SB).
- 10.9 Amended Stock Option Plan, dated June 26, 1996, as amended June 26, 1998, as amended June 23, 2000 (incorporated by reference to Exhibit 10.15 to the Form 10-KSB for the fiscal year ended December 31, 2000).

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- 10.10 Purchase and Sales Agreement (Chubut cateos, Mina Leon I, Mina Leon II and Leleque) dated August 28, 2000 between Minera Andes S.A. and Cordon Leleque S.A. (incorporated by reference to Exhibit 10.17 to the Form 10-KSB for the fiscal year ended December 31, 2000).
- 10.11 Purchase and Sales Agreement (Chubut cateos, Willimanco) dated August 28, 2000 between Minera Andes S.A. and Minera El Desquite S.A. (incorporated by reference to Exhibit 10.18 to the Form 10-KSB for the fiscal year ended December 31, 2000).
- 10.12 Option and Joint Venture Agreement (El Pluma/Cerro Saavedra properties, now referred to as San Jose) between Minera Andes and Mauricio Hochschild & Cia. Ltda. dated March 15, 2001 (incorporated by reference to Exhibit 10.19 to the Form 10-KSB for the fiscal year ended December 31, 2000).
- 10.13 Amendment to the Option and Joint Venture Agreement (El Pluma/Cerro Saavedra properties, now referred to as San Jose) between Minera Andes and Mauricio Hochschild & Cia. Ltda. of March 15, 2001 dated May 14, 2002 (incorporated by reference to Exhibit 10.20 to the third quarter 2002 10-QSB).
- 10.14 Second Amendment to the Option and Joint Venture Agreement (El Pluma/Cerro Saavedra properties, now referred to as San Jose) between Minera Andes and Mauricio Hochschild & Cia. Ltda. of March 15, 2001 dated August 27, 2002 (incorporated by reference to Exhibit 10.21 to the third quarter 2002 10-QSB).
- 10.15 Key Executive Employment Contract between Allen Ambrose and Minera Andes, effective January 1, 2003 (incorporated by reference to Exhibit 10.15 to the Form 10-KSB for the fiscal year ended December 31, 2002).
- 10.16 Key Executive Employment Contract between Brian Gavin and Minera Andes, effective January 1, 2003 (incorporated by reference to Exhibit 10.15 to the Form 10-KSB for the fiscal year ended December 31, 2002).
- 10.17 Amendment to Key Executive Employment Contract between Allen



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Ambrose and Minera Andes (incorporated by reference to Exhibit 10.1 to the third quarter 2003 10-QSB).

- 10.18 Amendment to Key Executive Employment Contract between Brian Gavin and Minera Andes (incorporated by reference to Exhibit 10.1 to the third quarter 2003 10-QSB).
- 10.19 Amended Stock Option Plan dated September 3, 2003 (incorporated by reference to Exhibit 10.1 to the third quarter 2003 10-QSB).
- 10.20 Settlement Agreement dated December 2, 2003 between Minera Andes Inc. and N.A. Degerstrom, Inc. (incorporated by reference to Exhibit 10.20 to the Form 10-KSB for the fiscal year ended December 31, 2003).
- 10.21 Macquarie Bank Limited Credit Agreement dated December 10, 2004.\*
- 21.1 List of subsidiaries.\*
- 23.1 Consent of BDO Dunwoody LLP.\*
- 31.1 Certification of President (Principal Executive Officer) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*

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- 31.2 Certification of Chief Financial Officer (Principal Financial Officer) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- 32.1 Certification of President pursuant to 18 U.S.C. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*

\* Exhibits filed herewith

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### SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MINERA ANDES INC.  
Registrant

By: /s/ Allen V. Ambrose

-----  
Allen V. Ambrose, President

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Date: April 29, 2005  
-----

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: April 29, 2005  
-----

By: /s/ Allen V. Ambrose  
-----

Allen V. Ambrose, Director  
and Principal Executive  
Officer

Date: April 29, 2005  
-----

By: /s/ John Johnson Crabb  
-----

John Johnson (Jack) Crabb,  
Director

Date: April 29, 2005  
-----

By: /s/ Gary A. Craig  
-----

Gary A. Craig, Director

Date: April 29, 2005  
-----

By: /s/ A.D. Drummond  
-----

A.D. (Darryl) Drummond,  
Director

Date: April 29, 2005  
-----

By: /s/ Bonnie L. Kuhn  
-----

Bonnie L. Kuhn, Director  
and Principal Accounting  
and Financial Officer